



Defining the Not for Profit Sector

Sothertons Melbourne

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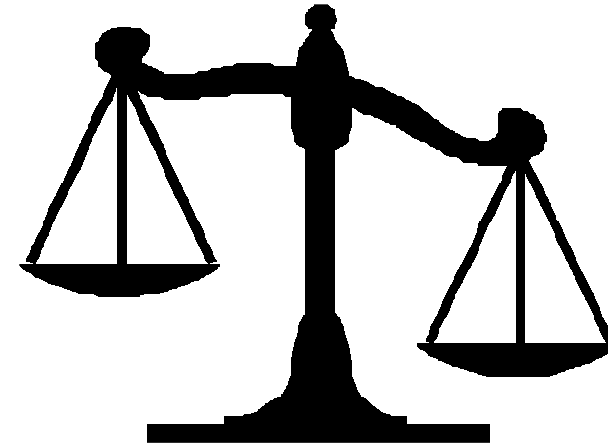
Not for Profit

VS

Charity

VS

Social Enterprise



Structures

Not for profit

- Incorporated associations
- Company Limited by Guarantee
- Charities
- Organisations formed by Royal Charter or by special Act of Parliament
Indigenous Corporations

For Profit

- Social Enterprise

Associations

Unincorporated associations

- Collection of individuals with a common goal
- informal and transact in the name of the individuals involved

Incorporated Associations

- Registered with Consumer Affairs Victoria
 - Cheap and simple
- Commonly used by
 - Kindergartens
 - Sports Clubs
 - Not for profit organisations for community benefit



Company Limited by Guarantee

More formalised structure used by Not for profits that bring:

- Legal company structure
- Directorships (with associated responsibilities)

Charities

- Not all non-profit organisations are charities but all charities must be not for profit.
- Until recently defined under common law dating back to 1601 and based on hundreds of years of case law
- Now explicitly defined in Commonwealth law and will take effect from 1 January 2014. The Charities Act 2013 introduced a statutory definition of charity that is applicable across all Australian states and territories.
 - Non-profit organisations that have demonstrated that their purpose is for the public benefit
 - relieving poverty
 - advancing education
 - advancing religion
 - relief from illness
 - needs of the aged

 - promoting and protecting human rights
 - preventing or relieving the suffering of animals
 - protecting the safety of the general public

Australian Charities and Not for Profits Commission (ACNC)

- ACNC came into being on 3rd December 2012
- Register with them if:
 - Not-for-profit
 - Charitable purpose
 - ABN
 - Benefit the public
 - Meet governance standards

ACNC - How do I show my organisation is a not-for-profit?

Require particular clauses in governing rules supporting the not for profit position including:

- **the non-profit clause**

'The assets and income of the organisation shall be applied solely in furtherance of the above-mentioned objectives and no portion shall be distributed directly or indirectly to the members of the organisation except as bona fide compensation for services rendered or expenses incurred on behalf of the organisation.'

- **the dissolution clause**

'In the event of the organisation being dissolved, the amount that remains after such dissolution and the satisfaction of all debts and liabilities shall be transferred to another organisation with similar purposes which is not carried on for the profit or gain of its individual members.'

Summary of tax concessions and types of NFP organisations

Tax Concessions	Public benevolent institutions & health promotion charities	Charities	Other NFP Organisations
Income tax exemption	✓ 1	✓ 1	✓ certain types only 2
FBT exemption (subject to capping threshold)	✓ 1		✓ certain types only 3
FBT rebate		✓ 8	✓ certain types only 4
GST concession for charities and gift deductible entities	✓ 1	✓ 1	✓ certain types only 5
GST concessions for NFP Organisations	✓	✓	✓
Deductible gift recipients	✓ 6	✓ certain types only 6	✓ certain types only 6
Refunds of franking credits	✓ 7	✓ 7	✓ certain types only 7

Audit requirements

- Under \$250k turnover – no audit
- \$250k to \$1m – Review and lodge with ASIC
- Over \$1m turnover – Full Audit and lodge with ASIC



Charity Myths and Misconceptions

- Can still provide benefits to members if in keeping with goals
- Pay employees reasonable amounts
- Make a surplus
 - Build new infrastructure
 - Start a new project
 - Build a reserve to ensure sustainability



Social Enterprises

A *social enterprise* is a revenue-generating business with primarily *social* objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.

- Definitional differences between Philanthropy (U.S) and community engagement (Europe)
- Huge variation in forms and activities
- Differ from Corporate Responsibility programs whose goal is to improve the perception of the enterprise to improve profitability
- Commitment to impact is central to the mission of the business
- Generates profits and is taxable
- Provide incentives to workers, and social and community investors
 - Attract government and private funding
 - Attract staff

Our Team – Daniel Dubois



Daniel Dubois
Audit & Assurance
Director

Daniel is a Chartered Accountant, Auditor and Director of Sothertons Melbourne with a proven aptitude for business analysis and lateral thinking. With over twenty years' experience in the audit and accounting field, Daniel has proven financial expertise across a wide variety of disciplines, including registered company and not-for-profit audits which included ASX listed entities and large charities, as well as superannuation funds.

Driven by a desire to create value for his clients, Daniel interprets and communicates the underlying risk management factors and financial controls to support and inform his clients. Over the course of his career he has accumulated complementary skills in corporate governance, capital raisings and business valuations. Creating a personalised service, he offers in depth analysis across his core competencies of audit and accounting and their associated professional standards.

Daniel holds dual registrations as both Chartered Accountant and CPA along with a Bachelor of Commerce with majors in Accountancy and Economics from the University of Melbourne. Commencing his career in the KPMG audit division in 1993, Daniel spent eleven years as Principal of a Melbourne chartered firm before moving to Sothertons Melbourne as a Director in 2014, operating across their audit and business services divisions.

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We thank you for the opportunity to present and
look forward to hearing from you

Sothertons Melbourne