

VALUE OF THE NOT-FOR-PROFIT SECTOR **2017**

An Examination of the Economic
Contribution of the Not-for-profit
Human Services Sector in the
Northern Territory

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Unfortunately, due to space constraints we were required to edit these contributions. The full cases are available from NTCOSS.

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NT Friendship and Support Incorporated

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A snap-shot of the NT NFP sector

The Northern Territory's Not-for-profit (NFP) sector is a large and important part of the Northern Territory (NT) economy. It provides services that improve the lives of many Northern Territorians. NFPs range from small to very large and complex organisations.

Charities are a subset of the NFP sector. The Australian Charities and Not-for-profits Commission (ACNC) data shows that there are over 450 charities with their head office in NT. This data set is the basis of this report.

There is no detailed data on NFP organisations that are not charities. However, based on data from the Australian Bureau of Statistics (ABS) it is estimated that there are at least a further 550 additional economically significant NFP organisations in NT. As such, the data in this report underestimates the economic and social contribution of the sector. Further, 1,596 associations are currently registered under the relevant associations legislation in the NT.

NT's charities:

- employ approximately 7,600 full and part time staff or 8% of the NT workforce (This compares to: manufacturing at 3,940 (4%), agriculture, forestry and fishing at 1,871 (2%), and mining at 2,660 (3%) of NT's workforce);
- have an estimated \$914m in net assets, equivalent to 9% of the NT Government's net assets (reported as \$9.8bn);
- recorded total annual revenue of \$952m and expenditure of \$860m. In comparison, total mining income from NT were \$3.0bn and sales from agricultural production were \$580m;
- generated over half (51%) of their income from operations and donations (i.e. sources other than governments) and just under half (49%) from government contracts and grants; and,
- paid employee expenses of approximately \$417m (48% of expenditure), which is fed back into the NT economy.

Nationally, the NFP sector has been expanding faster than the Australian economy, growing approximately 3.2% per annum against Gross Domestic Product (GDP) growth of 2.9%. In NT, the Gross State Product (GSP) grew by 2.7% in 2015/16.

NT Charities (2015 data) ¹	
Total number of charities	450
Net assets	\$914m
Total income	\$952m
Main source of income	Operations and donations: 51%
Total expenditure	\$860m
Total employee expenses	\$417m (48% of total expenditure)
Total number of employees	7,600 ²
Top three main activities	Economic, social and community development (n=94); Religious activities (n=84); Culture and arts (n=45)
Top three beneficiary groups	Aboriginal and Torres Strait Islanders (n=335); Women (n=247), Men (n=238)

¹ ACNC 2015 Annual Information Statement Data. Available from data.gov.au. Accessed 24 August 2017.

² This is the total of full time and part time staff only. Charities report also employing 2,626 casual staff.

However, inconsistency of definition and reporting means that those casual staff cannot be reported in this report.

³ Northern Territory Government, 2015-16 Treasurer's Annual Financial Report, Sept 2016.

Industry Response

NTCOSS has long recognised the significant economic and social benefits that the Not-for-profit sector contributes to the Northern Territory.

Not-for-profit organisations in the Northern Territory operate in our major centres, our rural towns and some of the most remote regions in Australia providing valuable services that target disadvantage and vulnerability while actively contributing to local economies.

What we inherently know is that Not-for-profit organisations play a major role in building and maintaining community cohesion, providing opportunities for engagement, volunteering and relationship building.

Information about their real impact on the Northern Territory economy is not clearly understood.

While there is a considerable amount of information relating to the Not-for-profit sector within government programs and within the sector itself, to date there has been no single report that has drawn that information together and attempted to quantify the worth of the sector to the economy.

Delivery of this report has been challenging due to the lack of accessible information with the majority of data being sourced from the Australian Charities and Not-for-profit Commission (ACNC), which while extremely valuable, does not tell the full story.

However, the gathering of additional information through a local survey, interviews with organisations who provided snapshots for the report and the committed efforts of members of the project reference group in sourcing additional information from the Northern Territory government has contributed to finalisation of this report.

Despite its obvious gaps, the report provides the reader with an understanding of the valuable contribution made by Not-for-profit organisations.

Key areas of interest include:

- 68% of organisations are categorised as small to medium, with 51% with an income less than \$250,000 per year
- employment of 7,600 people (not including casuals) which is more than the manufacturing and mining sectors combined
- employees generally spend within the NT economy and often within the local geographic area in which the organisation operates; and,
- 69% of organisations are supported by volunteer workers

Despite its limitations the report provides a very solid foundation for future reports of its kind which should be undertaken every two years with the view to sourcing and incorporating more information while tracking the value of the sector over defined time periods.

This approach will provide invaluable information for government and the sector, including but not restricted to, social policy development, identification of gaps in the provision of services across the Northern Territory and strengthening partnerships within the sector and with government agencies.

In addition, we anticipate that this report, and subsequent iterations, will place the Not-for-profit sector within the purview of the Northern Territory Government in any future strategies that aim to stimulate local economies.

NTCOSS acknowledges the financial support of the Department of Trade, Business and Innovation, which has assisted in the development of this report. NTCOSS also thanks Professor David Gilchrist from the University of Western Australia for his work in compiling and delivering our very first Value of the Not-for-profit Sector report.

Wendy Morton
NTCOSS Executive Director

Aim of This Report & Data Sources

The aim of this report is to provide a first summary of the available data on charities with their head office located in the Northern Territory (NT) and to place the sector in context within the NT economy.

It aims to provide sector leaders, government policy makers and donors with information to support their decision-making, and to encourage the use and further development of data on the sector.

The data

The main source of data for this report is the Australian Charities and Not-for-profits Commission 2015 Annual Information Statement data.

The Australian Charities and Not-for-profits Commission (ACNC) advised the data from the 2015/16 financial year will be published in early December 2017.

Information was also obtained from a number of other sources, including the Australian Bureau of Statistics and other research reports.

Finally, NTCOSS also ran a survey focusing on the sustainability of the Territory's NFP Sector. The results of this survey have been reviewed by NTCOSS and some elements considered relevant are included herein.

For further information on data sources and accuracy, please see Appendix 1.

There is little data on NFPs that are not charities.

Unincorporated Associations are not required to be registered with any State/Territory or Commonwealth body unless they are charities, and therefore we do not know how many of these bodies exist in NT.

In the NT, the Associations Act now governs the incorporation, management and reporting requirements of associations.

This legislation sets requirements for the lodgement of audited financial reports with the department, for the financial reports themselves, and provides stipulations in relation to who can be a committee member and what the committee must do.

Interestingly, the legislation also establishes differing reporting requirements according to the size of the organisation by turn over, net assets or by reference to particular licences that the association may hold. These tiers are not commensurate with those of the ACNC, which sets the reporting and governance requirements of registered charities, which may also be associations incorporated under the NT Associations Act.

Currently, there are 1,596 registered associations in the Northern Territory incorporated under the Northern Territory Associations Act.

Our understanding of the charities sector can also be limited by inconsistencies in classification.

Analysis of the ACNC data shows that when NFPs self-select their activity types, identical organisations will select different categories. For example, some faith-based entities identified their main activity as "Religious", whereas others selected "Primary and Secondary education", "Aged care" or "Community services".

Clearly, a Data Management Plan would assist in identifying the size, nature and extent of the sector in the Northern Territory.

Table 1 provides a listing of the standard activities as recognised by the International Classification of Non-profit Organisations and the ACNC activity categories.

Key Findings & Discussion

This is the first report on Northern Territory's Not-for-profit (NFP) sector.

The most recent data available from the Australian Charities and Not-for-profits Commission (ACNC) shows that there are more than 450 charities in the Northern Territory (NT).

Based on Australian Bureau of Statistics (ABS) data, it is estimated that there are approximately 550 additional economically significant NFPs with their head office in the territory. There are also many more interstate-based NFPs operating in NT.

While there is no detailed information on the whole NFP sector, the ACNC data provides our first, accurate information on the sub-set of NFPs that are registered charities.

The charity sector makes a large and important contribution to the NT economy.

The NT's charities alone have combined net assets of more than \$914m and an annual income of over \$952m.

They also employ more than 7,600 people, or 8% of the NT workforce—almost as many people as the manufacturing, mining and agriculture sectors put together and considerably more than many other sectors of NT's economy. It is, therefore, one of the most important components of the NT economy.

What is a Not-for-profit and can it make a profit?

NFPs are organisations established to pursue a purpose and for which members do not enjoy a pecuniary benefit. However, they must make a profit if they are to be sustainable.

The key difference between a NFP and For-profit entity is that the profit generated by NFPs must be retained within the organisation to support the beneficiaries or purpose, rather than distributed to shareholders or other owners—profits cannot be distributed. Private individuals or members do not participate in profits or the distribution of assets. *Charities are a sub-set of NFPs. All charities are NFPs but not all NFPs are charities.*

See Appendix 2 for further information.

Similar to the For-profit sector, the NFP sector consists of a large number of small organisations and a very small number of large organisations. It is the large NFPs that account for the majority of sector assets, income and employment.

Indeed, the NTCOSS survey found that 7% of respondents turned over more than \$20m while 26% of respondents turned over less than \$250,000. In the NT, 5% of charities (24) are classified as very large (annual income of over \$10m). These very large charities account for \$502m, or 54% of total income; and 2,858 employees, or 38% of employment in the sector.

These largest organisations predominantly comprise of education and training organisations, healthcare-related organisations, land councils, and development corporations. They include the Menzies School of Health Research, Northern Land Council and CatholicCare.

At the other end of the scale, there are hundreds of small charities, with incomes of less than \$250,000 per year, often run entirely by volunteers. Although small, these organisations provide a wide range of essential services, such as volunteer fire and rescue, childcare and fundraising.

They also have an essential and irreplaceable role in building and maintaining community cohesion, providing opportunities for engagement, volunteering and relationship building. Their impact is felt socially as well as economically.

Some charities, such as the Royal Flying Doctor Service, the St Vincent de Paul Society and St John Ambulance are iconic Australian brands. Others, such as local churches or synagogues, and the local football and lawn bowls clubs, are essential to community cohesion, people's quality of life and even individual mental health. This is a unique aspect of NFPs—public sector and For-profit organisations do not generate the same level of passion and goodwill.

⁴ Australian Charities and Not-for-profits Commission 2014 Annual Information Statement data. Sourced from data.gov.au 24 October 2016.

Key Findings & Discussion contd...

Charities deliver some of the most essential and complex services to the most disadvantaged in our community, but their services in fact reach a very wide cross-section of the population.

Most Northern Territorians will be users of services delivered by charities at some point in their life, such as when they attend school or university, take their children to child care, are admitted to hospital or when they receive aged care services, for either themselves or relatives.

When the broader NFP sector is included, it is likely that almost every Northern Territorian receives services from a NFP every week, and in many cases are unaware that they are doing so.

Charities are major providers of cost-effective services to governments

Governments have long recognised the strength and capacity of the NFP sector to deliver a wide range of government funded services. In 2014/15, Territory, Commonwealth and local government contracts and grants to NT charities totalled approximately \$467m.

NFPs have unique experience in achieving outcomes in complex human services areas

NFPs and charities are also efficient suppliers of service - for every dollar of funding provided by governments, NT charities generate just over a dollar of their own income. In this way government is able to leverage its procurement programs.

In addition, unlike For-profit organisations, NFPs:

- are not required to return income to shareholders/owners/ beneficiaries, retaining profits for reinvestment;
- receive donations of assets and other resources, further leveraging government procurement;
- supplement their workforce with volunteers; and
- are more likely to operate in low- or no-margin sectors and have long planning horizons due to the fact that NFPs are obligated to pursue their mission.

NFPs also have a unique capacity to mobilise assets and volunteers in times of crisis (such as a natural disaster), providing services that would otherwise be much more expensive for governments to provide. Their standing in the community means that people donate directly to them when resources are needed to mitigate such crises. As such, governments are increasingly seeing the NFP sector as a source of efficient, effective and flexible service delivery within a fit-for-purpose governance framework.

Looking ahead: recognising and building the NT NFP sector

The \$914m of net assets owned by the charity sector were built through the efforts and donations of past and current generations of Northern Territorians with the support of the NT Government and others. These assets represent a large and valuable resource for building the future of all Northern Territorians and cannot easily be replaced.

The NT Government has an important and unique role to play in this, both as the main buyer of services from NFPs and in implementing policy that supports the development of the sector.

For many NFPs, the NT Government is the main or only buyer of services. Therefore, what it buys directly affects the structure and viability of individual organisations, and ultimately its overall portfolio of suppliers. From a government's perspective, it needs a pool of providers that are strong, dynamic, competitive and efficient. If there are too many or too few, supply will be inefficient and create risks to government.

Therefore, taking an active and strategic approach to developing the NFP sector is beneficial to all stakeholders. Among other things, this means valuing the contributions of small NFPs, in the same way we value the contributions of small businesses.

Key Findings & Discussion contd...

In addition to fulfilling its duties as the dominant buyer, the NT government plays a critical role in the creation of policy. In this way it supports the development of civil society and fosters an efficient and effective NFP sector.

The benefits of a thriving NFP sector that encourage and support self-sufficiency in local communities should be broadly appreciated.

Government/NFP nexus: building capacity and sustainability.

To reduce risk faced by service users, risk to government policy and the public purse, and to reduce red tape, the NT Government has developed guidelines for managing the funding of non-government organisations.⁵

The guidelines are intended to encourage a productive working relationship between the government and the sector by providing advice regarding that interaction, encouraging clear and consistent funding practices, and by reducing administrative burden.

Anecdotally, it appears there is some way to go in relation to fully implement these guidelines. For instance, some contract negotiations between government departments and NFPs have been reported to be too lengthy and remain unresolved until too close to the end of the current contract. This uncertainty impacts on the capacity of NFPs to plan and can cause unnecessary staff turnover increasing the risk faced by service users. We consider that using data in a broader government-wide analysis of the government/ NFP nexus might highlight these issues so that they can be addressed. Further, the development of an industry plan, building on such data, would help to nurture and build strength in this important sector in an efficient and effective manner.

NT Government Business Development

The NT Government leverages the capacity of its business development professionals in the Department of Trade, Business and Innovation to assist NFPs with information, funding and development services to enhance the governance, sustainability and employment levels of these important organisations.

The Department is also working with the sector during one of the most complex and significant social reform policies developed in Australia—the National Disability Insurance Scheme (NDIS).

The NDIS Business Readiness Program is designed specifically to assist service providers to increase their readiness to be able to provide services sustainably within the NDIS.

In this way, the NT Government recognises the important role NFP services play in the NT economy.

⁵ Northern Territory Government, (2015), Good Practice Guidelines for Funding Non-Government Organisations, Darwin, Australia.

Key Findings & Discussion contd...

Our knowledge of NFPs and the environment they work in is limited.

There are significant gaps in our knowledge of the sector in key areas. For example, there is little information on the many incorporated associations that provide key social and community services, including those that are contracting with government.

It is clear that one of the easiest and most cost-effective first steps towards supporting the future of the sector and improving government procurement, is to better collect and use existing data on the sector.

The NT Government is currently implementing a project with the object of enhancing its understanding of the government / NFP nexus and increasing transparency as well as building a data asset for better strategic planning.

The NT Government's "GrantsNT" project is intended to provide a whole-of-government grants management system which will streamline processes for government and NFPs.

We consider that this is an important step in increasing the prospects for implementing evidence-based policy.

However, we also consider that, combining administrative and procurement data with other information sources, such as the ACNC's records, would be an important first step towards better recognition and support of the sector. It would also help dispel many of the pervasive assumptions about the sector, which are often also held by the sector itself.

We believe that the development of a NT Government-wide data strategy would positively impact government's policy interests, the NFP sector's sustainability and reduce risk faced by those accessing services—often the most vulnerable people living in the NT.

Indeed, we consider that a data strategy, combined with the current GrantsNT project would:

- provide the shared information and help develop the expertise critical to government achieving its own procurement objectives;
- assist in developing an understanding of the Sector and its contribution, allowing philanthropists, government and the Sector itself to reset their understanding of the 'business' of modern NFPs;
- help to build more equitable relationships and encourage more mature conversations around things such as the comprehensive cost of services and the need for NFPs (like all other non-government organisations) to make a profit in order to remain viable and sustainable; and,
- assist NFP leaders to appreciate where their organisations may not be as efficient as they could or should be.

Key Findings & Discussion contd...

Next steps

The aim of this report is to provide information on the NT NFP sector to support decision making by sector leaders and executives, government, peak bodies, policy makers, donors, researchers and others.

However, based on our research and analysis we make one recommendation:

That the NT Government develop a Data Management Plan that will incorporate the opportunity inherent in the GrantsNT project and:

- support its procurement functions;
- increase the transparency of government contracting with the sector;
- monitor the health and development of the sector;
- support the creation of an industry plan or similar guiding document; and,
- build its knowledge of the sector to support better policy development and evaluation.

Investment in a Data Management Plan would likely achieve a strong return on investment through improved government procurement alone. It would also allow for data already collected to be fully leveraged, thus reducing red tape.

Such an holistic system will face some hurdles relating to system design, investment requirements (in relation to data collection as well as analysis and storage).

However, there is an increasing opportunity for governments to access data that is not generated by them and which leverages other agencies' data collection processes (such as the ACNC database which is open access).

There is an increasing need to utilise data sharing arrangements between governments, to minimise data collection costs to the NFP sector and to government, and to develop a long term data management plan which identifies what government and others need to know and why so that the collection of data is predicated on its expected utility.

Importantly, poor data needs planning, is inefficient, ineffective and frustrates sound strategic planning measures that might otherwise be undertaken.

Impact of poor data management

Data is critical in order to be able to develop evidence-based policy. It is also critical in order to assess impact of a policy and determine its efficacy.

However, data collection costs resources—in time and money—and so there is always a tension between the need for information and the cost of collecting it, for the collector and the provider.

If data is not managed for efficiency, data needs are not planned well and increased costs (as well as a loss of goodwill) are incurred.

The following are quotes from NTCOSS survey respondents which demonstrate this principle:

'We are not resourced to be able to meet these constant demands. We need to employ another person just to manage the provision of information, completion of surveys and attending consultations.'

'There are so many government consultations and you are really afraid not to attend in case you miss something, but many of them are not really consultations in the true sense of the word.'

'Our staff are really stretched. We feel like we are being sucked dry by constant demands from government agencies for more and more information.'

Key Findings & Discussion contd...

GrantsNT – Data is the key to evidence-based policy and practice

Government's policy objectives include the provision of supports and services that improve the lives of many of the Territory's most vulnerable people. Often, these services are delivered by a highly competent Not-for-profit human services sector which has access to significant levels of government investment.

As such, the relationship between the Northern Territory Government and the Not-for-profit Human Services Sector is an important one. Indeed, the maintenance of our knowledge of that sector and the strategic management of this critical relationship requires the creation of a management system and data asset that will facilitate and support the development of the sector itself and provide a high level of transparency.

The GrantsNT project will deliver a whole of government grant management system for the NTG providing a single online portal for grant applicants to interact with government and to manage their grant activities.

By centralising NTG grants, the project aims to deliver improved reporting, auditing and visibility of grants expenditure across government and allow better targeting of grant funding.

Efficiencies will be delivered for grant recipients via improved search capability to identify grant funding and the ability to create a single online profile for their organisation which will capture details required to populate grant applications, allow management of user access for members of staff and consolidate applications and awarded grants information, including reporting requirements and payment schedules.

The project has now completed initial consultation which included NGO participation in information sessions, face to face interviews and an online requirements validation survey. Ongoing consultation with NGOs is planned throughout development and implementation phases via the establishment of reference groups responsible for:

- Review of system designs and prototypes
- Involvement in user acceptance testing
- Review of online support material

GrantsNT will contribute to future iterations of this report by providing reliable and accurate data about grants funding across the NT.

Key Findings & Discussion contd...

Table 1: International Classification of Non-profit Organisations (ICNPO) and the ACNC activity categories

ICNPO Groups and subgroups ⁶		ACNC Categories
1	Culture and Arts	
	• Culture and art	• Culture and art
	• Sports	• Sports
	• Other recreation and social clubs	• Other recreation and social club activities
2	Education and research	
	• Primary and secondary education	• Primary and secondary education
	• Higher education	• Higher education
	• Other education	• Other education
	• Research	• Research
3	Health	
	• Hospitals and rehabilitation	• Hospital services and rehabilitation activities
	• Nursing homes	• Aged care activities
	• Mental health and crisis intervention	• Mental health and crisis intervention
	• Other health services	• Other health service delivery
4	Social services	
	• Social services	• Social services
	• Emergency and relief	• Emergency and relief
	• Income support and maintenance	• Income support and maintenance
5	Environment	
	• Environmental activities	• Environmental activities
	• Animal protection	• Animal protection
6	Development and housing	
	• Economic, social and community development	• Economic, social and community development
	• Housing	• Housing activities
7	Employment and training	• Employment and training
8	Law, advocacy and politics	
	• Civic and advocacy organisations	• Civic and advocacy activities
	• Law and legal services	• Law and legal services
	• Political organisations	• Political activities
9	Philanthropic, intermediaries and voluntarism promotion	
	• Grant-making Foundations	• Grant-making activities
	• Other philanthropic intermediaries and voluntarism promotion	• Other philanthropic • Philanthropic promotion
10	International	
	• International activities	• International activities
11	Religion	
	• Religious activities	• Religious activities
12	Business and professional associations, unions	Not included
	• Business associations	• Not included
	• Professional associations	• Not included
	• Labour unions	• Not included
13	Not elsewhere classified	Other (free text to describe)

⁶ The International Classification of Non-profit Organisations (ICNPO), Handbook on Non-Profit Institutions in the System of National Accounts.

Charity size, activity and beneficiaries

There are approximately 450 Northern Territory-based charities registered with the Australian Charities and Not-for-profits Commission (ACNC).

There are a further 2,507 charities located in other states that report that they operate in the Northern Territory⁷.

There is no data on the number of Not-for-profits (NFP) that are not charities.

However, it is estimated that there could be as many as 550 'economically significant' NFPs with their head office in the NT.⁸

To put the number of charities into context, the NT has approximately 14,310 registered companies with their head office in the NT.⁹

As such, there is approximately one charity for every 32 registered For-profit entities. This is a slightly higher ratio of charities to registered businesses than in Australia as a whole.¹⁰

The purpose and beneficiaries of a NFP are defined in its foundation document— called the “constitution” by the NT Associations Act.

The ACNC requires charities to report how they pursue their purpose. This data is provided verbatim.

The ACNC also asks charities to report if their purpose will change in the next financial year, and 97% report that their purpose will remain the same.

Charities vary in size - But bigger is not necessarily better

NT Friendship and Support Incorporated

NT Friendship and Support has been operating in Katherine since 1998. It operates its administrative base from Katherine township and employs 5 staff members, 24 carers and utilises the assistance of 4 volunteers.

The organisation provides the following services:

- Out of Home Care
- Host Family Disability Respite
- Community Home Support Program for seniors.

NT Friendship and Support has a broad service reach to remote communities, with many people from those areas utilising the Out of Home Care service and Host Family Disability Respite.

NT Friendship and Support's greatest strength is the relatively small size of the organisation that facilitates quick and appropriate responses to individuals and families requiring services.

However, this factor also compromises the organisation's ability to develop complex funding applications and submissions to government due to the size of its management and administration team.

More information on NT Friendship and Support can be found at www.ntfriendship.org.au

⁷ As it is not possible to determine the extent of NT operations of charities with head offices in other jurisdictions, this report only includes data on the charities with their head office in NT. As such, it under reports the charity operations in the NT.

⁸ Based on data from 5256.0 - Australian National Accounts: Non-Profit Institutions Satellite Account, 2012-13. Economically significant NFPs are those with an income of over \$50,000. Assumes that the distribution of Not-for-profit organisation reflects the distribution of the population.

⁹ ABS. Cat. No. 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015

¹⁰ For example, the ratio of registered businesses to charities is for all of Australia is 46:1.

Charity size, activity & beneficiaries contd...

Charity size

The ACNC Act groups charities into three size categories based on their turnover. As reported in the previous section, these tiers are different to those established by the Northern Territory Associations Act.

Organisations with annual income of less than \$250,000 are classified as small, those with income between \$250,000 and less than \$1m are classified as medium, and charities with income over \$1m are classified as large.

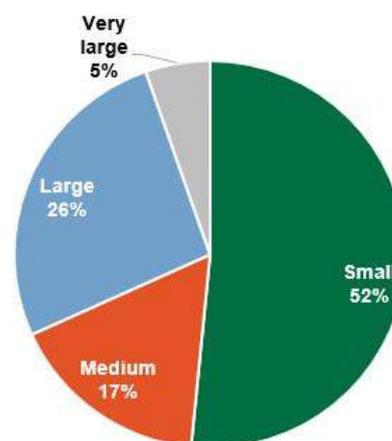
These classifications are used as a basis for differentiating ACNC accounting and reporting requirements.

To provide more detail on the larger organisations, for this report we divided the “large” category into two, to enable the separate examination of charities with income of over \$10m.

The data shows that the majority of the NT’s charities are small. There are:

- 232 charities (52%) reporting an income of less than \$250,000 per year. Of these a significant proportion (103 or 22% of all charities) reported no income and therefore some of these charities may be dormant.
- 75 charities (17%) with an income of between \$250,000 and less than \$1m;
- 119 charities (26%) with an income of between \$1m and \$10m; and,
- 24 very large charities (5%) with an income of over \$10m.¹¹

Figure 1: NT Charities by four size categories (n=451)



What do NT charities do?

The Territory’s charities undertake a very broad range of activities, covering the full spectrum of ICNPO activity types as provided in Figure 1 above.

Over one in five (21%) reported that their main activity is “Economic, social and community development” (e.g. community and neighbourhood organisations; those seeking to improve economic infrastructure, such as roads, water, savings associations and rural development; and organisations seeking to improve institutional infrastructure).

Faith-based organisations have played a relatively important role in building social and community services in NT.

In addition to the 19% of organisations that nominated “Religious” as their main activity, a further 2% nominated “Religious” as an “Other activity”.

¹¹ These size categories are based on the financial data (total gross income) provided, not on charities’ self-selected size category.

Charity size, activity & beneficiaries contd...

In addition to these charities, many large organisations that did not nominate “Religious” as a main or other activity are either currently, or were previously connected with a religious order. This includes many health- or education-related organisations.

The next largest category of charity nominated was “Culture and arts”. One in ten charities (10%) nominated this as their main activity. The distribution of charities by activity type is quite different in the NT compared with the rest of Australia.

As can be seen in Figure 2, “Economic, social and community”, “Culture and arts”, “Environmental” and “Housing” activities are pursued by NT charities in greater concentration than in the national data set.

Conversely, the national data set highlights that there is considerable difference between the proportion of charities in the Australian data set that have nominated “Religious activities” as their main activity as compared to those which have done so in the NT data set.

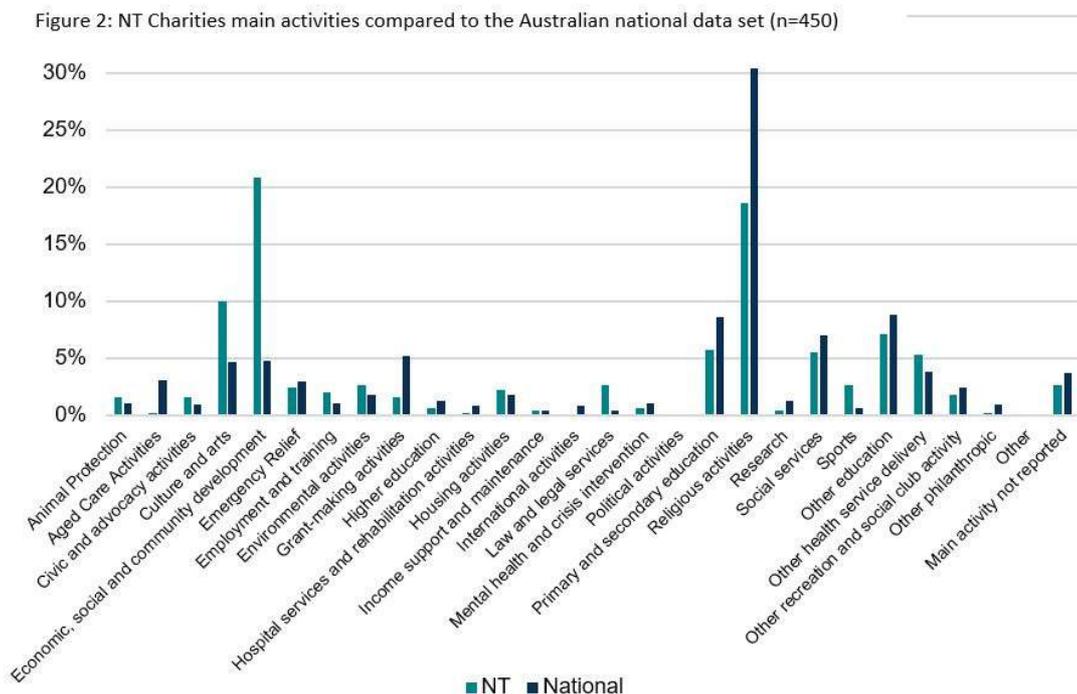
Interestingly, “Grant making” and “Aged care” activities are not nominated by NT charities in the same proportion as those across the national data base.

Education as a main activity is also represented less in the Territory than in the Australian data set, while “Other health service delivery” is somewhat higher than the national statistic as compared with “Hospital services”, which are considerably lower.

Of course, the national data set includes the data relating to the Northern Territory and so the differences between the nominated main activities of Territory-based charities may well be under reported.

Further, the main activities nominated by those charities that have head offices located outside of the NT but which operate within the NT may also skew the data.

Figure 3 shows the main activity types and the other activity types as nominated by charities with head offices in the NT.



Charity size, activity & beneficiaries contd...

The chart also serves to order the reported activities of organisations by main activity and highlights the priority areas identified by charities in their operations in the Territory.

“Economic, social and community activities” were nominated by over one in five organisations as a main activity. This is an important finding as it displaces “Religious activities”, which is the lead main activity nationally. As already reported above, “Culture and the arts” also constitute a significant activity area, with 16% of organisations reporting that this was a main or other activity during the relevant year.

Again, these findings are important and are likely to reflect the cultural priorities of communities served as well as the nature of the operating environment in which charities operate in the Territory.

Four out of five (78%) of charities reported that they undertake activities in addition to their main activity. These charities nominated three additional activity areas on average.

“Other education” was the most frequently nominated additional activity, reported by 24% of charities.

“Social services” was nominated by 18% of organisations as an ‘other activity’, and “Culture and arts”, “Employment and training”, and “Other recreation and social club” activities were each mentioned as an ‘other activity’ by 16% of all organisations.

Overall, it is clear that there is a need for further data, related to this important sector, in order to allow for more specific analysis to take place in order to support better planning and, combined with a data management plan, closer governance of the outcomes achieved.

Table 2: Percentage of other activities selected by charities (n=450)

Number of other activities	Number of charities	% of total
0	99	22%
1	99	22%
2	92	20%
3	47	10%
4	23	5%
5	36	8%
6 or more	54	12%
Total	450	100%

Cultural priorities & geographic challenges

Ngaanyatjarra Pitjantjatjara Yankunytjatjara Women's Council Aboriginal Corporation

NPY Women's Council has been operating in the Northern Territory for 37 years.

NPY Women's Council core purpose is to work with the women and their families of the Ngaanyatjarra Pitjantjatjara Yankunytjatjara region (also known as The Lands) in central Australia to increase their capacity to lead safe and healthy lives with improved life choices.

The organisation employs nearly 200 staff. Staff work within the Lands providing Child Nutrition and Wellbeing Programs, the Walytjapiti Program (Intensive Family Support Service), Youth Programs, Domestic and Family Violence Programs, Tjungu Team (Aged Care, Disability and Respite) Program, Tjanpi Desert Weavers Program, and the Ngangkari Program (Traditional Healers).

The strength of NPY Women's Council is that it recognises and is strongly committed to the fact that kin, country, culture, language and staying on country is essential for the social and emotional wellbeing of Aboriginal people.

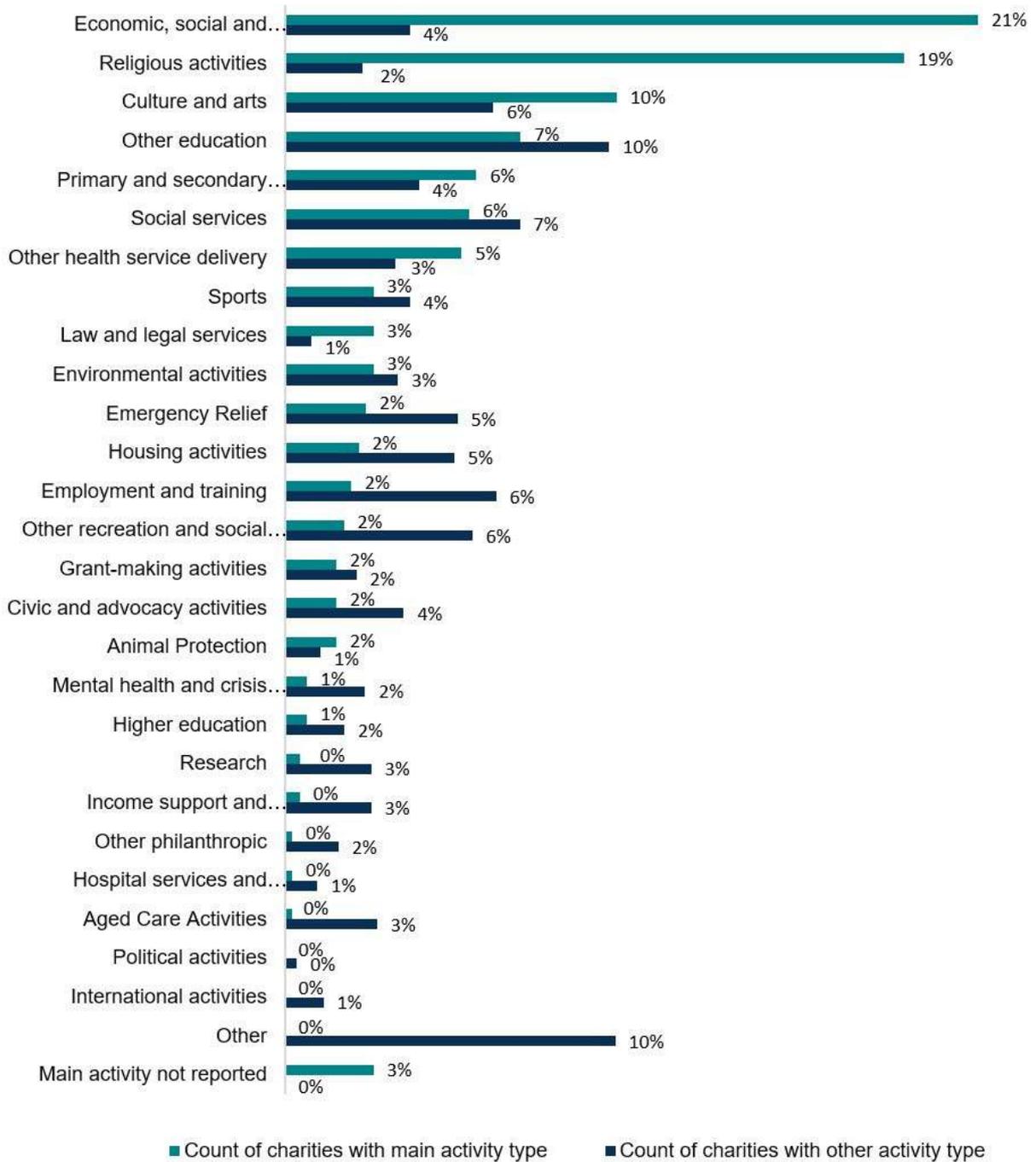
The Tjungu Team has grappled with the many changes that have occurred in the funding of aged and disability programs during the past 3-5 years.

Nationally developed policy initiatives, like the National Disability Insurance Scheme (NDIS) do not address the needs of people living in remote regions of Australia where essential public utilities are limited or do not exist.

More information on NPY Women's Council can be found at www.npywomenscouncil.org.au

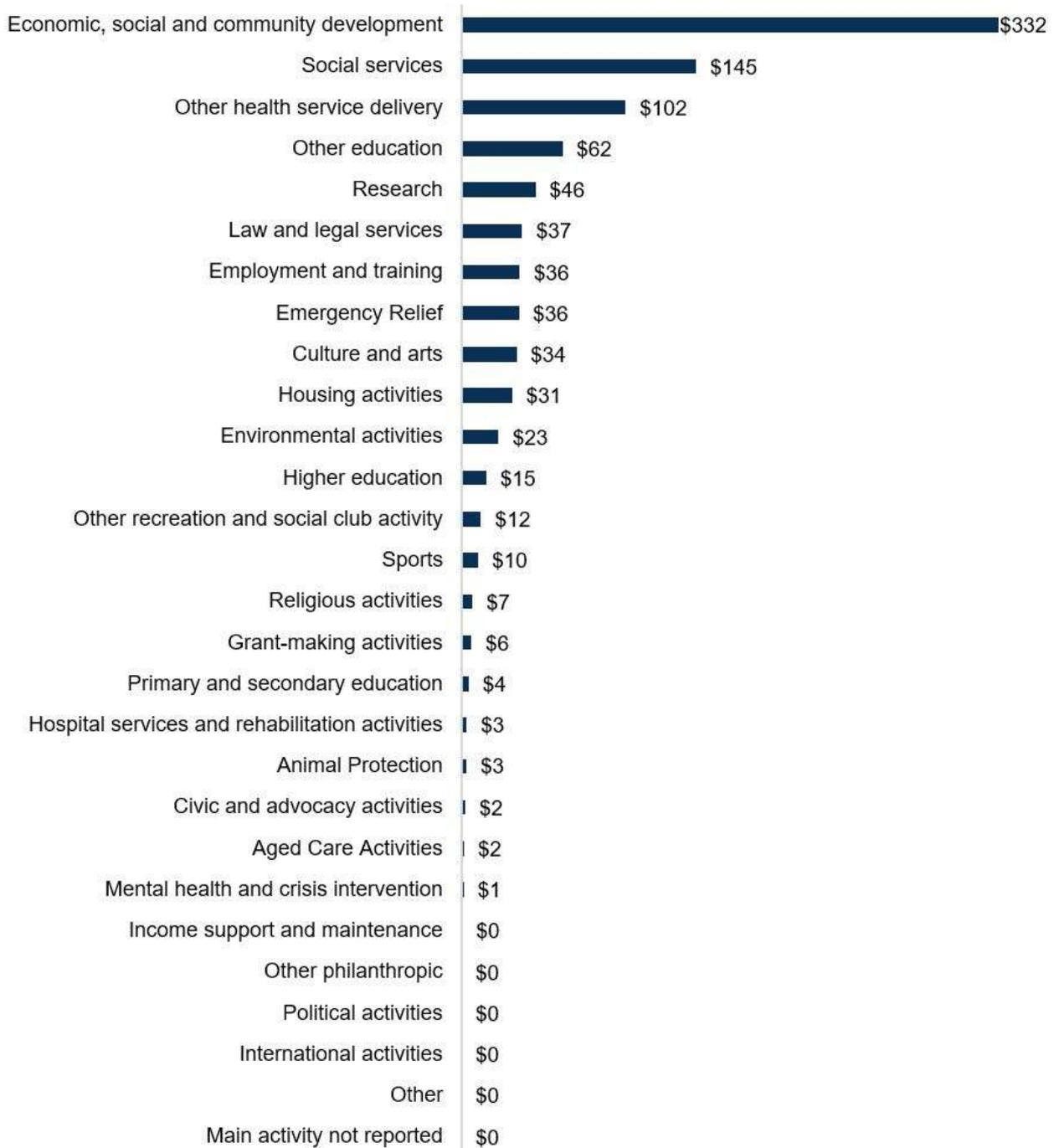
Charity size, activity & beneficiaries contd...

Figure 3: Charities by main and other activity type (n=450)



Charity size, activity & beneficiaries contd...

Figure 4: Total income by main activity type (\$m) (n=450)



Charity size, activity & beneficiaries contd...

Who do NT charities serve?

The ACNC asks charities to identify the range of beneficiaries they serve from a list of 22 categories. Some of these beneficiary categories overlap, but nonetheless this data provides some insight into the broad range of people served by NT charities.

The number of charities nominating each beneficiary type does not simply reflect the communities served, but also the size of the community.

For example, six percent of charities reported that their main activity was “Primary or secondary education” and therefore “Children” was one of the most frequently nominated beneficiary groups.

Most charities operate in more than one activity area. This can be important in order to ensure that service recipients are able to access the combination of services they need. Currently funded programs do not always reflect service requirements on the ground.

However, many charities also collaborate to ensure their service users are able to access the services they require.

Collaboration can be a sustainable model within which to deliver services as it means that charities can deliver the services they are most qualified and able to deliver rather than trying to be all things to all people. Organisations may collaborate for other reasons as well, including in order to expand their offerings.

Three quarters of all charities stated that they serve “Aboriginal and Torres Strait Islanders”, while 55% provide services to “Women”, 53% serve “Men”, 50% serve “All Ages”, and 44% serve “Youth 13 to Under 25”.

As with activity type, over four in five (81%) charities nominated more than one beneficiary group, with over half (52%) nominating more than six types of beneficiaries.

Table 3: Percentage of beneficiaries selected by charities (n=450)

Beneficiary categories	Number of charities	% of total
0	13	3%
1	72	16%
2	35	8%
3	34	8%
4	30	7%
5	30	7%
6 or more	236	52%
Total	450	100%

Collaboration

Amity Community Services Incorporated

Amity has been operating in the Northern Territory for more than 40 years. It provides a range of professional services that address behaviours of habit such as counselling and brief interventions.

The organisation employs 22 staff members, has an administrative base in Darwin and provides services throughout the Northern Territory on an as-needs basis.

Amity provides assistance only where invited and where services required fit within its belief, philosophy and resources.

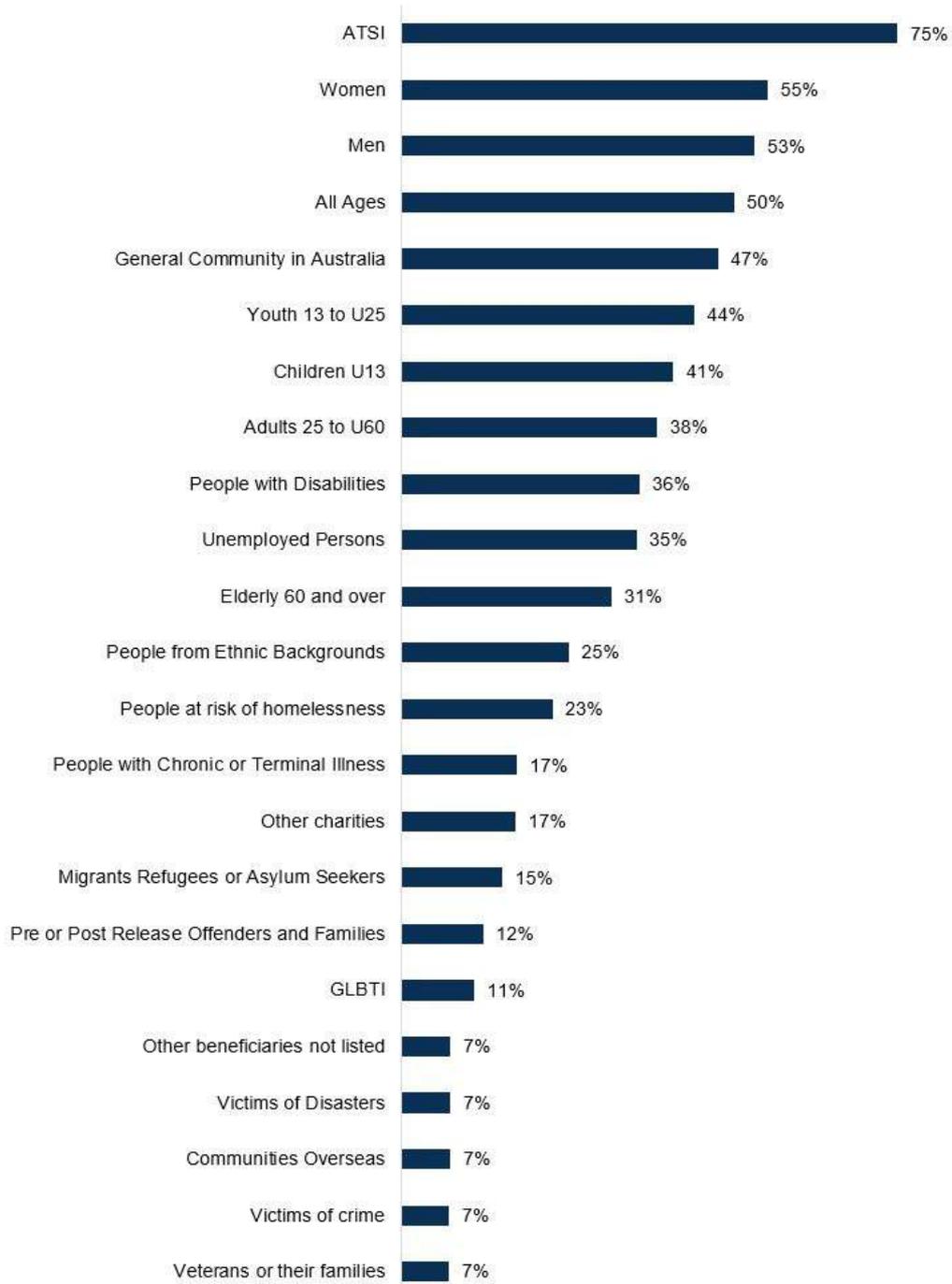
Amity's strength, despite its small workforce, lies in the way that it initiates effective links with other agencies to form formal and informal strategic partnerships and alliances.

As well as working with individuals, Amity works with government and non-government organisations, academic institutions and industry members to deliver and improve its evidence-informed services.

More information on the work of Amity can be found at www.amity.org.au

Charity size, activity & beneficiaries contd...

Figure 5: Percentage frequency of beneficiaries by charities (n=450)



Note: Total adds to more than 100% due to multiple answers given by each charity

Contribution to the NT Economy

Employment

Northern Territory (NT) charities employ 7,600 staff
– 5,577 full time, 2,023 part time. T

his equates to 8% of the NT workforce.

This is almost as many people employed in manufacturing, mining and agriculture put together.

Key findings

Employment is heavily concentrated in a small number of charities. Five percent, or 24 charities, account for 47% of employment.

Twenty-three percent of charities employ more than ten full time staff.

While its data is not included in the analysis in this report, it is interesting to note that the largest employing charity is Charles Darwin University¹², which reported having 1,138 full time and 112 part time staff.

A further 13% of charities employ only one full time member of staff.

176 charities do not employ any staff at all - either full or part-time. These charities are supported entirely by volunteers.

More than a third of charities reported that they do not employ any full time staff (39%) or any part time staff (48%).

Of charities that reported no full time staff, 27% of these reported their main activity as “Economic, social and community development”.

The data shows that charities also employ 2,326 casual staff.

However, it is unclear whether these staff are in addition to the full and part time employees and therefore these have not been included in total employment counts.

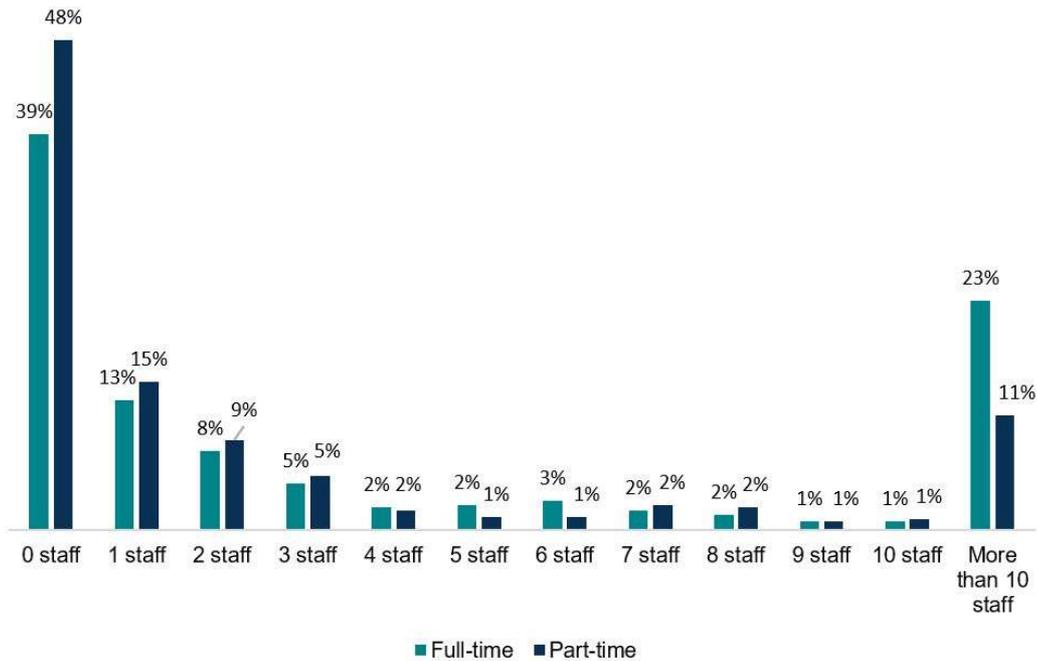
Table 4: Employment (n=450)

	Number employed	%
Full time	5,577	73
Part time	2,023	27
Total	7,600	100
Casual	2,326	N/A

¹² See data exclusions in Appendix 1 below. Because Charles Darwin University is a very large organisation, the inclusion of its data impacts the findings compromising analysis of the remaining data. As such, we have removed this entity's data from the analysis provided here.

Contribution to the NT Economy contd...

Figure 6: Distribution of charities by employment (n=450)



Employment by main activity type

“Economic, social and community development”, “Primary and secondary education” and “Social services” collectively account for over half (55%) of all staff.

There is some variation in the ratio of full and part time staff across the activity categories.

For example, of the staff employed in “Primary and secondary education”, 25% are part time, whereas 40% of staff employed in “Culture and arts” are part time.

This data also shows the differences in average employee expenses across the activity types (See Table 5).

Key findings

“Primary and secondary education” employs 1,614 staff, or 22% of all full time and 20% of all part time staff.

“Economic, social and community development” employs 1,288 staff, or 15% of all full time and 22% of all part time staff.

“Social services” employs 1,245 staff, or 15% of all full time and 19% of all part time staff.

“Other health service delivery” (e.g. hearing and vision services and child health services) employs 612 staff, or 8% of all full time and 9% of all part time staff.

Contribution to the NT Economy contd...

Figure 7: Percentage of the total number of charities with full time and part time staff, greater than 1%, by main activity (n=450)

Main activity	Full-time	Part-time
Main activity not reported	0.00%	13.36%
Other	1.46%	13.36%
Civic and advocacy activities	1.09%	13.36%
Emergency Relief	1.09%	13.36%
Higher education	1.09%	13.36%
Mental health and crisis intervention	1.09%	13.36%
Other recreation and social club activity	1.09%	13.36%
Animal Protection	1.46%	13.36%
Employment and training	2.55%	13.36%
Housing activities	2.55%	13.36%
Sports	2.55%	13.36%
Environmental activities	3.28%	13.36%
Law and legal services	3.65%	13.36%
Other health service delivery	7.30%	13.36%
Social services	7.66%	13.36%
Other education	8.76%	13.36%
Primary and secondary education	9.12%	13.36%
Culture and arts	11.31%	13.36%
Religious activities	16.06%	13.36%
Economic, social and community development	16.79%	13.36%

Contribution to the NT Economy contd...

Table 5: Number full time and part time staff by main activity and employee expense (n=450)

Main activity	Number of full-time staff	Number of part-time staff	Total	Sum of employee expenses (\$'000)
Primary and secondary education	1,210	404	1,614	1,288
Economic, social and community development	838	450	1,288	96,182
Social services	861	384	1,245	86,256
Other education	618	87	705	40,180
Other health service delivery	434	178	612	53,929
Law and legal services	263	27	290	24,515
Employment and training	243	40	283	16,822
Culture and arts	165	110	275	13,252
Emergency Relief	232	17	249	23,679
Research	116	111	227	22,584
Higher education	172	17	189	4,103
Housing activities	146	19	165	9,253
Religious activities	83	57	140	2,328
Environmental activities	44	41	85	6,803
Other recreation and social club activity	45	36	81	5,380
Sports	46	12	58	4,359
Animal protection	16	5	21	1,492
Hospital services and rehabilitation activities	18	2	20	1,522
Mental health and crisis intervention	9	9	18	646
Aged care activities	11	5	16	1,035
Civic and advocacy activities	5	9	14	1,116
Grant-making activities	2	2	4	210
Income support and maintenance	0	1	1	9
International activities	0	0	0	0
Political activities	0	0	0	0
Other philanthropic	0	0	0	0
Other	0	0	0	0
Main activity not reported	0	0	0	0
Total	5,577	2,023	7,600	416,942

Contribution to the NT Economy contd...

Charities with no full time staff

This data provides insight into the level of charity operations, and in general, correlates with the number of charities in each sector. Notably, the sector in which highest proportion of organisations employ no full time staff, “Economic, social and community development” charities (17%), is simultaneously the largest group of charities, receives the most income, and employs the amongst the highest number of people after “Higher education” and “Primary and secondary education”. This indicates the diversity of organisations in this category and their operations in NT.

Charities mainly involved in “Religious activities” were similarly less likely to employ any full time staff (15%). In contrast, all “Higher education” and “Primary and secondary education” charities reported having full time staff. Similarly, most charities operating in specialised areas, such as “Other health service delivery” (1%) and “Law and legal services” (1%) were likely to employ full time staff. In total, 176 (39%) charities reported that they did not employ any full time staff. This is a significantly lower proportion compared to the all Australian charities (48%) and may reflect the unique challenges in operating in NT.

Table 6: Number of charities with no full time staff (n=176)

Main activity	Number of charities no full time staff	Percentage of charities with no full time staff	Percentage of charity activity type
Economic, social and community development	48	27%	18%
Religious activities	40	23%	15%
Culture and arts	14	8%	5%
Main activity not reported	12	7%	4%
Emergency relief	8	5%	3%
Other education	8	5%	3%
Grant-making activities	6	3%	2%
Sports	5	3%	2%
Other recreation and social club activity	5	3%	2%
Civic and advocacy activities	4	2%	1%
Social services	4	2%	1%
Other health service delivery	4	2%	1%
Animal protection	3	2%	1%
Environmental activities	3	2%	1%
Housing activities	3	2%	1%
Employment and training	2	1%	1%
Income support and maintenance	2	1%	1%
Law and legal services	2	1%	1%
Primary and secondary education	1	1%	0%
Research	1	1%	0%
Other philanthropic	1	1%	0%
Aged care activities	0	0%	0%

Contribution to the NT Economy contd...

Main activity	Number of charities no full time staff	Percentage of charities with no full time staff	Percentage of charity activity type
Higher education	0	0%	0%
Hospital services and rehabilitation activities	0	0%	0%
International activities	0	0%	0%
Mental health and crisis intervention	0	0%	0%
Political activities	0	0%	0%
Other	0	0%	0%
Total	176	100%	39%

Volunteer workforce

One of the key differences between NFPs and other organisations is the capacity for NFPs to attract and use volunteers to deliver services and to administer the charity.

Volunteering not only improves the cost effectiveness of the NFP but has a range of social benefits, including improving community cohesion, along with improving engagement and the mental health of individual volunteers.

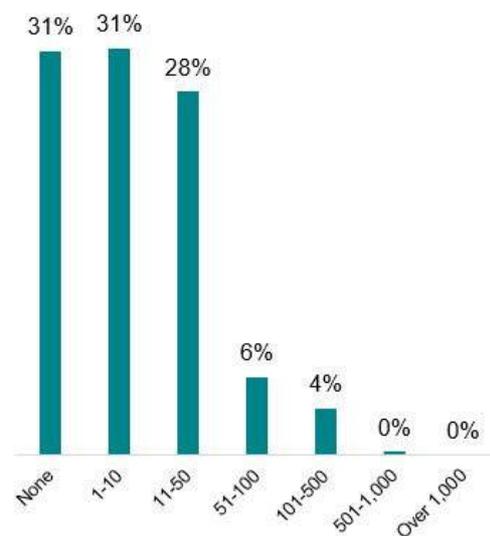
Over two thirds (69%) of NT charities report being supported by volunteer workers. These unpaid staff are undertaking a wide range of tasks, from delivering services and fundraising to governance and professional services, such as website or accounting services.

Thirty-one percent of charities reported having 1-10 volunteers and a further 28% reported having 11-50 volunteers. Just over one in ten (11%) reported having over 50 volunteers.

At the time of writing, the Australian Charities and Not-for-profits Commission (ACNC) had collected data on volunteers for two years. In the first year of data collection, charities were asked to report the number of volunteers for the year.

However, in the second year the ACNC asked for volunteer numbers to be reported by category, and therefore it is not possible to provide a total count of volunteers to determine averages or to compare volunteer numbers across activity types.

Figure 8: Percentage frequency of volunteer ranges (n=450)



Contribution to the NT Economy contd...

Charity resources & the sector's 'Balance Sheet'

Collectively, NT charities report having:

- Total assets of \$1,151m
- Total liabilities of \$237m
- Net assets of \$914m.

This represents a substantial resource for the provision of current and future services.

Like all organisations, NFPs need resources or assets to produce outputs in the form of services and products. They also have liabilities, such as long-service leave payments and repayments on loans taken to fund growth.

Where did these assets come from?

The \$914m in net assets has been built over the years by charities through donations, investments and the use of retained profits to buy assets, such as properties. In effect, they are resources built by previous charity leaders and supporters to provide services for current and future beneficiaries.

Table 7: NT charities assets, liabilities and net assets (n=450)

	Total \$m
Assets	
Total current assets	\$500
Total non-current assets	\$651
Total assets	\$1,151
Liabilities	
Total current liabilities	\$183
Non-current liabilities	\$54
Total liabilities	\$237
Net assets	\$914

Charity income, expenditure and profit

In total, NT charities generated \$952m of income in 2015 and spent \$860m on expenses. In aggregate, they achieved a profit of 10% or \$92m.

Over half of NT charity income is self-generated and raised by donations, fees for service, social enterprises or returns on investments. The other half is received in the form of government grants.

Charities generate income from a range of sources, and the ACNC defines four primary categories.¹³

All other revenue: This is all self-generated revenue arising from the carrying out of ordinary activities and that is not included in other categories. For example, it includes fees for service, membership income, sales of goods and other operating income. This is the largest single source of income. NT charities generated just under half (41% or \$389m) of their income from their operating activities.

Government grants: These are defined as "financial assistance provided by the government to the charity for a particular purpose, such as for the charity to provide goods or services to others in accordance with the terms of the grant". This category includes all service contracts with governments, for example, where a government 'contracts out' the provision of child protection, emergency or health services. It counts income from all governments, including the Commonwealth, State/Territory and Local governments.

Just under half (49% or \$467m) of charity income is sourced from government contracts or grants. As such, governments are a major source of income for the sector (either directly or through the provision of person centered funding), and therefore has significant influence over the sustainability of the sector. For some services, such as child protection, government is the only buyer of services.

Contribution to the NT Economy contd...

Charities that specialise in these services can be fully dependent on government contracts.

It is important to remember that governments are also major buyers of services from the For-profit sector. To provide context, the Australian Bureau of Statistics data on Engineering and Construction Activity shows that more than 25% of income for this sector is work done by the private sector for the public sector.¹⁴

Donations and bequests: Donations and bequests are voluntary support provided to charities in the form of cash, gifts or in-kind support. Just under \$23m were donated to NT charities in 2014/15, which represented just over 2% of their total income.

Other income: This includes income not included in any of the above categories, and also includes income earned outside the ordinary activities of the charity, such as via the sale of an asset. NT charities raised a further \$74m (8%) from these sources.

Income sources vary significantly by activity type: Although overall, more than half of total charity income is self-generated, this varies significantly across activity sectors.

For example, government grants represented 95% of the income for the three charities involved in “Higher education”, and 90% of the income for the 12 charities that provide “Law and legal services”, whereas none of the three charities providing “Income support and maintenance”, or “Other philanthropic” activities reported receiving any income from governments.

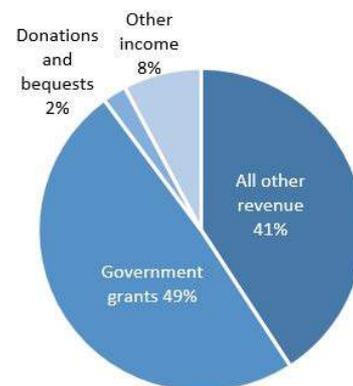
Table 8: Sources of income (n=450)

Source of income	Total \$	% of total
All other revenue	388	41%
Government grants	467	49%
Donations and bequests	23	2%
Other income	74	8%
Total	952	100%

The activity types receiving the highest proportion of income from governments operate mostly in the human services sectors.

After “Law and legal services”, the sub-sectors receiving more than half of their income from government funding were “Mental health and crisis intervention” (85%), “Other health delivery” (82%), “Social services” (68%), “Other education” (64%), “Animal protection” (61%), “Primary and secondary education” (55%) and “Hospital and rehabilitation” (53%).

Figure 9: Sources of charity income (n=451)



The sectors that are entirely or majority self-funding are “Other philanthropic” (98%), “Emergency relief” (97%), “Income support and maintenance” (96%), and “Other recreation and social club” (94%) activities. “Sports” generates 79% of its own income and the “Employment and training” charities generate 72% of their own income.

The sectors most reliant on donations and bequests are “Grant making” (68%) and “Religious” (56%) charities.

Contribution to the NT Economy contd...

Figure 10: Income source by sector (n=450)

Activity type	Government grants	All other revenue	Donations and bequests	Other income
Main activity not reported	76%	0%	24%	0%
Income support and maintenance	0%	96%	4%	0%
Other philanthropic	0%	98%	2%	0%
Grant-making activities	0%	11%	68%	21%
Religious activities	1%	41%	56%	2%
Emergency Relief	2%	97%	0%	0%
Other recreation and social club activity	6%	94%	1%	0%
Sports	14%	79%	2%	5%
Employment and training	27%	72%	0%	1%
Housing activities	35%	37%	2%	27%
Economic, social and community development	35%	56%	2%	7%
Environmental activities	44%	47%	6%	2%
Research	48%	32%	1%	19%
Civic and advocacy activities	51%	21%	1%	27%
Hospital services and rehabilitation activities	53%	47%	0%	0%
Primary and secondary education	55%	44%	0%	1%
Culture and arts	55%	40%	3%	2%
Animal Protection	61%	27%	10%	1%
Other education	64%	28%	1%	7%
Social services	68%	25%	2%	5%
Other health service delivery	82%	13%	2%	3%
Mental health and crisis intervention	85%	11%	4%	1%
Aged Care Activities	90%	6%	2%	2%
Law and legal services	90%	9%	0%	0%
Higher education	95%	5%	0%	1%

Contribution to the NT Economy contd...

Expenditure

The expenditure of charities across the activity types is more uniform and predictable than their sources of income.

The ACNC information statement requires charities to allocate expenditure into one of five categories below.¹⁵

Employee expenses: Almost half (48%) of expenditure by NT charities or \$417m was spent on employee expenses, which includes salaries and wages, leave expenses, superannuation, fringe benefits tax, workers compensation and all other costs relating to paying salaries and wages.

Employment costs represent a significant proportion of the cost of running a charity in the Northern Territory. These costs are currently being impacted by the 2012 Equal Remuneration Order (ERO) issued by the Australian Fair Work Commission.

The ERO will add considerable additional costs to the operations of charities in the Territory as it will elsewhere around Australia. While not all providers are impacted by the ERO, the NTCOSS survey found that just on half of respondents (48%) were impacted by it.

The activity types with higher paid workforces and a lower number of volunteers show higher ratios of employee expenses to total expenses.

The activity types with the lowest proportion of spending on employee expenses are those operating in the more capital-intensive services, such as "Economic, social and community development" (34%), or those mostly distributing funding to other service providers, such as "Grant-making" (4%) and "Other philanthropic" charities, which spent nothing on employee expenses.

All other expenses: This is the second largest category of charity expenditure, and includes all operating and other expenses not included in any of the other categories. Charity all other expenses totalled \$419m or 49% of total expenses.

Grants and donations (Australia): Many charities donate cash and resources to other charities. Fundraising for other charities is the main purpose of many registered charities, such as private and public ancillary funds.

This expense category includes all donations to other entities for use in Australia, and represents 3% of total charity expenses. Charities donated \$23m to other entities either within NT or in other Australian states and territories.

Interest expenses: This is interest paid on money the charity has borrowed. This category accounted for just under \$2m, or less than 1% of expenses. Although charities have significant assets, they are not large users of debt finance.

There could be a number of reasons for this, including limits on the use of their assets as collateral (as mentioned previously), concerns about using income to fund debt (instead of delivering services) and/or prevailing habits/practices of governing boards.

Grants and donations (Overseas): In addition to making donations within Australia, many charities also support communities overseas. In total, NT charities donated \$855,000, or less than 1% of expenditure, to entities outside of Australia.

Contribution to the NT Economy contd...

Employment costs – The ever-present challenge

Anglicare NT

Anglicare NT is a long-standing provider of welfare, social justice and community development programs in the Northern Territory, with key operational bases in Darwin, Palmerston, Nhulunbuy, Katherine and Alice Springs.

Anglicare NT employs over 400 staff. Its focused and committed staff are critical to achieving outcomes for the people Anglicare serves.

The recruitment and retention of Aboriginal employees is an important priority.

While the Equal Remuneration Order has been a major triumph for people working within the community services sector, inconsistent financial support and treatment of the ERO from government departments to implement industrial obligations has placed a high level of stress on organisations like Anglicare NT.

Without consistent financial support to meet its industrial relations obligations Anglicare NT, along with many other Not-for-profit organisations, risks having to reduce service outputs to vulnerable people and losing qualified and experienced staff members through a reduction in work hours and an inability to provide essential professional development and training activities.

More information on Anglicare NT can be found at www.anglicare-nt.org.au

Figure 11: Expenditure by type (n=450)

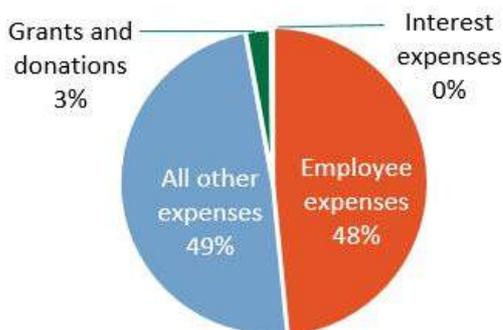


Table 2: Income and expenses (n=450; rounded figures)

Income	Total \$m	%
All other revenue	388	41%
Government grants	467	49%
Donations and bequests	23	2%
Other income	74	8%
Total income	952	
Expenses		
Employee expenses	417	48%
All other expenses	419	49%
Interest expenses	2	0%
Grants and donations	23	3%
Total expenses	860	
Net profit	92	10%

Positive externalities – The positive impact of NFP expenditure

Like the For-profit and public sectors, employee expenses represent significant proportion of costs for most charities.

Employee expenses are generally spent within the NT economy, and often within the local geographic area in which the charity operates, creating a multiplier effect. Staff on lower average salaries tend to spend a higher proportion of their salaries on daily living expenses.

As such, the \$417m in annual employee expenses makes a significant contribution to NT's economy, and may also be less subject to market forces than sections of the For-profit sector.

This data also highlights the impact that changes in staff costs and availability have on the sustainability of charities. For example, upward pressure on wage costs due to overall economic growth, or even growth in specific public sector wages (for example increases in salary award rates for teachers and nurses) can have a deep and immediate impact on charity costs.

Similarly, a charities' wage costs are impacted by policies such as the National Disability Insurance Scheme, which is expected to result in workforce shortages for organisations in aged care and related other industries that employ staff with similar qualifications.

Contribution to the NT Economy contd...

Figure 12: Expenditure source by type and activity category (n=450)

Activity type	Employee expenses	All other expenses	Grants and donations (in Australia)	Interest expenses
Main activity not reported	0%	100%	0%	0%
Other	0%	0%	0%	0%
International activities	0%	0%	0%	0%
Political activities	0%	0%	0%	0%
Other philanthropic	0%	99%	1%	0%
Grant-making activities	4%	19%	77%	0%
Income support and maintenance	22%	55%	22%	0%
Higher education	24%	76%	0%	0%
Primary and secondary education	29%	71%	0%	0%
Environmental activities	34%	35%	32%	0%
Economic, social and community development	34%	63%	2%	0%
Religious activities	37%	59%	5%	0%
Culture and arts	38%	59%	3%	0%
Sports	43%	55%	0%	2%
Social services	45%	55%	0%	0%
Other recreation and social club activity	45%	54%	0%	1%
Housing activities	46%	51%	3%	0%
Mental health and crisis intervention	48%	52%	0%	0%
Employment and training	53%	42%	5%	0%
Other health service delivery	54%	45%	1%	0%
Animal Protection	54%	46%	0%	0%
Hospital services and rehabilitation activities	54%	44%	0%	2%
Research	60%	40%	0%	0%
Other education	63%	37%	0%	0%
Civic and advocacy activities	66%	34%	0%	0%
Law and legal services	67%	33%	0%	1%
Emergency Relief	68%	32%	0%	0%
Aged Care Activities	72%	28%	0%	0%

Contribution to the NT Economy contd...

How financially strong are NT charities?

Just under half of NT charities made a profit in 2014/15. Approximately one in four made a loss and the remainder broke even.

All organisations must make a profit to be sustainable. Most NFPs can survive a loss in an individual year or even for a few years, but if they consistently fail to make a profit they will eventually consume their resources and have to close.

NFPs that are intending to continue to operate should make sufficient profit to enable them to:

- 1) remain solvent in the short-term
 - 2) meet all of their liabilities in the medium-term
 - 3) meet change management requirements as a result of government policy changes and environment changes in the medium and long-term, and,
 - 4) replace their assets over the long-term.
- NFPs may seek higher profit levels when they are seeking to grow and need to accumulate reserves, or to cope with increasing volatility in demand and operating conditions, such as changes to government or donor policy, or pressure on staff salaries due to workforce shortages.

As such, NFPs should make a profit that meets their financial requirements in the short, medium and long-term.

From the point-of-view of governments buying services from NFPs or benefactors seeking to make donations, evidence that the NFP sets and achieves realistic profit margins are a sign of prudent financial management.

The profit margins of charities vary widely across the activity segments. Collectively, NT charities made a 10% profit on the \$952m of income they received. This profit will be retained by the NFP for re-investment purposes.

The ACNC financial data shows that a quarter (24%) of NT charities made a loss and 28% broke even.¹⁶

Of the 48% that made a profit, over half (53%) made a profit of less than two percent. Figure 14 illustrates the range of profits between -10% and 10% in more detail.

Arguably, organisations that made a profit of less than inflation are likely to be currently or imminently in financial distress.

Figure 13: Expenditure source by type and activity category (n=450)



¹⁶ In terms of the findings of the NTCOSS survey, 26% of respondents reported their organisations had broken even while only 15% reported incurring a loss. Importantly, the NTCOSS survey also found that 53% of respondents believed that they will make a loss or breakeven in the 2017/18 financial year.

Contribution to the NT Economy contd...

Figure 14: Distribution of profit margins (n=450)

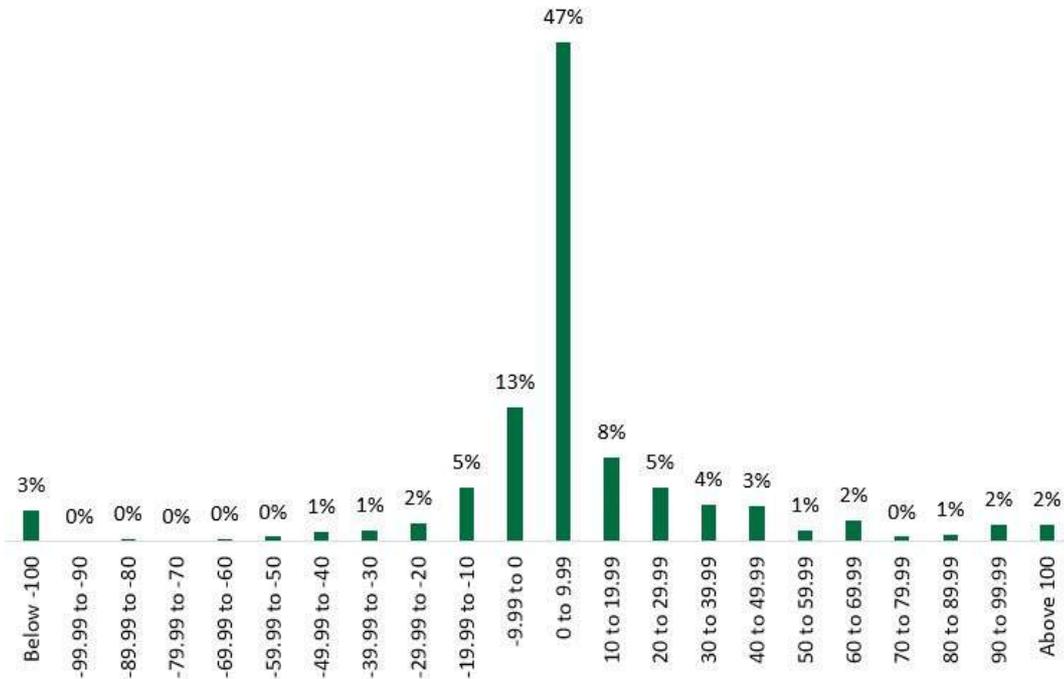
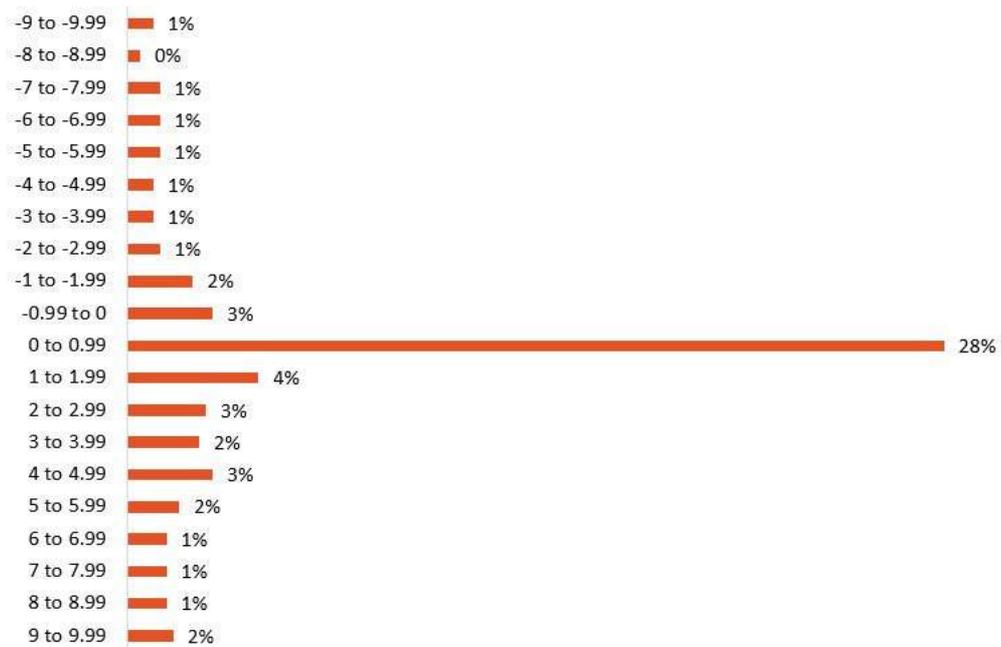


Figure 15: The distribution of profits between -10% to 10% in detail (n=450)



Contribution to the NT Economy contd...

Overall, profit targets for NFPs should be established in order that the organisation is fit-for-purpose.

Profits vary significantly across the activity types.

Further analysis of the profits achieved across the activity types shows significant variation and that the median profit for some sectors is zero or below.

Figure 16 highlights these variations. Interestingly, the activity identified by the most charities as their main activity, "Economic, social and community development", is one of the least profitable undertakings (1%) while "Income support and maintenance" appears most profitable (45%).

It is important to note that this graph presents data by main activity type and that organisations will have a mix of services which will return different levels of profitability.

Due to the relative lack of homogeneity in this sector, the profitability of individual service types cannot be determined based on this data set.

AICD identified challenges in directors of NFPs determining an appropriate profit level

AICD has conducted the national Not-for-profit Governance and Performance Survey for seven years and has received more than 12,000 responses over this time. Of these, 2% or of total responses are from directors living in the Northern Territory.

In most cases, their priorities and concerns are the same as those of directors across Australia. They value their organisations and consider that their governance is improving, but want to see improvements in strategic planning, implementation of plans and performance measurement.

There are a some areas in which NT directors and their NFPs stand out:

- NT directors are slightly less positive about their organisations current effectiveness and efficiency, but more positive about the likely strength of their organisation in three years from now. This is not to say that NT organisations are less effective, just that the directors expect more from them and expect improvement.

- NT directors were also more likely to report that the NFP sector as a whole is efficient and have a more negative view of the extent to which the governments understand their sector.

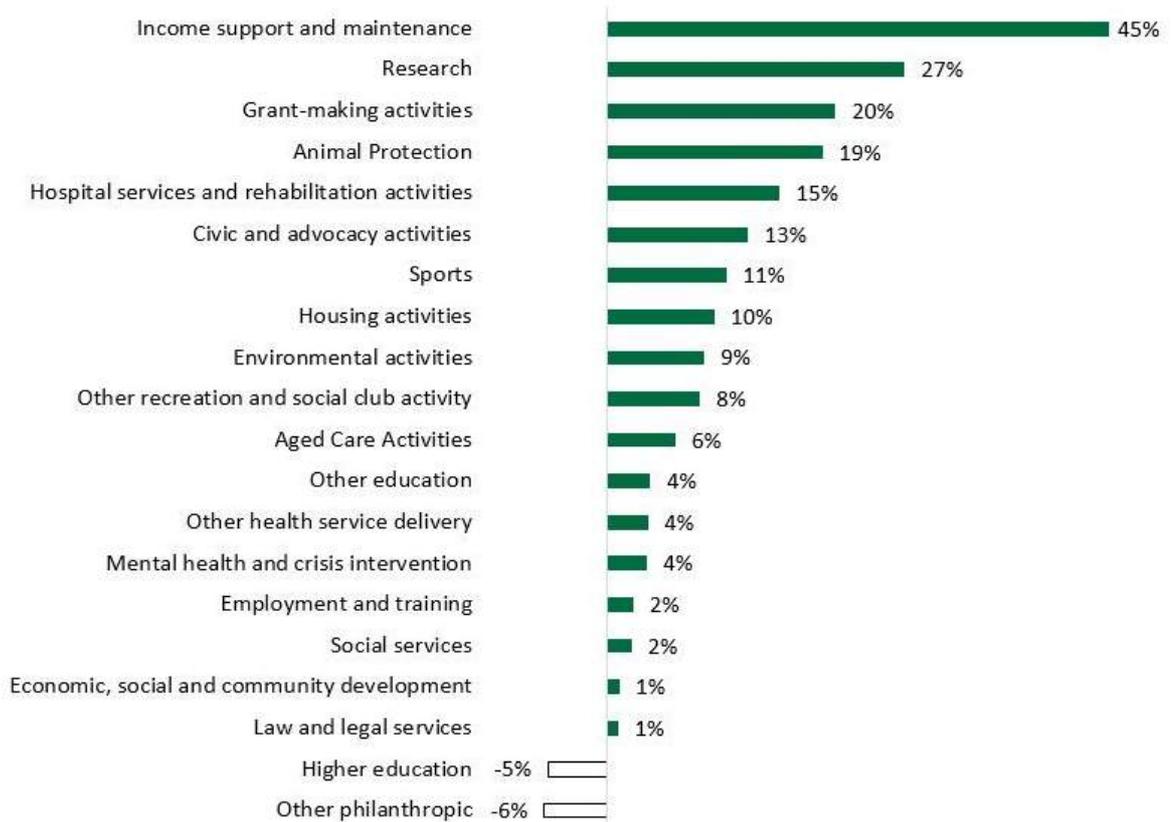
- Forty percent of NT directors rate staffing issues (training and retention) as one of their top three priorities, compared with 17% for the rest of Australia. Their top priorities are also more likely to include managing costs, improving strategic planning and improving governance.

- They are also focusing on improving the evaluation of programs and performance monitoring. Developing new services are a lower priority for NT directors than for directors in other states.

- Fewer NFPs located in the NT have discussed merging compared with the rest of Australia and in the last two years, only director that responded that their organisation was undertaking a merger.

Contribution to the NT Economy contd...

Figure 16: Median profit margin (%) by main activity type (n=450)



The total profit was highest for the “Economic, social and community development” group, which reported \$44m (66%) in profit, followed by “Housing” with \$11m (17%) and “Social services” which achieved total profits of \$10m (15%).

Although the profit margin was highest for “Income support and maintenance”, the total profit achieved was just \$442,000.

Contribution to the NT Economy contd...

Table 3: Sum of net profit and percentage of net profit by activity group (n=450)

	Net profit (\$'000)	% sector profit
Economic, social and community development	44,391	55%
Housing activities	11,206	14%
Social services	9,850	12%
Research	7,964	10%
Environmental activities	3,115	4%
Other health service delivery	1,361	2%
Employment and training	1,131	1%
Emergency relief	895	1%
Religious activities	758	1%
Civic and advocacy activities	701	1%
Law and legal services	653	1%
Grant-making activities	512	1%
Hospital services and rehabilitation activities	509	1%
Income support and maintenance	442	1%
Animal protection	424	1%
Other recreation and social club activities	269	0%
Aged care activities	93	0%
Sports	78	0%
Mental health and crisis intervention	32	0%
Other philanthropic	-6	(0%)
Primary and secondary education	-40	(0%)
Culture and arts	-386	(0%)
Higher education	-1,422	(2%)
Other education	-1,437	(2%)
Total	81,094	10%

Government /NFP Relationship

Governments have multiple and complex relationships with the Northern Territory Not-for-profit (NFP) and the For-profit sectors.

These relationships are often critical for a number of reasons. For instance, government policies are often implemented via NFP human services organisations. This is no different in the Northern Territory (NT).

The three roles most relevant to this report are the following:

Governments as investors

Governments give funding or exempt organisations from fees or taxes to help with establishment, viability or to adapt to change.

Examples include the provision of land at discounted prices to home builders or to manufacturers to encourage new industries, the provision of grants to arts organisations and advocacy bodies that provide services that are not independently viable, and the provision of industry development funds to assist industries transition through market or policy changes.

Examples of the latter include assistance to help the taxi industry adjust to the impact of Uber, and to the disability services sector for transition to the NDIS.

To receive government investment, organisations must be able to demonstrate that investment in their entity is aligned with government policy and will achieve the results or outcomes intended.

Governments as buyers of services

Governments are major buyers of services and products, including infrastructure, education, health and other human services.

Because these organisations are providing products or services to the public on behalf of government, suppliers, particularly in the human services sector, have a key role in the design of efficient and effective services and in the communication of service user needs

This can give rise to conflicts of interest which need to be managed.

As government is often the largest or only buyer of some services (e.g. prisons, child protection) they control the market. Therefore, to ensure a strong, efficient and stable supply they will seek to maintain a balanced portfolio of providers - too few and government could be subject to external control, too many and the supply side could become inefficient.

Governments as legislators and regulators

Government agencies administer legislation and regulate the establishment of organisations, how they operate and the products and services they provide.

For example, governments regulate the types of legal entities that can be established and their reporting obligations, they issue licences to practice professions and trades, set minimum wages and set and monitor quality standards in many industries.

At any point in time, a NFP or For-profit may be engaged with different Commonwealth, State/Territory or Local government agencies in one or all of these roles, each of which requires both parties to adopt a different approach and different behaviours.

For example, an NFP organisation may work in partnership with a government agency to define a new type of drug and alcohol treatment. But once defined, they will both need to switch to buyer and supplier roles to tender for the contract to supply.

To implement the program, they may need to switch back to partnership behaviours and then at various points switch into roles of provider and evaluator to monitor the achievement of outcomes.

Government /NFP Relationship contd...

Governments/NFP sector partnership

Governments and the NFP sector work together because doing so is mutually beneficial - governments assist NFPs to achieve their purpose and NFPs assist governments in pursuit of their policy objectives.

NFPs have a number of key advantages as contractors of human services. Many have a long history and established relationships in communities, giving them a deep understanding of community needs.

They can also be specialists in the delivery of particular services and have access to unique resources, enabling them to deliver services more effectively and efficiently than government or For-profit providers.

For governments, donors and the community, they can also be highly cost effective. None of their profit is returned to shareholders, they attract volunteers (reducing the cost of labour and achieving additional social outcomes arising from volunteering) and they have “barriers to exit”, as they cannot easily move resources into other sectors.

The management of the government / NFP nexus is a critical responsibility of government and the sector combined.

Both have a role to play in collaboratively strengthening the sector to make sure it is sustainable for all Territorians into the future.

Such strengthening should occur in a transparent and planned way.

A case in point: Territory Families considers its relationship with the non-government sector

Territory Families engages multiple non-government organisations, Aboriginal stakeholders, community members and key agencies to assist in the co-design of a range of evidence-based reforms.

Indeed, from 2016/17, Territory Families provided \$60 million in funding through contracts with 62 service partners which provided the following services in support of the NT Government’s policy framework:

- Family Support
- Out of Home Care
- Youth Justice
- Domestic Violence
- Gender Equity
- Social Inclusion (Youth and Multicultural)

In addition, Territory Families also expended \$37 million with partner organisations and individuals for child placements (e.g. foster and kinship carers and purchased home based care).

Territory Families’ partnerships with local Aboriginal organisations and other NGOs working with children, youths and their families are vital to making meaningful change within Northern Territory communities.

The expertise of these diverse NGOs, combined with the consultative and supportive relationship shared with Territory Families, ensures that any decision-making is realistic and outcome-focused, keeping children and families at the centre.

It is the invaluable work of these frontline service providers that brings Territory Families’ vision of a more preventive and early intervention-based system to life.

Concluding Remarks

The importance of the Northern Territory NFP sector is clear.

Many of the Territory's most vulnerable people rely on services and supports provided by a myriad of organisations, in locations ranging from metropolitan Darwin to Australia's most remote communities and locations.

It is also demonstrable that the Territory's NFP sector contributes to the NT economy in a substantial way. Providing jobs and engaging suppliers, the sector supports consumption and drives economic outcomes in the same way as do the government and commercial sectors.

The sector also represents a significant Territory asset. It holds intellectual property and experience that is crucial to the efficient and effective delivery of services, of which a weighty proportion are services procured by the NT Government and which constitute the implementation of major policy objectives.

Therefore, an efficient, effective, stable and robust NFP sector is critical to the maintenance of its capacity to achieve its mission in the service of all Territorians.

Partly, the risk faced by NFPs relates to uncertainty surrounding surety of funding and staffing. Implementing change, such as is required with the roll out of the NDIS, while maintaining the quality and quantity of services requires investment and appropriate remuneration levels for staff.

Indeed, when NTCOSS survey respondents were asked to identify the most significant risks faced by their organisation, funding was commonly cited word followed by staffing issues. This is demonstrated in the word cloud below which highlights all of the concerns raised by the NTCOSS survey respondents and denotes the most significant by size.

Additionally, this report recognises that, in reality, our knowledge and understanding of the NFP sector in the Territory is still relatively small—as it is in all Australian jurisdictions.

Data and effective analysis is critical to ensuring a strategic, long term sustainable, fit-for-purpose NFP sector remains a feature of the Northern Territory landscape.

Finally, increasing our understanding of the sector also assists us to develop a longer-term vision for what it might look like. Preserving the ethos and responding to the challenges will remain a focus into the future.



Appendix 1

Data Sources

The primary data sourced used for this study is Australian Charities and Not-for-profits Commission (ACNC) Annual Information Statements (AIS) data for 2014. From December 2012, Australian Not-for-profits that want to access Commonwealth tax concessions available to charities are required to be registered with the Australian Charities and Not-for-profits Commission (ACNC).

From 1 July 2013, registered charities must submit an Annual Information Statement (AIS) containing basic information about their charity to the ACNC. Most AISs are published on the ACNC Register. From 2014, charities were also required to provide certain financial information.

Registered charities are required to provide the address of their head office as well as information on the states in which they operate. It is not possible to separate the charities located in other jurisdictions based on the extent of their activity in the Northern Territory. Some have extensive activities but the majority are likely to have only minor activities in the Northern Territory and therefore to include all charities that report operating in the Territory, would significantly over-count the size, financial information and employment of the sector.

As such, only the charities that reported that their head office is in the Northern Territory were extracted from the full data and included in the analysis. This means this data under-represents the activities of charities in the Northern Territory and can be considered a conservative estimate of the size and functions of the sector. It should be noted that Northern Territory charities can also operate in other jurisdictions so the activities and finances of charities flow both into and out of the Territory.

Charities have different financial reporting years and this impacts on the data collection. The 2014 AIS covers the 2013-2014 reporting period, which includes all financial year-ends that occur during 2014. The ACNC's standard reporting period is 1 July to 30 June and therefore for charities that use the standard reporting period, the data in this report represents the period 1 July 2013 to 30 June 2014.

The majority of charities (70%) use a 1 July to 30 June reporting period, however, a significant proportion (27%) use a 1 January to 31 December reporting period and about 18% use other reporting periods. Many of those using the 31 December year end are schools and other educational institutions. This means that financial years are not directly comparable. The use of 31 December reporting year end also extends the data collection period (these organisations have until 31 March to submit their report), which delays the release of the data by the ACNC.

The data used in this report was downloaded from data.gov.au on 24 October 2016. The ACNC release updates of the AIS data throughout the year and the most up to date set of data was used for this report. Since publication the ACNC has further updated the 2014 data set, but the changes are not material. It should be noted that faith-based charities are exempt from submitting some financial information.

In addition, charities may apply for and can be granted an exemption from the publication of the data on the ACNC website and the charity data set. Examples of organisations that may be exempt include Public and Private Ancillary Funds where donors wish to remain anonymous, where there is commercial sensitivity. In other cases, such as charities working in domestic violence or child protection, publication of the details of charities and/or the names of responsible persons could endanger public safety.¹⁷

¹⁷ For further information on the circumstances in which the ACNC will allow information to be withheld, see <http://www.acnc.gov.au> and the Commissioner's Policy Statement: "Withholding or removing information from the ACNC Register".

Appendix 1 contd...

Data cleaning and analysis

The majority of the data used in this report was extracted from the ACNC AIS data set. Charity representatives enter the data into the ACNC online portal or using a paper form. The majority of submissions are made online. It is possible that erroneous data was entered by charity or by ACNC staff when transcribing hard-copy responses. Due to the design of the online submission form and the option for charities to submit hard copies, not all questions were answered by all charities. The sample sizes are noted throughout the report.

Neither online nor hard copy data has been audited or verified by the University of Western Australia or the ACNC and the data has been assumed correct. However, our analysis of the data identified some obvious anomalies. In most cases these were not material. If a record appeared obviously incorrect these records were excluded and a note has been made in the text. Reporting accuracy is likely to improve as data collection is continued.

Exclusions

Data pertaining to the Northern Territory's largest charity, Charles Darwin University, has been removed from the ACNC data set as the inclusion of this organisation's data would materially change the nature of the data reported.

Rounding

In most cases, data is rounded to the nearest decimal point. In some cases, totals may not add to 100% due to rounding or multiple responses.

Other data sets & reports

Several other studies can provide further information and context for interpreting this research, particularly the following, which are specifically mentioned in this report:

Australian Bureau of Statistics - 3101.0 - Australian Demographic Statistics, Jun 2014, viewed 18 November 2016, [http://www.abs.gov.au/ausstats/abs@.nsf/0/1CD2B1952AFC5E7ACA257298000F2E76?](http://www.abs.gov.au/ausstats/abs@.nsf/0/1CD2B1952AFC5E7ACA257298000F2E76?OpenDocument)
OpenDocument

Australian Institute of Company Directors, (2013 to 2017), Not-for-profit Governance and Performance Study. Available at: aicd.companydirectors@com.au

Powell, A., Cortis, N., Young, A., Reeve, R., Simnett, R., and Ramia, I. (2016) Australia's Smallest Charities 2015. Centre for Social Impact and Social Policy Research Centre, UNSW Australia.

NTCOSS Sector Survey

In August 2017 NTCOSS administered a survey to the Not-for-profit Human Services Sector in the Northern Territory. In all, 178 organisations were circulated and the survey had a return rate of 15%.

In order to maximise the response rate, NTCOSS made follow up phone calls and forwarded reminder emails. In order to encourage responses, tickets to the forthcoming NTCOSS conference were offered through a prize draw open only to those completing the survey.

However, many organisations expressed difficulty in being able to complete the task because of competing priorities related to end of financial year commitments and requests from other government departments with regard to surveys and information gathering. Many organisational representatives were apologetic and applauded the work currently being undertaken by NTCOSS and expressed a desire that they could assist us only if they had the time and resources.

Size composition by turnover of respondents were:

- 4 Territory-wide organisations
- 17 Top End organisations
- 4 Central Australian organisations
- 2 peak bodies

Five of those respondents were Aboriginal corporations, and there were a significant number of other organisations which provide services to Aboriginal people as part of focused programs for rural and remote areas.

Appendix 2

What is a NFP organisation and what do they do?

Not-for-profit (NFP) organisations are entities that exist to achieve a purpose. Their purpose can be almost anything from the provision of sports and arts services, operating hospitals, providing membership insurance services, to child protection, employment services, emergency services, fundraising and aged care.

The main difference between a NFP and a For-profit entity is that NFPs cannot distribute profits or assets to private individuals or organisations – whether those individuals or entities are members or not.¹⁸

Our perception of NFPs is often influenced by our contact with them as providers of local community or human services, such as volunteer groups, sports clubs or kindergartens. These organisations are typically small, self-funded and run by volunteers.

Although these groups are essential, they are in fact only a small part of a large and complex NFP sector in the Northern Territory (NT). NT's largest NFPs include household names, such as Charles Darwin University and St John Ambulance NT.

From the point of view of customers, employees and the community, these large entities are often indistinguishable from large For-profit organisations.

They brand and market their organisations, sell services, have offices, build assets and recruit and pay staff. The key difference is that any profit generated by NFPs is retained within the organisation.

The term 'Not-for-profit' is confusing

The term 'Not-for-profit' has created misunderstandings about whether NFPs can or should make a profit. All organisations, whether they are a For-profit or NFP, must make a profit to survive and be sustainable in the short-, medium- and long-term.

The difference is that the primary purpose of a NFP is to fulfil its mission, and profit is a means to achieve this. Profits are reinvested into the activities and infrastructure of the NFP for the greater benefit of the community.

In contrast, For-profit organisations can distribute profits to shareholders. This is one of, if not their main, purpose.

Another significant difference between For-profits and NFPs is the relative ease with which For-profits can shift their capital. NFPs are established to fulfil a certain purpose and cannot shift capital away from that objective to pursue higher financial returns in other sectors.

If they cannot be financially sustainable while pursuing their mission, often their only option is to close. This means that NFPs are more likely than For-profits to continue to operate in market sectors even when returns are low or negative.

¹⁸ The law applying to NFP status is complex, but essentially the constitution of an NFP (or other documents of incorporation) must expressly prevent a NFP organisation from distributing profits from operations, or other assets on winding up, to private individuals or organisations. Other than this, there is no precise definition of NFP that is used by all statistical or regulatory bodies. For example, the Australian Bureau of Statistics excludes from its counts of NFPs mutual organisations in the financial sector, body corporates and universities, hospital and other organisations classified to the government sector. Source: ABS 5256.0.55.001 Information Paper: Non-Profit Institutions - A Draft Information Development Plan, Jul 2010

Appendix 2 contd...

What is a charity?

A charity is one type of NFP, which means that all charities are NFPs, but not all NFPs are charities. The difference between a charity and other types of NFPs can also cause confusion. For example, most community sports clubs are NFPs but are not able to register as charities.

For an NFP organisation to be classified as a charity, it must meet certain requirements defined by the Charities Act 2013 (Cth). In particular, its purpose must fall under at least one of the Act's 12 identified "charitable purposes". These charitable purposes are:

- advancing health
- advancing education
- advancing social or public welfare
- advancing religion
- advancing culture
- promoting reconciliation, mutual respect, tolerance between groups of individuals that are in Australia
- promoting or protecting human rights
- advancing the security or safety of Australia or the Australian public
- preventing or relieving the suffering of animals
- advancing the natural environment
- promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a state, territory or another country (where that change furthers or opposes one or more of the purposes above), and,
- other similar purposes 'beneficial to the general public' (a general category).

Being registered as a charity gives an NFP some benefits, including the possibility of tax concessions, and therefore organisations that can register as charities will generally seek to do so. Typically, organisations that provide human services such as disability care, aged care, education and support for the environment will meet the requirements, but organisations such as sports clubs, industry co-operatives and member-based insurance or financial institutions generally will not.

It is worth noting that even if they are registered as charities, eligibility for additional tax concessions is not universal, but dependent on the charity meeting specific requirements.

An organisation's legal structure does not impact its status as a NFP.

As it is the purpose and constitution of the entity that defines its status as a NFP, NFPs can have almost any legal structure, including being a limited liability company. In fact, many NFPs operate as unincorporated associations – which means that it is not a separate legal entity from its members. These are typically small organisations, such as fundraising groups, faith-based entities or neighbourhood and volunteer clubs.

If NFPs wish to incorporate, they can do so under State/Territory government legislation or under Commonwealth legislation.¹⁹

As such, their regulatory obligations may differ depending on their jurisdiction, and in some cases they must comply with both State/Territory and Commonwealth legislation.

19 This is section aims to provide a brief overview of legal structures, but this is a complex area of law and this is not a full explanation. For example, there are a number of Commonwealth Acts that impact this area of which the principal act is the Corporations Act 2001 (Cwth).

Appendix 2 contd...

Several entity types are more common for NFPs, and some are specifically designed for use by NFPs. These are as follows:

Incorporated Associations

NT based NFPs that wish to incorporate do so under the Northern Territory of Australia Associations Act 2017 (the Associations Act).

Trusts

A Trust is a legal structure in which the Trustee(s) hold money and property for the benefit of its beneficiaries. They can distribute funds or provide services directly.

Company Limited by Guarantee

These are a type of public company established specifically for use by NFP organisations. They are formed under Commonwealth Legislation and regulated by the Australian Securities and Investments Commission. The following are definitions of the main legal structures used by NFPs as articulated by the ACNC.²⁰

Unincorporated Associations

“An unincorporated association is not recognised as a separate legal entity to the members associated with it. It is a group of people who agree to act together as an organisation and form an association. The group can remain informal and its members make their own rules on how the group is managed. The rules may also be referred to as a constitution. An unincorporated association is however an entity under tax law and treated as a company for income tax purposes.”

We do not know how many of these organisations there are as they are typically not registered. They can include organisations such as toy clubs, fundraising groups, parents and citizens (P&C) or volunteer clubs.

These organisations operate under the jurisdiction of Tort law as well as the taxation law of their state/territory and the Commonwealth.

Typically, these organisations do not receive funding from government nor do they contract with government as funders generally prefer to work with incorporated organisations.

Incorporated Associations

“An Incorporated Association is a legal entity separate from its individual members. Associations are incorporated under state or territory legislation generally in the jurisdiction in which they operate. An incorporated association may operate outside the state and territory in which it is incorporated if the entity is registered with the Australian Securities & Investments Commission (ASIC) as a registrable Australian body under the Corporations Act 2001.

An incorporated association can continue in perpetuity separate [to, and regardless of changes in,] the membership. It also provides financial protection by usually limiting personal liability to outstanding membership and subscription fees, or to a guarantee.” This limitation of liability is usually provided by the legislation under which the association is incorporated—so its effect can be different in different jurisdictions.

This form of incorporation is the oldest form in Australia for NFPs other than those incorporated via Private Act of Parliament and may be considered to be the “traditional” form of incorporation as a result.

²⁰ <https://www.ato.gov.au/Non-profit/Getting-started/Choosing-a-legal-structure/>

Appendix 2 contd...

Trusts

"A trust is an obligation imposed on a person or other entity (the trustee) to hold property for the benefit of beneficiaries or for a particular purpose. In legal terms, a trust is a relationship not a legal entity. The trustee must deal with the trust property in line with the settlor's wishes as set out in the trust deed (or will in the case of a deceased estate).

Trusts are widely used for investment and business purposes as well as for the advancement of a charitable purpose."

Company limited by guarantee

The Corporations Act 2001 is administered by the ASIC. NFP organisations registered with ASIC include:

- Public companies limited by guarantee – the most common type of company structure for NFP organisations registered with ASIC;
- Proprietary companies limited by shares – such as a business that is wholly owned by a charity that has a similar charitable purpose;
- Registered Australian bodies – such as an incorporated association registered under a State Act and registered with ASIC if it carries on business outside the state or territory in which it is registered;
- Foreign companies – such as a charity formed or incorporated outside Australia but registered to carry on business in Australia;
- Some reporting obligations under the Corporations Act 2001 do not apply to charities that are registered with the Australian Charities and Not-for-profits Commission (ACNC).

Appendix 3

NFP Financial Management

NFP Finances need to be managed in the same way that commercial organisations manage theirs - including in relation to making a profit.

To increase services in line with growth in population and inflation, organisations need to grow net assets over the medium to long term. As such, it is important to monitor net assets over time to identify any slow-down in growth at the sector wide-level and within activity categories.

In the same way that governments measure and monitor their assets, it is important for NT to monitor the net assets of the NFP sector to ensure they are growing at a rate at least equivalent to inflation and are not being unduly consumed in the provision of current services, as this will erode the capacity of the sector to continue to provide services.

Individual organisations will come and go, but it is essential that the sector's resources at least keep pace with the NT economy and demand. The slow consumption of assets over time can indicate a sector that is being starved of funds.

It is important to note that, due to their nature and application, the assets of NFPs are not always directly comparable with the assets of For-profit organisations.

Unlike For-profits, NFPs are legally bound to fulfil their constitutional purpose and cannot shift capital because an area of operation is not profitable. This restricts the capacity of NFPs to be fully 'market' responsive or to simply shift capital to achieve higher financial returns.

Indeed, because of this, it is arguable that the charitable structure is critical in ensuring service delivery in areas where For-profits find no financial benefit. It is not that either For-profits or NFPs and charities are bad, rather it is that they are fit-for-purpose. NFPs and charities may be able to provide services where For-profits cannot.

In addition, the market value of NFP assets is likely to be lower than reported. For example, NFPs may be given property that can only be used for a specific purpose (e.g. as a kindergarten or a homeless shelter). These assets cannot be sold for cash or converted to another type of asset further they may not be as valuable as collateral for a loan. Therefore, banks and other lenders take the use of the property into account when deciding to lend and at what rate.

If the property is being used for accommodation of the elderly, a school or some other social purpose, lenders will feel uncomfortable with foreclosing on the asset and may not value the property as collateral. Similarly, lenders may need to charge a higher interest rate as they do not have the collateral that they would normally take.

For these reasons, and others, NFPs can have greater difficulty in leveraging their assets to support the development of their organisations.

In deciding on profit targets, any organisation (whether For-profit or NFP) needs to consider a number of elements – all of which influence sustainability.

Appendix 3 contd...

For NFPs, sustainability usually means being able to continue pursuing its constitutional objects.

For instance, a disability service provider would be sustainable if it can continue to provide the quantum of services of an appropriate quality to its clients in the way they need them.

This raises a number of considerations but essentially requires NFPs to undertake financial planning such that they remain fit-for-purpose and able to serve current and, potentially, future beneficiaries.

As in all organisations, unplanned increases in expenses can present significant risks and impact on organisations sustainability. Other factors, such as inflation are usually more predictable and should always be consideration in the determination of profit.

Importantly, as inflation is not uniform across the economy, the inflation rate that should be considered should, where possible, be sector specific. For example, the ABS issues an inflation rate for Health which can differ markedly from the broader national inflation rate and therefore would be more appropriate in forecasting future costs and considering sustainability.

The Equal Remuneration Order (ERO) and its impact will also potentially negatively impact sustainability.

Such irregular expense shocks need to be mitigated against and so organisations may need to derive profits to establish reserves necessary to respond to unexpected events.



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