



**Curtin University**

Not-for-profit Initiative

# **WA's Not-for-profit Sector 2017**

**The First Report on Charities and  
Other Not-for-profits in WA**



This study was undertaken by the Curtin Not-for-profit Initiative, Curtin School of Accounting and commissioned by the Western Australian Council of Social Service. It was funded by Lotterywest.

#### **Citation Information**

This document should be cited as follows: Gilchrist, D. J. and P. A. Knight, (2017), *WA's Not-for-profit Sector 2017: The First Report on charities and Other Not-for-profits in WA*. A Report for the Western Australian Council for Social Service. Perth, Australia.

#### **The Curtin Not-for-profit Initiative**

Curtin's School of Accounting established the Curtin Not-for-profit Initiative in 2011 following a refocus of research objectives toward industry-ready research outputs that are readily applicable in practice. As such, the aims of the Initiative are to:

- 1) Develop a body of research focused on practical and implementable outcomes that will enhance the resilience, efficiency and the sustainability of the Not-for-profit Sector Australia-wide;
- 2) Build significant and effective industry engagement in order to identify and prioritise the topics of research, and to facilitate dissemination and discussion of the findings to the best effect for the sector; and
- 3) Build a body of up-to-date, Australia specific knowledge that can be used to inform policy and practice within government, the Not-for-profit Sector and the broader community with a view to enhancing policy outcomes to the greater benefit of all communities in Australia.



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# Acknowledgements

We acknowledge and thank the following people and organisations for supporting this project.

**Western Australian Council of Social Service**

Louise Giolitto, Chief Executive Officer

Chris Twomey, Director Social Policy

Stuart Reid, A/Director Sector Support and Development

**Lottterywest**

Pauline Logan, Senior Manager, Grants Strategy, Governance and Engagement

Ben Lambert, Governance Assurance and Continuous Improvement

**Department of the Premier and Cabinet**

Jenni Perkins, Executive Director, Community and Human Services

**Department of Treasury**

Kylie Dalling, Manager Program Evaluation Unit

**Department of Finance**

Steven Hill, Assistant Director

**Community Employers WA**

John Bouffler, Executive Director

# A snap-shot of the WA sector

Western Australia's Not-for-profit (NFP) sector provides a wide range of services that improve the lives of many Western Australians. It is also a very large and important part of WA's economy.

Charities are a subset of the NFP sector. In 2014, The Australian Charities and Not-for-profits Commission (ACNC) began collecting financial and other data on charities, which shows that there are over 4,600 charities with their head office in WA. This data set is the basis of this report.

There is no detailed data on NFP organisations that are not charities. However, based on the Australian Bureau of Statistics data, it is estimated that there are at least a further 1,000 additional economically significant NFP organisations in WA, turning over an additional \$1.9bn. As such, the data in this report underestimates the economic and social contribution of the sector.

WA's charities:

- Employ approximately 93,000 full and part time staff, or 7.0% of the WA workforce. This compares to: Manufacturing at 99,000, or 7.2%; Agriculture, forestry and fishing at 31,000, or 2.2%; and Mining at 112,000, or 8.0% of the WA workforce<sup>1</sup>.
- Have an estimated \$16.4bn in net assets, equivalent to 14% of the WA Government's net assets (reported as \$114bn<sup>2</sup>);
- Recorded total annual revenue of \$12.7bn and expenditure of \$11.6bn. In comparison, total iron ore sales from WA

were \$48bn, and sales from agricultural production \$2.7bn<sup>3</sup>;

- Generated 59% of their income from operations and donations (i.e. sources other than governments), and 41% from government contracts and grants.
- Paid employee expenses of approximately \$6.7bn (58% of expenditure), which are fed back into the WA economy.

WA charities (2014 data) <sup>8</sup>	
Total number of charities	4,636
Net assets (\$)	16.4bn
Total income (\$)	12.7bn
Main source of income	Own source revenue: 59%
Total expenditure (\$)	11.6bn
Total employee expenses (\$)	6.7bn (58% of total expenditure)
Total number of employees	92,965 <sup>9</sup>
Top three main activities	Religious; Primary and secondary education; Emergency relief
Top three beneficiary groups	General community; Children; Women

Nationally, the NFP sector has been expanding faster than the Australian economy, growing 3.2% per annum against gross domestic product growth of 2.9%. In WA, gross state product grew by 1.9% in 2015-16, and growth is expected to be 1.25% in 2016-17.<sup>10</sup>

<sup>1</sup> Australian Bureau of Statistics Cat No. 1306 – Western Australia at a Glance, 2014 Labour Market.

<sup>2</sup> Government of Western Australia 2015-16 Annual Report on State Finances, Sept 2016.

<sup>3</sup> Australian Charities and Not-for-profits Commission 2014 Annual Information Statement data. Sourced from data.gov.au 24 Oct 2016.

<sup>8</sup> Ibid.

<sup>9</sup> Total of full and part time staff. Charities also report employing 25,055 casual staff.

<sup>10</sup> ABS Non-Profit Institutions Satellite Account Cat. No. 5256.0

# Key findings and discussion

This is the first report on Western Australia's (WA's) Not-for-profit (NFP) sector, and the findings may be somewhat surprising for some readers.

Recently released data from the Australian Charities and Not-for-profits Commission (ACNC) shows that there are more than 4,600 charities in WA. Based on Australian Bureau of Statistics (ABS) data, it is estimated that there are at least another 1,000 economically significant NFPs with their head office in the state. There are also many more interstate-based NFPs operating in WA.

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 the registered charities. This ACNC data forms the basis of this report.

## **The charity sector makes a large and important contribution to the WA economy.**

WA's charities alone have combined net assets of more than \$16.4bn, and an annual income of over \$12.7bn.<sup>11</sup> They also employ more than 93,000 people, or 7.0% of the WA workforce—nearly as many people as the mining sector, and considerably more than many other sectors. It is, therefore, one of the most important parts of the WA economy.

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.

In WA, the 4% of all charities (198) that are classified as very large (annual income of over

### **What is a NFP 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 profits 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 be 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.

\$10m) account for \$10.02bn, or 75.6%, of total income; and 66,565 employees, or 72% of employment in the sector.

These largest organisations comprise the universities and non-government hospitals and aged care organisations, along with hundreds of independent primary and secondary schools, and social services providers. They also include iconic brands, such as MercyCare, St John Ambulance, the Red Cross and Amana Living.<sup>12</sup>

At the other end of the scale, there are thousands of small charities, with incomes of less than \$250,000 per year, often run entirely by volunteers. These organisations provide a wide range of essential services, such as volunteer fire and rescue, childcare and fundraising. They have an essential and irreplaceable role in building and maintaining community cohesion, providing opportunities for engagement, volunteering and relationship building. As such, their impact is felt socially as well as economically. This is a unique aspect of NFPs—public sector and For-profit organisations do not generate the same passion and goodwill.

<sup>11</sup> Australian Charities and Not-for-profits Commission 2014 Annual Information Statement data. Sourced from data.gov.au 24 October 2016.

<sup>12</sup> WA Country Health is a registered charity but was excluded from this analysis. See Appendix.

**The 'social' or 'community' services sub-group is complex and critical to WA's community cohesion.**

Organisations that provide social or community services are one part of this large group of NFP organisations, but separately defining and identifying them is not possible with the current data. To do so risks significantly over- or under-estimating their contribution. However, to provide some indication, and using the narrowest of definitions, this cluster, or sub-group, of organisations is estimated to account for 31% of charities, \$3.98bn (31%) in annual income and over 35,000 staff, or 38% of employment.

**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 2013/14, State, Commonwealth and Local Government contracts and grants to WA charities totalled approximately \$5.2bn.<sup>13</sup>

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, charities generate \$1.44 of their own income.

Indeed, data shows that they generate 59% of their income from operations and donations (i.e. sources other than governments) and 41% from government contracts and grants. They also deploy volunteers and have access to donated goods. Further, they reinvest their profits into their operations as they do not distribute them to owners. Because they have access to these resources, they are also able to operate in service delivery areas that are not viable to For-profit entities.

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.

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.<sup>14</sup>

**Looking ahead: Recognising and building our NFP sector**

The \$16.4bn of net assets owned by the NFP sector were built through the efforts and donations of past and current generations of Western Australians, and with the support of the WA government and others. These assets represent a very large and valuable resource for building the future of all Western Australians.

The WA 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 WA government is the main or only buyer of services. Therefore, what it buys and how directly affects the structure and viability of individual organisations, and ultimately its overall portfolio of suppliers. From 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 become inefficient and create risks to government. Therefore, taking an active and strategic approach to developing the NFP sector is beneficial to all stakeholders.

In addition to executing its responsibilities as the dominant purchaser, the WA government has a critical role to play in the creation of policy that supports the development of civil society, and of an efficient and effective NFP sector

<sup>13</sup> See later: Charity Income, Expenditure and Profit.

<sup>14</sup> For instance, see the Delivering Community Services in Partnership Policy (DCSP) document (WA Government 2011) at: <http://www.finance.wa.gov.au/cms/content>

more broadly. The benefits of a thriving NFP sector that encourages and supports self-sufficiency in local communities should be more fully appreciated.

The Partnership Forum was established by the WA Government in 2010 and has made notable progress toward achieving the first of these goals. It has simplified government contracting, shifted the focus of contracts towards outcomes rather than outputs, and provided greater surety to providers through the creation of longer-term contracts.

### Testing our assumptions and challenging NFPs to do more

To further build the sector, it is now timely to challenge the Partnership Forum to more actively develop a government-wide procurement strategy and for the WA Government more broadly to acknowledge and respond to its role in the development of the NFP sector as a whole.

This will require building better data on the sector, much of which could be achieved through better design and use of the data government already collects. 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 to dispel many of the pervasive assumptions about the sector, which are often held by the sector itself. It is very important that government, donors, NFP leaders and other stakeholders check their assumptions about the sector and improve their understanding of the 'business' of modern NFPs. This will help build more equitable relationships and encourage mature conversations around such things 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.

### Next steps

Based on our research and analysis, it is evident that there are significant gaps in our knowledge of the sector in key areas, many of which could be improved by streamlining and improving the consistency of the data currently collected by government agencies.

In addition, the data now collected by the Department of Commerce could be published to provide information on the many Incorporated Associations that provide key social and community services, including those that are contracting with government.

Therefore, the Curtin Not-for-profit Initiative recommends that the WA Government develop a Data Management Plan that:

- better supports its procurement functions,
- increases transparency of government contracting with the sector,
- enables monitoring of the health and development of the sector, and
- builds its knowledge of the sector to support better policy development and evaluation.

A Data Management Plan would aim to improve the quality and effectiveness of the data currently collected rather than seek to increase data requests. In particular, it would aim to only collect data that is of value and used, to ensure that data is collected once and re-used, require records to include Australian Business Numbers so that data from different sources could be combined and would define a common framework for data collection so that data is comparable. The Plan should also define how data is to be published, including the issuing of raw data (e.g data cubes) where possible.



# Aim of this report and data sources

The aim of this report is to provide a first summary of the available data on the Western Australian Not-for-profit (NFP) sector, primarily the charity sector, and to place the sector in context within the WA 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 the data on the sector.

## The data

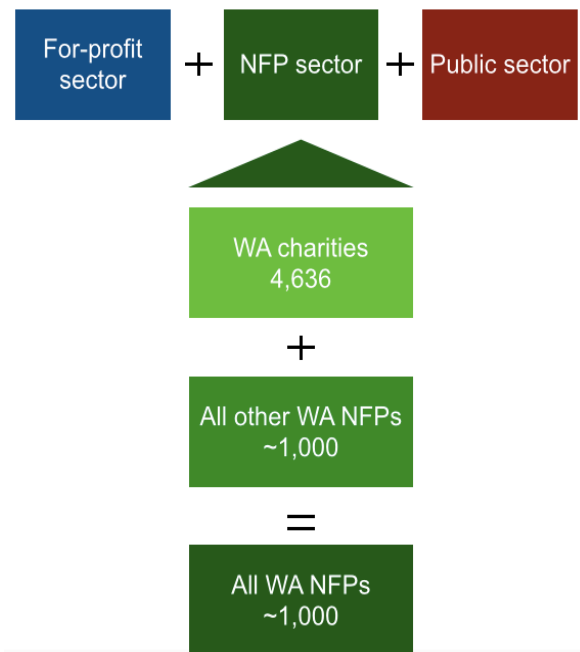
The main source of data for this report is the Australian Charities and Not-for-profits Commission 2014 Annual Information Statement.

The other data sources referred to in this report are:

- the Department of Finance's data for 2012 to 2015. This data set provides information on contracts between WA Government agencies and NFP organisations that fall under the Delivering Community Services in Partnership Policy,
- the Lotteries Commission of WA data on grants issued between 1 July 2014 and 30 June 2016, and
- data from the Evaluation of the Delivering Community Services in Partnership Policy and Associated Procurement Reforms. The evaluation was undertaken by Curtin University Not-for-profit Initiative in 2012, 2013 and 2014. The 2016 evaluation was undertaken by the Department of Treasury.

Information was also obtained from a number of other sources, including the Australian Business Register, the Australian Bureau of Statistics and other research reports. For further information on data sources and accuracy, please see the Appendix.

## NFPs form a key part of WA's economy



# What is a Not-for-profit 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, child protection, employment services, emergency services to 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.<sup>15</sup>

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 what is a large and complex NFP sector in Western Australia. WA's largest NFPs include household names, such as the Salvation Army, MercyCare, YMCA, Brightwater, HBF (Hospital Benefits Fund), RAC WA (the Royal Automobile Club of WA), the University of Western Australia, St John Ambulance and Surf Life Saving WA.

From the point of view of customers, employees or the community, these very 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 a misunderstanding 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 to the greater benefit of the community.

In contrast, For-profit organisations can distribute profits to shareholders, and 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 operating in market sectors even when returns are low or negative.

## 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

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<sup>15</sup> 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

NFPs, but are not able to be registered as charities.

For a NFP organisation to be classified as 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 and 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, a 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 a 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 the organisation is not a separate legal entity from its members. These are typically small organisations, such as fundraising groups, faith-based entities and neighbourhood or volunteer clubs.

If NFPs wish to incorporate, they can do so under State/Territory Government legislation or under Commonwealth legislation.<sup>16</sup> 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.

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

**Incorporated Associations** WA based NFPs that wish to incorporate do so under the *Associations Incorporation Act (WA) 2015* (The Associations Act), which is administered by the Department of Commerce (Commerce).

**Trusts** A Trust is a legal structure in which the Trustee(s) hold money and property for the benefit of 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, and are formed under Commonwealth Legislation and regulated by the Australian Securities and Investments Commission.

Further details of these legal structures can be found in the Appendix.

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<sup>16</sup> This 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)*.

## 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 WA.

In WA, the *Associations Incorporation Act (WA) 2015* now requires Incorporated Associations to submit an information statement to the Consumer Protection division of Commerce each year. This statement does not include financial information, but in future years should enable a count of the number of Incorporated Associations and provide some data on their activity type. It will also assist in keeping the register up to date.

Consequently, at present, there is no data available on large numbers of NFPs that are not charities, many of which provide important social services. This report therefore under-represents the economic and social impact of the sector.

## What types of NFPs constitute the 'Social services' or 'Community sector'?

The Australian Bureau of Statistics and the Australian Charities and Not-for-profits Commission (ACNC) use the International Classification of Non-profit Organisations (ICNPO) as the basis for classifying the activities of NFPs and charities. Under the ICNPO, there are 12 main activity classifications, most with additional sub-classifications. The ACNC has for the most part used these same classifications, but has made minor amendments, as shown in Table 1.

While these provide a common basis for segmenting NFPs, this classification structure has significant limits with regard to identifying the organisations that constitute the 'Community services' or 'Social services' sector, as covered, for example, under the WA Government's Delivering Community Services

in Partnership Policy. Specifically, there is no separate category for key services areas, such as disability services, which is a significant part of the human services sector. Under this system of classification, disability service providers may categorise themselves under one of several headings, including 'Other'. In other cases, organisations specialising in sectors such as 'Drug and alcohol rehabilitation' or 'Homelessness' services cannot be easily classified, and can be included in 'Health', 'Social services' or 'Housing'.

There are also many organisations that operate across several sectors, and identifying them by a single main activity type significantly reduces the counts and measures of activity within all areas. For example, an organisation providing arts or education services for people living with disadvantage may identify as an 'Arts' or 'Education' organisation and reduce counts of providers to the 'Social services' category. Similarly, counting all those whose 'Other activities' include human and/or 'Community services' over-counts providers and the size of each activity area.

Finally, there is inconsistency in classification. Analysis of the ACNC data also shows that when NFPs self-select 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'.

For these reasons and others, identifying a sub-group of 'Social services' charities is problematic, and risks misinterpreting the sector. It also removes the capacity to track change in the group over time, as the population of interest can change each year.

As such, in this report we examined the charity sector as a whole, and have provided a specific focus on the 'Social services' sector where possible. The activities that we include in the 'Social services' sector are marked in bold in Table 1.

Table 1: ICNPO and ACNC activity categories

ICNPO groups and subgroups <sup>17</sup>	ACNC categories
1 Culture and arts	
• Culture and art	• Culture and art
• Sports	• Sports
• Other recreation and social clubs	• Other recreation and social club
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
• Nursing homes	• <b>Aged care activities</b>
• Mental health and crisis intervention	• <b>Mental health and crisis intervention</b>
• Other health services	• <b>Other health service delivery</b>
4 Social services	
• Social services	• <b>Social services</b>
• Emergency and relief	• <b>Emergency and relief</b>
• Income support and maintenance	• <b>Income support and maintenance</b>
5 Environment	
• Environmental activities	• Environmental activities
• Animal protection	• Animal protection
6 Development and housing	
• Economic, social and community development	• <b>Economic, social and community development</b>
• Housing	• <b>Housing activities</b>
7 Employment and training	• <b>Employment and training</b>
8 Law, advocacy and politics	
• Civic and advocacy organisations	• <b>Civic and advocacy activities</b>
• Law and legal services	• <b>Law and legal services</b>
• Political organizations	• Political activities
9 Philanthropic, intermediaries and voluntarism promotion	
• Grant-making foundations	• <b>Grant-making activities</b>
• Other philanthropic intermediaries and voluntarism promotion	• <b>Other philanthropic</b> • <b>Philanthropic promotion</b>
10 International	
• International activities	• <b>International activities</b>
11 Religion	
• Religious activities	• Religious activities
12 Business and prof associations, unions	
• Business associations	• Not included
• Professional associations	• Not included
• Labour unions	• Not included
13 Not elsewhere classified	• Other

<sup>17</sup> 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 4,636 Western Australia based charities registered with the Australian Charities and Not-for-profits Commission (ACNC), and a further 2,715 charities located in other states that report that they operate in WA.<sup>18</sup>

There is no data on the number of Not-for-profits (NFPs) that are not charities. However, based on statistics from the Australian Bureau of Statistics (ABS), it is estimated that there are at least an additional 1,000 'economically significant' NFPs with their head office in WA. WA's cohort of charities and NFPs represent about 10% of all Australian NFPs, and the ratio of WA charities to total population is like that in other States/Territories.<sup>19</sup>

To put the number of charities into context, WA has approximately 220,000 registered companies with their head office in WA.<sup>20</sup> As such, there is approximately one charity for every 47 registered For-profit entities.

## Charity size

The ACNC Act and Associations Act segment charities and associations into three size categories based on their turnover. Organisations with annual income of less than \$250,000 are classified as 'Small', those with income between \$250,000 and less than \$1 million are 'Medium', and charities with income over \$1m are classified as 'Large'. These arbitrary classifications are used as a basis for differentiating accounting and

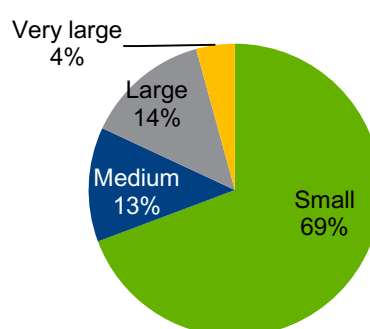
reporting requirements. To provide more detail on the larger organisations, for this report we have divided the 'Large' category into two, to enable the separate examination of the charities with incomes of over \$10m.

The data shows that the majority of WA's charities are small. There are:

- 3,211 charities (69%) reporting an income of less than \$250,000 per year. Of these a significant proportion (1,038 or 22% of all charities) reported no income, and therefore some of these charities may be dormant;
- 587 charities (13%) with an income of between \$250,000 and less than \$1m;
- 640 charities (14%) with an income of between \$1m and \$10m; and
- 198 'Very large' charities (4%) with an income of over \$10m.<sup>21</sup>

Charity income is heavily concentrated in a small number of charities. The ten charities with the highest income account for 41%, or \$5.2bn, of income.

Figure 1: WA charities by size category (n=4,636)



<sup>18</sup> As it is not possible to determine the extent of the WA operations of charities with head offices in other jurisdictions, this report only includes the data on the charities with their head office in WA. As such, it under-reports WA's charity operations.

<sup>19</sup> 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.

<sup>20</sup> ABS. Cat. No. 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015

<sup>21</sup> These size categories are based on the financial data (total gross income) provided, not on charities' self-selected size category.



## What do WA's charities do?

WA's charities undertake a very broad range of activities, covering the full spectrum of International Classification of Non-profit Organisations (ICNPO) activity types. WA's ratio of activity types is very similar to that of other Australian jurisdictions, and to the profile of the charity sector as a whole across Australia.

Over a quarter of charities (28%) reported that their main activity is 'Religious', and most of these are small religious congregations with no employees. However, some organisations in this classification includes schools, hospitals and social services organisations. Faith-based organisations have played an important role in building social and community services in WA. In addition to the 28% that nominated "Religious" as their main activity, a further 11% nominated 'Religious' as an 'Other activity'. 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 and education related organisations.

The next largest category of charity is 'Primary and secondary education'. Just over one in ten charities (11%) nominated this as their main activity.<sup>22</sup>

The purpose and beneficiaries of an NFP are defined in its foundation document—usually called the 'rules' or 'constitution'. 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.

## Social services charities

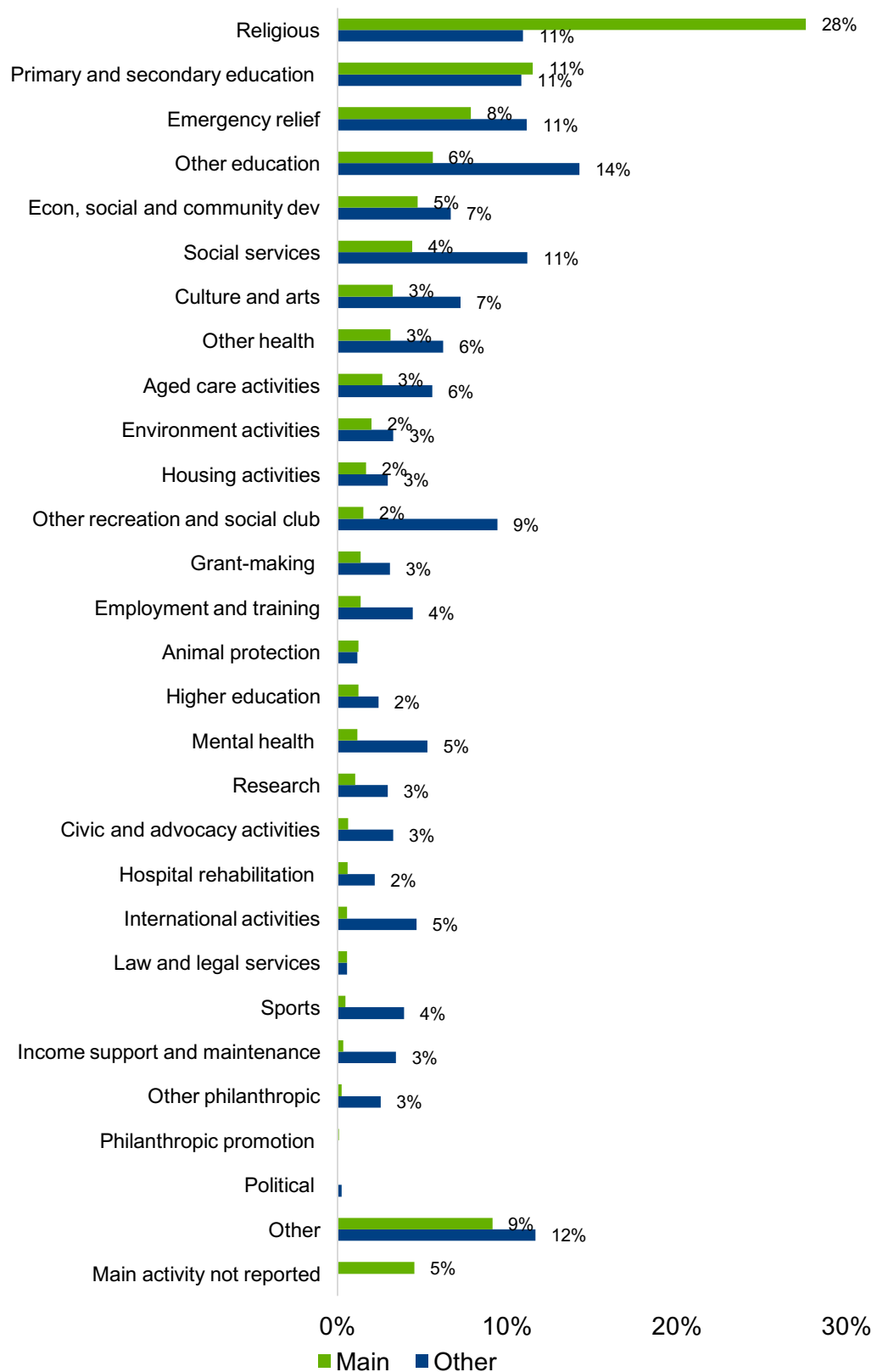
In total, the organisations mostly providing social services accounted for 31% (1,415) of charities. Just over one in ten charities provide 'Emergency relief', which includes organisations such as volunteer fire brigades and State Emergency Service volunteer groups. Five per cent of charities are providing 'Economic, social and development services' (e.g. community and neighbourhood organisations; those seeking to improve economic infrastructure, such as roads, water, saving associations and rural development, and organisations seeking to improve institutional infrastructure).

'Social services' charities accounted for a further 4%; 'Aged care' for 3%, 'Other health' (health services other than 'Hospital and rehabilitation') for 3%, 'Housing activities' for 2% and 'Mental health' for 1%.

Table 12 in the Appendix shows the counts of charity by main and other activity types.

<sup>22</sup> Data from the Department of Education WA shows that WA has 310 non-government schools.

Figure 2: Charities by main and other activity type (n=4,636)





## Other activities reported

More than half of charities reported that they undertake activities in addition to their main activity, and, on average, nominated 1.5 additional sectors of activity. This further demonstrates the difficulty in separately identifying charities by a single activity type.

'Other education' was the most frequently nominated additional activity, reported by 14% of charities. 'Social services', 'Primary and secondary education' and 'Emergency relief' were each identified as 'Other activities' by just over one in ten charities (11%). Nine percent reported that they are offering 'Other recreational and social activities' in addition to their main activity.

Table 2: Percentage of charities selecting more than one other activity

Number of other activities	Number of charities	% of total
0	1,885	41
1	1,296	28
2	545	12
3	299	6
4	197	4
5	125	3
6 or more	289	6
<b>Total</b>	<b>4,636</b>	<b>100</b>

## WA charities – examples of purpose statements verbatim from ACNC

**Activ Foundation** Supported employment, accommodation and independent living services, transport services, library services, recreation and respite and community support for people with a developmental disability.

**BaptistCare** Reaching out with the love of Jesus we work with individuals, families, and communities to achieve their spiritual, emotional and physical wellbeing.

**Best Friends Animal Rescue** Best Friends Animal Rescue pursues its charitable purposes through the adoption of rescued animals to people in Australia. We raise funds to cover the cost of rehabilitation, medical expenses and rehoming the animals through the adoption fee, donations and fundraising events such as online auctions and sausage sizzles.

**Brightwater Care Group** Through the provision of residential aged care, community based aged care, rehabilitation programmes for individuals with acquired brain injuries, supported housing for ABI sufferers, specialist Huntington's disease facilities and support programmes, provision of respite and palliative care facilities.

**Chamber of Commerce and Industry of Western Australia** The CCIWA's main charitable purpose is the promotion of trade, industry and commerce in Western Australia.

**Diversity South** Our activities enhanced the lives of people with disabilities in accommodation, recreational community access and inclusion.

**Edith Cowan University** Edith Cowan University is a large, multi-campus institution serving communities in Western Australia and internationally. The University has two Perth metropolitan campuses at Mount Lawley and Joondalup, and also serves Western Australia's South West Region from a campus at Bunbury, 200 km south of Perth. Granted university status in 1991, ECU is a young university that offers innovative and practical courses across a broad range of disciplines. The University has a vibrant research culture with high quality researchers and research partners and a strong emphasis on collaboration.

**Middle Ward Bushfire Brigade** We fight fires.

**Southern Cross Care (WA)** Southern Cross Care provide affordable Home Care Services & Nursing Homes to elderly people and people with disabilities & mental health issue in Perth & surrounding regional areas.

**Royal Flying Doctor Service Of Australia (Western Operations)** RFDS provides a comprehensive array of primary health care services including primary evacuations for medical emergencies, GP and nursing clinics, remote (telephone) consultations, medical chests, mental health support services, dental care, and patient transfers between hospitals.

**Uniting Church Homes** As a not-for-profit organisation, we are able to invest our funds back into our communities to ensure people can live comfortably as they grow older and their needs change. We deliver concessional services to more than half of our residents and clients as we strive to provide a good life for all our people.

**St John Ambulance Western Australia** St John Ambulance Western Australia is the preeminent provider of pre-hospital care in Western Australia. Our purpose for being in Western Australia is the unique contribution we make in serving humanity and developing resilient communities in this state. We achieve our purpose when we: 1. Make first aid a part of everyone's life 2. Deliver high quality cost-effective ambulance services to the people of Western Australia We are a charitable, non-profit, humanitarian organisation that provides the community with lifesaving first aid skills as well as delivers the state's ambulance service. Nationally, we are seen as a leader in the sector. In addition to being at the forefront of first aid training and ambulance services, St John also delivers Event Health Services, Industrial Health Services, Patient Transfer Services, the Community First Responder System and the First Aid Focus program. We also have a strong humanitarian focus, supported by a range of fundraising and charitable initiatives. St John employs more than 1,660 paid staff including paramedics, communications officers, patient transport officers, administration staff and first aid trainers. Our activities are supported by 4,412 volunteers that donate more than 3.5 million hours to the community every year under the St John banner. From running the ambulance service to teaching first aid in hundreds of locations around regional Western Australia, each and every one of our volunteers gives an invaluable service to the community. We owe a lot of our success to this amazing, dedicated and committed group of people.

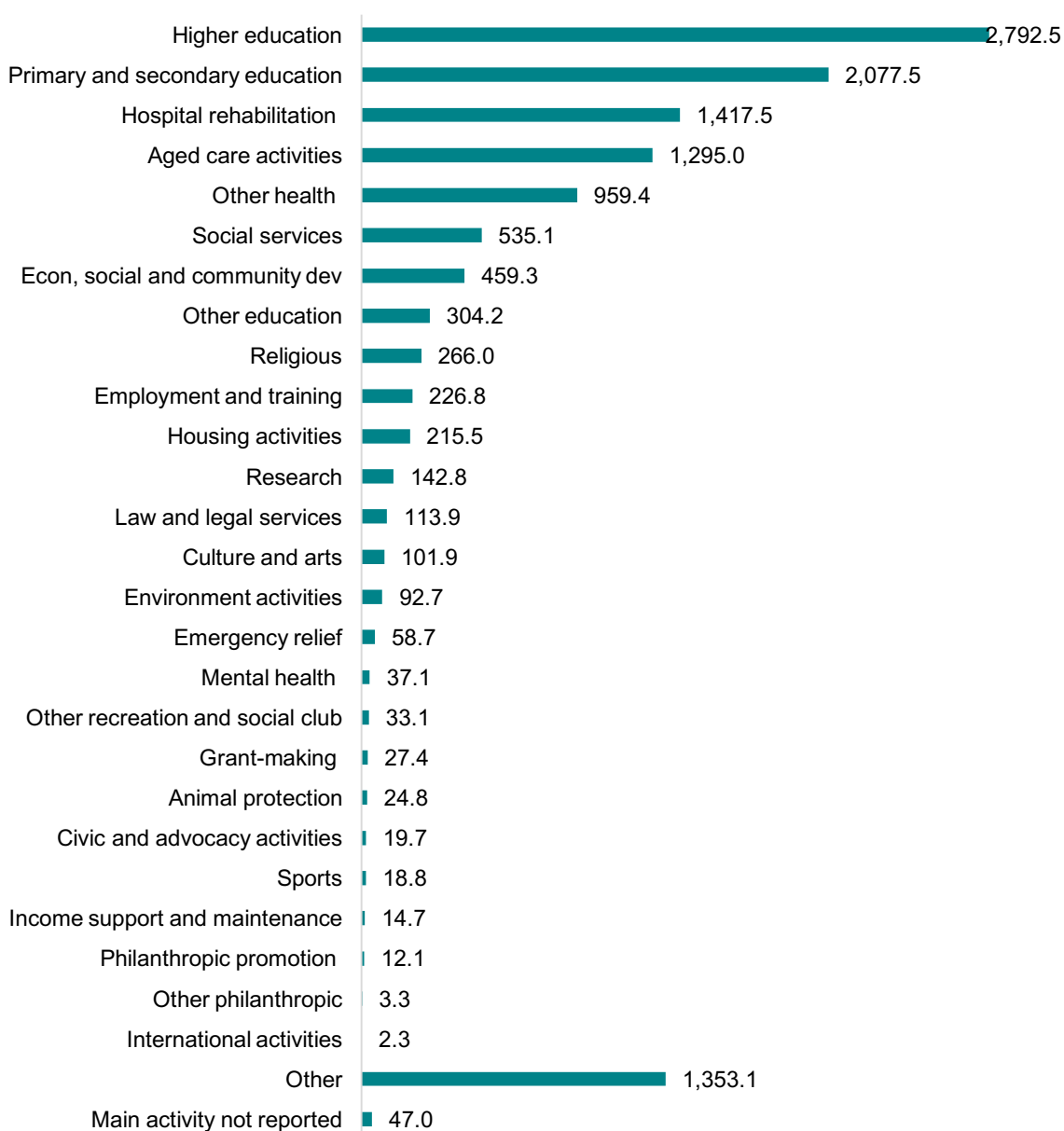
**Western Australian Neuroscience Research Institute** The Western Australian Neuroscience Research Institute (WANRI) is a company established for the public charitable purposes of conducting basic, applied and clinical research on neurological and neuromuscular disorders with the goal of translating the outputs of this research into better healthcare outcomes. WANRI continues to undertake cutting edge research on a broad range of neurological and neuromuscular disorders, including stroke, multiple sclerosis, Parkinson's disease, myositis, brain cancer and muscular dystrophy. In addition, WANRI operates a number of specialist neurological clinics that form the basis for the institute's growing clinical research profile. In terms of research translation, WANRI has developed a new molecular therapy for the devastating and fatal childhood disorder, Duchenne muscular dystrophy, a disease that typically leaves patients wheelchair-bound before their teens and dead before the age of 30. A drug developed at WANRI to "skip" the defective part of the abnormal dystrophin gene that is the cause of Duchenne muscular dystrophy is now in clinical trial in the United States. The results of the trial – now in its fourth year – continue to be positive with patients receiving the drug showing only minimal decline in walking ability. This contrasts with the catastrophic decline in walking ability that is typically seen in Duchenne patients. The results of the trial form the basis for a New Drug Application to the U.S. Federal Food and Drug Administration. In addition, WANRI has established the Centre of Restorative Neurology using the latest rehabilitative technologies including upper limb robotics, brain stimulation and balance and cognitive therapies to improve functional recovery in patients following neurological illness or injury. A pilot program, now underway for people with stroke is proving beneficial in improving mobility and speech. The program will be extended to other neurological conditions after efficacy has been proven...

## Income of the main activity types

The 'Higher education sector', consisting of 56 charities, represents 22% of total income, followed by 'Primary and secondary education' at 16% (533 charities), 'Hospital and rehabilitation' at 11% (27 charities) and 'Aged care' at 10% (121 Charities). Collectively these 737 charities account for 60% of charity income.

The 1,415 Charities that make up the Social Services sub-group (as defined earlier) reported a total income of \$3.98bn, or 31% of total charity income. The median income for these charities (excluding the 115 reporting no income) was \$153,000. The largest charities in this sub-group include St John Ambulance, Silver Chain, Brightwater, Bethanie Group, Uniting Church Homes, the Royal Flying Doctor Service, Baptist Care, Amana Living and Southern Cross Care.

Figure 3: Total income (\$m) by main activity type (n=4,636)



## Who do WA 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 WA 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, 11% of charities reported their main activity as 'Primary or secondary education' and therefore 'Children' was one of the most frequently nominated beneficiary groups.

Half of all charities stated they serve the 'General community', 40% provide services to 'Children', 38% serve 'Women', 35% serve 'Men' and 25% serve those '60 years or over'.

As with activity type, nearly two thirds of charities nominated more than one beneficiary group, with one-third nominating more than six types of beneficiary.

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.

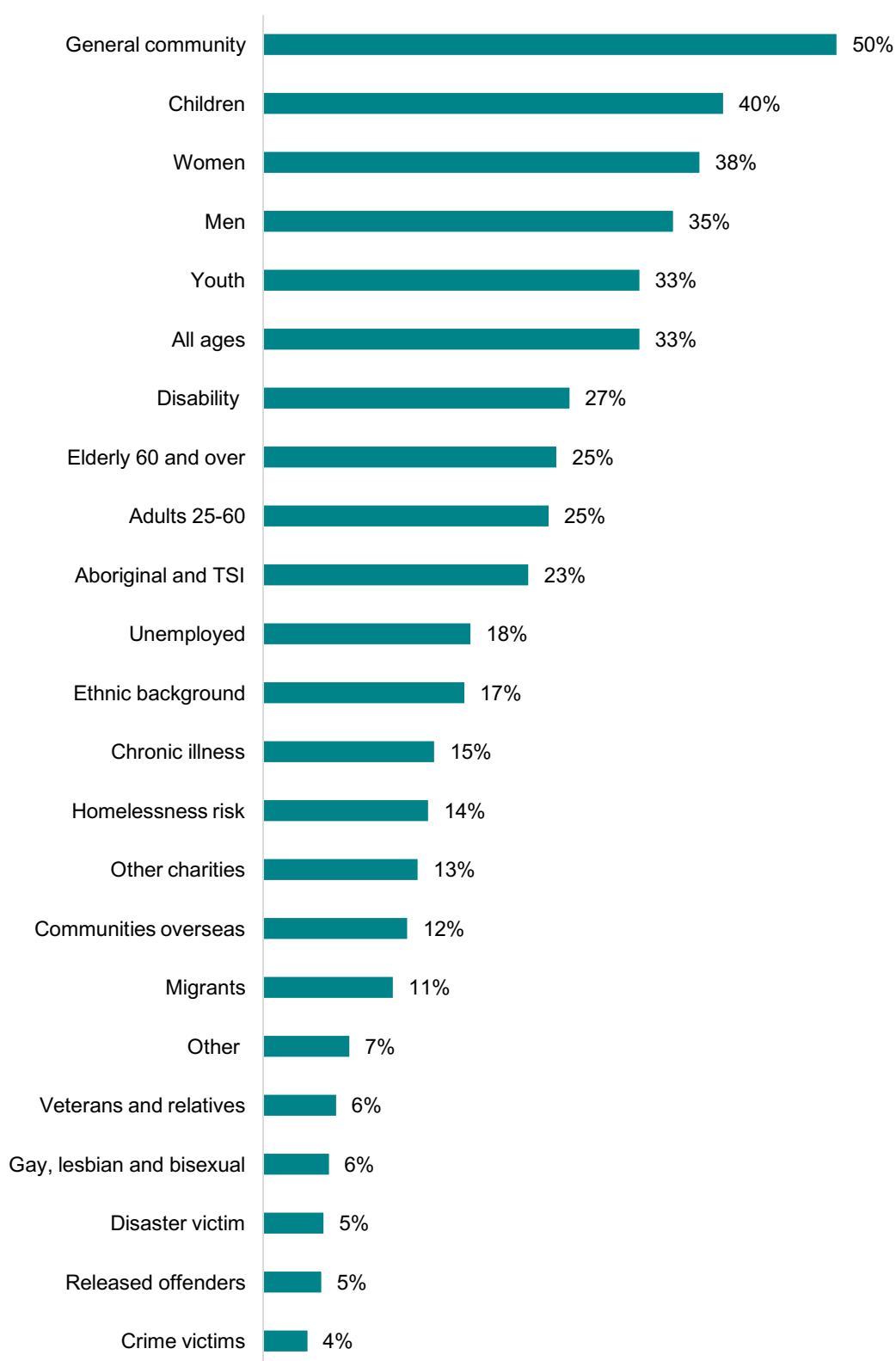
Most Western Australians are users of services delivered by charities at some point in their life, such as when they attend school or university, take their children to kindergarten, are admitted to hospital or when they receive aged care services, for either themselves or relatives.

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

Table 3: Percentage of beneficiaries selected by charities (n=4,636)

Beneficiary categories	Number of charities	% of total
0	225	5
1	1,460	31
2	581	13
3	303	7
4	258	6
5	224	5
6 or more	1,585	34
<b>Total</b>	<b>4,636</b>	<b>100</b>

Figure 4: Percentage frequency of beneficiaries by charities (n=4,636)



Note: Total adds to more than 100% due to multiple answers

# Contribution to WA's economy

## Employment

Western Australian charities employ more than 92,965 staff – 47,101 full-time and 45,864 part-time. This equates to 7.0% of the WA workforce. This is nearly as high as the Manufacturing sector (98,900 or 7.2%) and higher than the Agriculture, forestry and fishing sector (31,200, or 2.2%). It is also nearly as high as the Mining sector (112,100, or just over 8.0%).

	Number employed	%
Full-time	47,101	51
Part-time	45,864	49
<b>Total</b>	<b>92,965</b>	<b>100</b>
Casual	24,992	N/A

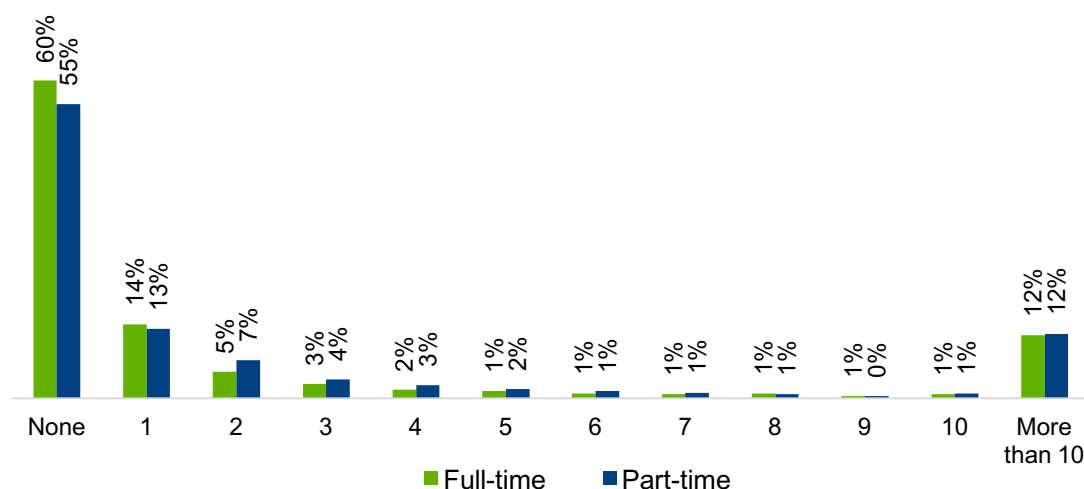
Table 4: Employment (n=4,636)

## Key findings

- Employment is heavily concentrated in a small number of charities. Four percent, or 198 charities, account for 75.6% of employment.
- Twelve per cent of charities employ more than ten staff. The largest employing charity is the St John of God Health Care, which reported having 2,467 full-time and 6,481 part-time staff.
- A further 14% of charities employ only one member of staff.
- 2,295 charities do not employ any staff at all - either full- or part-time. These charities are supported entirely by volunteers.
- More than half of charities reported that they do not employ any full-time staff (60%) or any part-time staff (55%).
- Of charities that reported no full-time staff, 26.6% of these reported their main activity as 'Religious activities'.

The data shows that charities also employ 25,055 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.

Figure 5: Distribution of charities by employment (n=4,636)



### Employment by main activity type

'Education', 'Hospital and health' and 'Aged care' services collectively account for 75% of all staff.

There is significant 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', 43% are part-time; whereas 73% of staff employed in 'Aged care' are part-time. This data also shows the differences in average employee expenses across the activity types (Table 5).

### Key findings

- 'Primary and secondary education' employs over 19,000 staff, or 23% of all full-time and 18% of all part-time staff. This activity type accounts for 20% of total employee expenses.
- 'Other health' (e.g. hearing and vision services, child health services) employs 6,904, or 8% of full-time and 7% of part-time staff.
- 'Aged care' employs 15,558 staff, or 9% of full-time and one in four (25%) of all part-time staff. Although 'Aged care' represents 17% of all staff, employee expenses are only 12% of the total, suggesting that staff working in this category receive lower than average pay.
- 'Higher education' employs 12,882 staff, or 20% of all full-time and 7% of all part-time staff. A small number of large organisations, including the University of Western Australia as well as Curtin, Edith Cowan and Murdoch Universities, dominates this activity group. This activity category accounts for 14% of staff, but 24% of salary expenses, indicating that these organisations pay higher average salaries than other organisations in this sector.

The 'Social services' sub-group, which represents 31% of all charities, collectively accounts for over 35,000, or 38% of all employees, of which 15,382 (33% of total) are full-time and 19,911 (42% of total) are part-time. This group also accounted for \$2.1bn or 32% of total employee expenses



Figure 6: Percentage of the total number of charities with full- and part-time staff by main activity (n=4,586)

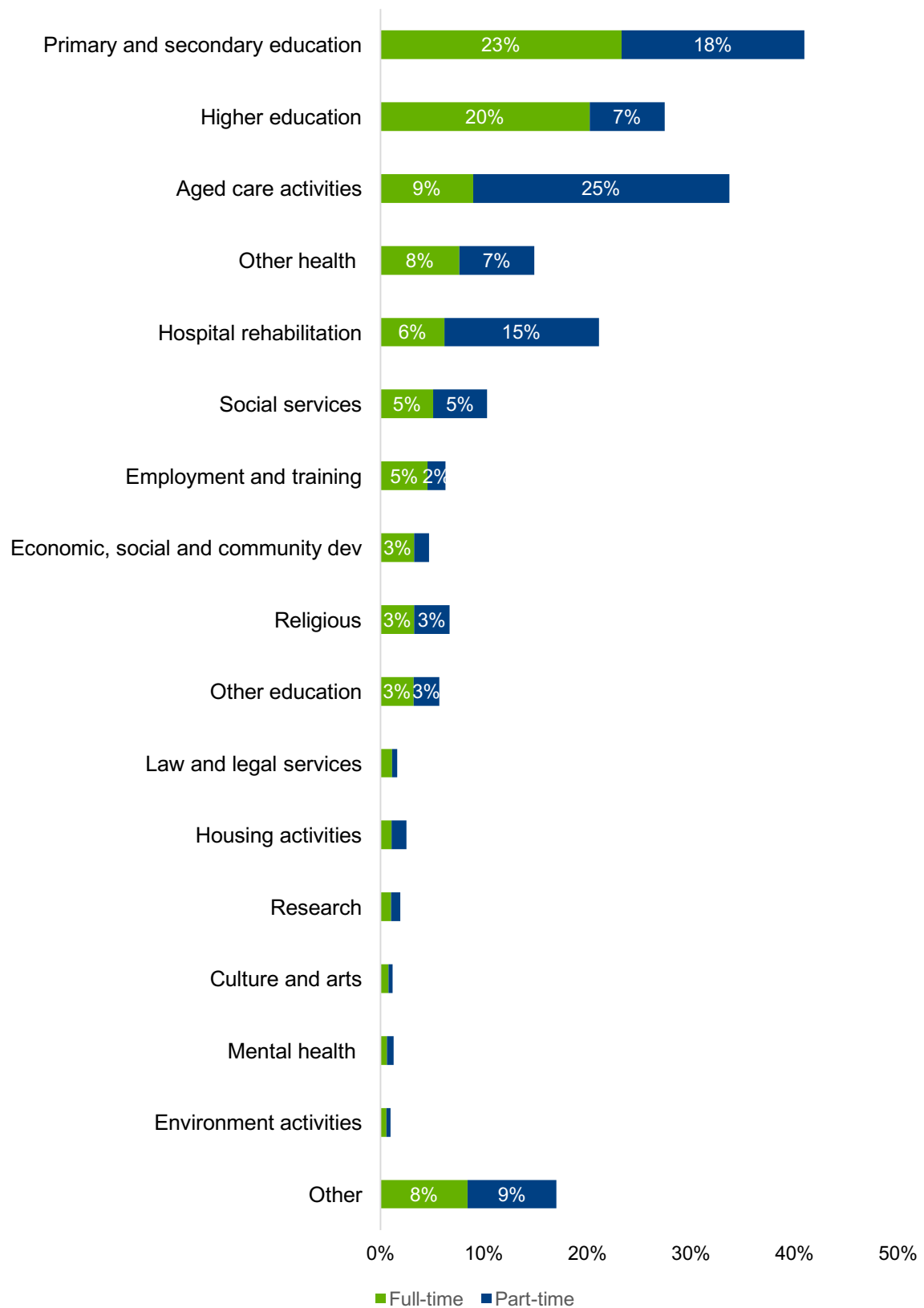


Table 5: Number full- and part-time staff by main activity and employee expense (n=4,636)

Main activity	Full-time	Part-time	Total	Sum of employee expenses (\$m)
Primary and secondary education	10,956	8,104	19,060	1,336
Higher education	9,508	3,314	12,822	1,600
Aged care activities	4,204	11,354	15,558	827
Other health	3,568	3,336	6,904	518
Hospital rehabilitation	2,892	6,848	9,740	656
Social services	2,399	2,369	4,768	306
Employment and training	2,142	776	2,918	153
Economic, social and community development	1,535	638	2,173	158
Religious	1,516	1,583	3,099	80
Other education	1,491	1,148	2,639	167
Law and legal services	524	216	740	60
Housing activities	493	658	1,151	64
Research	474	415	889	61
Culture and arts	347	194	541	45
Mental health	278	299	577	20
Environment activities	270	174	444	32
Other recreation and social club	119	78	197	16
Animal protection	112	76	188	10
Emergency relief	95	134	229	7
Civic and advocacy activities	61	70	131	9
Grant-making	58	35	93	5
Income support and maintenance	17	10	27	6
Sports	14	18	32	2
Philanthropic promotion	7	8	15	1
International activities	1	6	7	0
Other philanthropic	0	2	2	0
Other	3,947	3,939	7,886	517
Main activity not reported	73	62	135	21
<b>Total</b>	<b>47,101</b>	<b>45,864</b>	<b>92,965</b>	<b>6,676</b>

### Charities with no full-time staff

In total, 2,615 (56%) charities report that they did not employ any full-time staff. This data provides insight into the level of charity operations, and, in general, correlates with the income of each activity type. Nearly all charities

operating in “International activities” and 86% of the 60 charities that provide “Other recreation and social club activities” do not employ any full-time staff. In contrast, 88% of the charities operating in “Research” employ full-time staff.

Table 6: Number of charities with no full-time staff (n=2,615)

Main activity	Number of charities with no full-time staff	Percentage of charities with no full-time staff	Percentage of charities by activity type
Religious activities	697	27	55
Emergency relief	322	12	88
Primary and secondary education	239	9	45
Other education	167	6	64
Economic, social and community development	119	5	55
Social services	111	4	55
Culture and arts	98	4	65
Environmental activities	61	2	66
Other recreation and social club activity	60	2	86
Other health service delivery	54	2	38
Grant-making activities	52	2	83
Animal protection	46	2	81
Higher education	39	1	70
Aged care activities	38	1	31
Housing activities	38	1	49
Mental health and crisis intervention	30	1	56
International activities	25	1	96
Research	25	1	12
Civic and advocacy activities	23	1	49
Sports	15	1	52
Employment and training	15	0	71
Income support and maintenance	13	0	21
Hospital and rehabilitation	13	0	46
Other philanthropic	13	0	87
Law and legal services	10	0	100
Philanthropic promotion	3	0	12
Other	287	11	68
Main activity not reported	2	1	67
<b>Total</b>	<b>2,615</b>	<b>100</b>	<b>56</b>

## 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 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.<sup>23</sup>

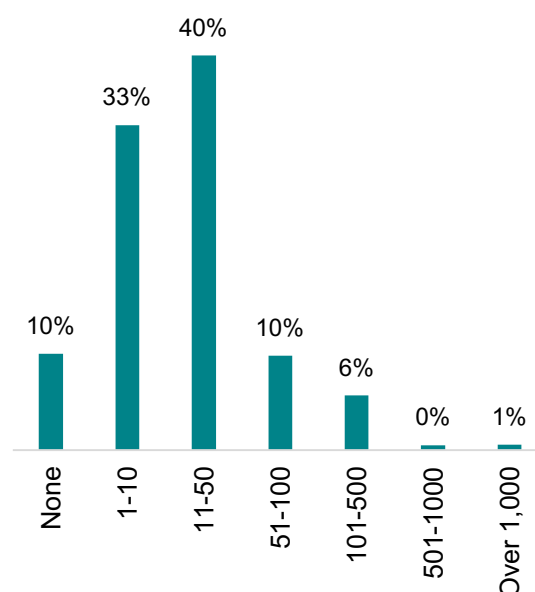
Nine out of ten WA charities report being supported by volunteer workers. These unpaid staff are undertaking a wide range of tasks, from delivering services and fundraising, to governance and professional services, such as website development and accounting.

Forty percent of charities reported having 11 to 50 volunteers and a further one third reported having one to ten volunteers. It is the larger organisations that reported fewer volunteers being deployed.

Table 12 in the Appendix shows the number of NFPs with no volunteers that employ staff by each activity type.

At the time of writing, the 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 and determine averages or compare volunteer numbers across activity types.

Figure 7: Percentage frequency of volunteer numbers (n=4,636)



<sup>23</sup> The University of Melbourne The Household, Income and Labour Dynamics in Australia Survey.

## Charity resources and the sector's 'Balance sheet'

Collectively, WA charities report having:

- **Total assets of \$23.3bn**
- **Total liabilities of \$6.9bn**
- **Net assets of \$16.4bn**

**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 \$16.4bn 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: WA charity total assets, liabilities and net assets (n=4,636)

	Total \$m
<b>Assets</b>	
Total current assets	5,340.9
Total non-current assets	17,162.8
<b>Total assets</b>	<b>23,262.3</b>
<b>Liabilities</b>	
Total current liabilities	4,636.9
Non-current liabilities	2,100.2
<b>Total liabilities</b>	<b>6,863.4</b>
<b>Net assets</b>	<b>16,439.4</b>

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.

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 sector wide-level and within activity categories. In the same way that governments measure and monitor their assets, it is important for WA to monitor the net assets of the NFP sector to ensure net assets 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 WA economy and demand. The slow consumption of assets over time can indicate a sector that is being starved of funds.

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 NFP's capacity to be fully 'market' responsive, or to shift capital to achieve higher financial returns. Indeed, because of this, it is arguable that the charitable structure is important to ensuring service delivery in areas where For-profits find insufficient financial benefit. As such, 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). Although these assets appear on 'the books' at a dollar value, in some cases the asset cannot be sold for cash or converted to another type of asset. It may also not be as valuable as collateral for a loan, as 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. Therefore, lenders may need to charge a higher

interest rate, as they do not have the collateral 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.

## Charity income, expenditure and profit

**In total, WA charities generated \$14.1bn in income in 2014 and spent \$13bn on expenses. In aggregate, they achieved a profit of 8%, or just over \$1bn.**

**Most WA charity income (59%) is self-generated and raised by donations, fees for service, social enterprises or returns on investments.**

Charities generate income from a range of sources, and the ACNC defines four primary categories:<sup>24</sup>

**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. WA charities generated more than half (51% or \$7.6bn) 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 government, 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.

Approximately 41% of charity income is sourced from government contracts or grants.

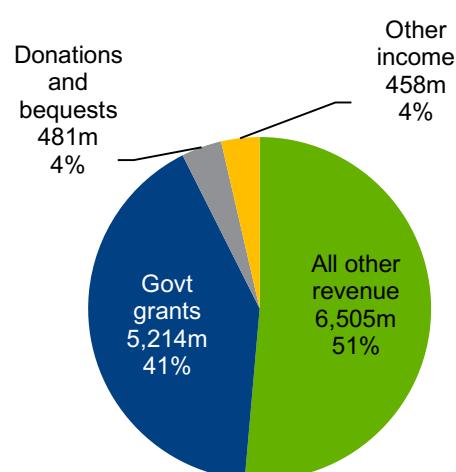
As such, governments are a major source of income for the sector (either directly or through the provision of person centred funding), and therefore has significant influence over the sustainability of the sector. For some services, such as child protection, government is the only buyer of services. Charities that specialise in these services may 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, 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.<sup>25</sup>

**Donations and bequests** Donations and bequests are voluntary support provided to charities in the form of cash, gifts or in-kind support. Just over \$480m was donated to WA charities in 2013/14, which represented just 4% 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. WA charities raised a further \$480m (4%) from these sources.

Figure 8: Sources of charity income (\$) (n= 4,636)



<sup>24</sup> The ACNC 2014 Annual Information Statement (AIS) data – explanatory notes.

<sup>25</sup> ABS Cat No. 8762.0 Engineering and Construction Activity Australia 2016.

### **Income sources vary significantly by activity type.**

Although more than half of total charity income is self-generated, this varies significantly across the charity activity types. For example, government grants represent 85% of the income for the 25 charities that provide 'Law and legal services', whereas none of the 1,288 philanthropic or religious charities reported receiving income from government.

The activity types receiving the highest proportion of income from government 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' (81%), 'Other health' (64%), 'Social services' (63%), 'Income support and maintenance' (62%), 'Higher education' (56%), 'Primary and secondary education' (55%) and 'Environment activities' (52%).

The sectors that are entirely or majority self-funding are the 'Other philanthropic' (92%), 'Other recreation and social clubs' (88%) and 'Hospital and rehabilitation services' sectors. The 'Employment and training' sector generates 70% of its own income and the 'Civic and advocacy' sector generates 68% of its own income.

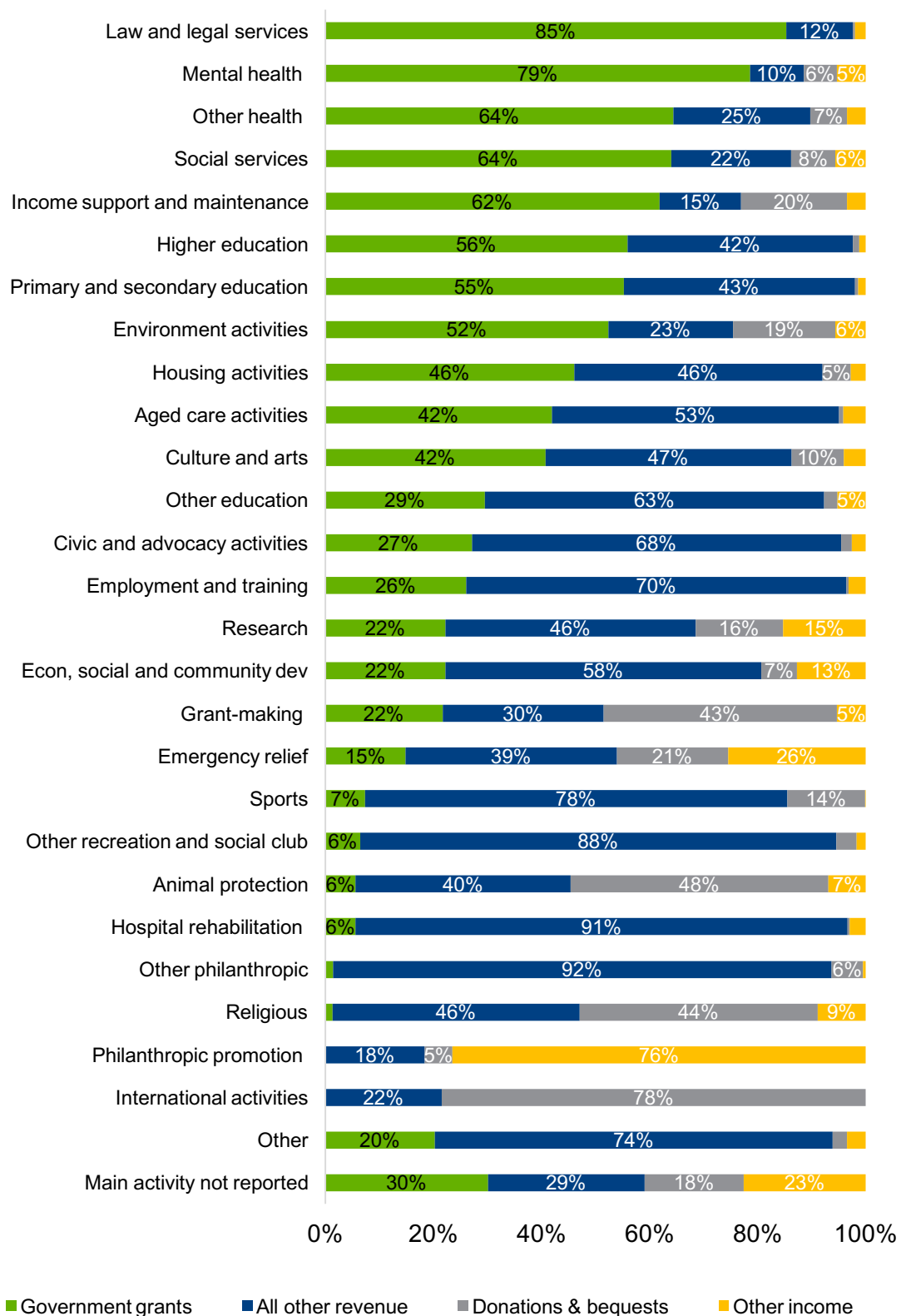
The sectors most reliant on donations and bequests are 'International activities' (78%), 'Animal protection' (48%), 'Grant-making' (43%) and 'Religious' (44%).

### **The income of the Social Services sub-group was approximately \$4bn.**

The total income of the Social Services sub-group was \$3.98bn, or 28% of the total income of all charities. Of this, in total 41% was self-generated, 48% was sourced from government (either for the delivery of contracted services or as grants) and 5% was from donations. Although the Social Services sub-group provides essential community services, government contracts and grants provide less than half of the income for these organisations overall. However, as mentioned, the charities providing 'Law and legal' and 'Mental health

services' are highly dependent on government sourced income, and for those providing 'Other health services', 'Social services' and 'Income support and maintenance', governments are a key source of revenue.

Figure 9: Income sources by sector (n=4,636)





## Expenditure

The ACNC information statement requires charities to allocate expenditure into one of five categories, as follows:<sup>26</sup>

**Employee expenses** More than half (58%) of expenditure by WA charities, or \$6.68bn, was spent on employee expenses, which include salaries and wages, leave expenses, superannuation, fringe benefits tax, workers compensation and all other costs relating to paying salaries and wages.

**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 operating expenses totalled \$4.56bn, or 39% of total expenses.

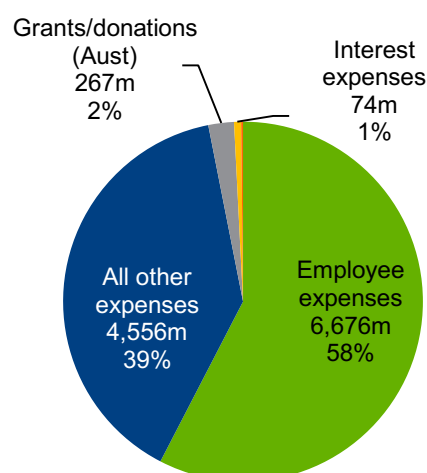
**Grants and donations (in Australia)** Many charities donate cash and resources to other charities. Fundraising for other charities is the main purpose of many registered charities, such as private and public ancillary funds. This expense category includes all donations to other entities for use in Australia, and represented 2% of total charity expenses. That is, WA charities donated \$266m to other entities either within WA or in other states or territories of Australia.

**Interest expenses** This is interest paid on money the charity has borrowed. This category accounted for just over \$74m, or 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 prevailing habits and practices of governing boards.

**Grants and donations (Overseas)** In addition to making donations within Australia, many

charities also support communities overseas. In total, WA charities donated \$19m, or less than 1% of expenditure, to entities outside of Australia.

Figure 10: Expenditure by type (\$) (n= 4,636)



<sup>26</sup> The ACNC 2014 Annual Information Statement (AIS) data – explanatory notes.

Table 8: Income and expense by charity size  
(n=4,637)

Income	Total \$m	%
All other revenue	6,505.0	51
Government grants	5,214.2	41
Donations and bequests	481.0	4
Other income	457.6	3
<b>Total Income</b>	<b>12,652.2</b>	<b>100</b>
<b>Expenses</b>		
Employee expenses	6,675.9	58
All other expenses	4,555.7	39
Interest expenses	73.7	1
Grants and donations (Australia)	266.6	2
Grants and donations (Overseas)	19.0	0
<b>Total Expenses</b>	<b>11,590.9</b>	<b>100</b>
<b>Net profit</b>	<b>1,058.1</b>	<b>8.4</b>

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

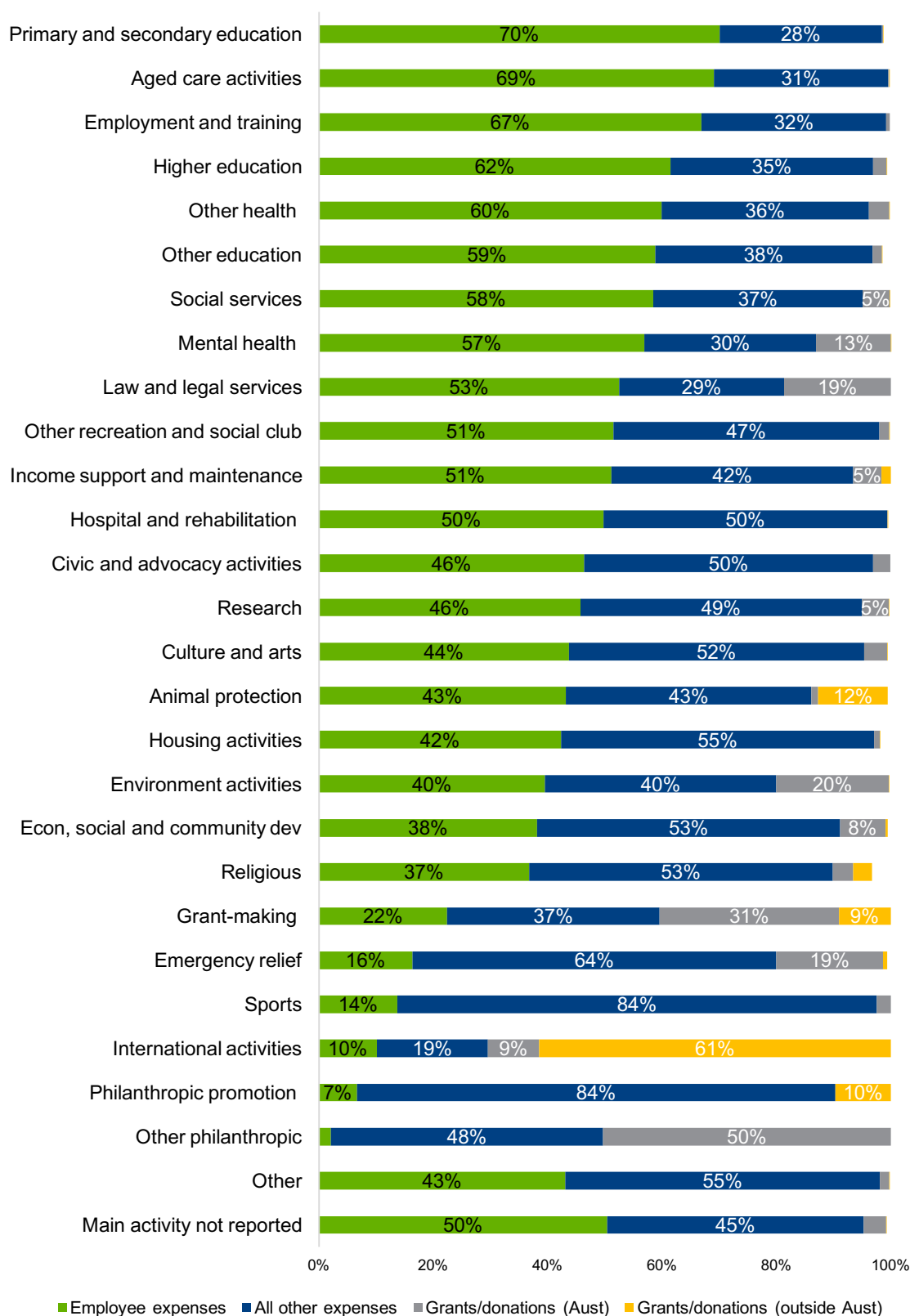
The activity types with larger paid workforces and lower numbers of volunteers show higher ratios of employee expenses to total expenses. The activity types with a lower proportion of spending on employee expenses are those operating in the more capital-intensive services, such as 'Housing'; or those mostly distributing funding to other service providers, such as 'Grant-making' and 'Religious' charities.

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

Employee expense are generally spent within the WA 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 \$6.7bn in annual employee expenses makes a significant contribution to WA'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 increase in salary award rates for teachers and nurses), can have a deep and immediate impact on charity costs. Similarly, charities' wages 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 industries that employ staff with similar qualifications.

Figure 11: Type of expenditure by activity category (n=4,636)



### How financially strong are WA charities?

**Just over half of WA charities made a profit in 2013/14. One in five made a loss, and a quarter broke even.**

As mentioned previously, 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 close.

NFPs that are intending to continue to operate should make sufficient profit to enable them to: remain solvent in the short-term, meet all of their liabilities in the medium-term, meet change management requirements arising from government policy changes and environment changes in the medium- and long-term, and 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. Organisations that consistently make a profit of less than inflation in their sector of operations are likely to be in financial distress either currently or imminently.

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 and across the activity segments. Collectively, WA charities made an 8% profit on the \$12.7bn of income they received. This profit will be retained by the NFP for reinvestment purposes.

The ACNC financial data shows that one in five WA charities (21%) made a loss and a quarter

(25%) broke even. A further 2% made a profit of less than 3%.

Figure 13 illustrates the range of profits between -10% and 10% in more detail. This shows that, of the 21% of charities that made up to 10% profit, only 7% made a profit of more than 3%.

Figure 12: Distribution of profit margins (n=4,636)

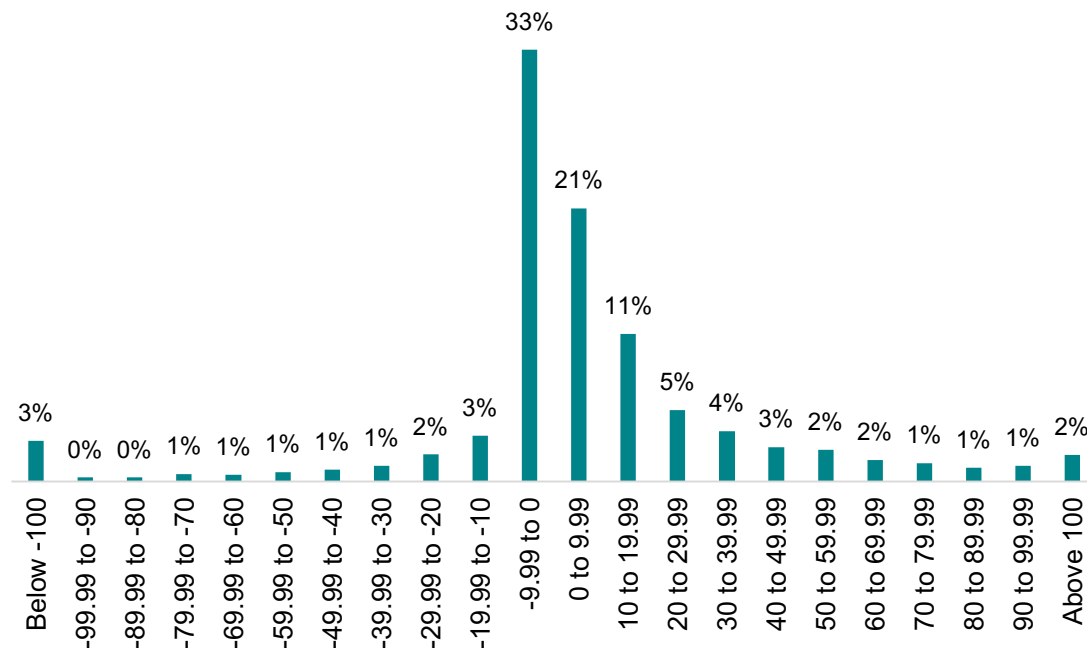
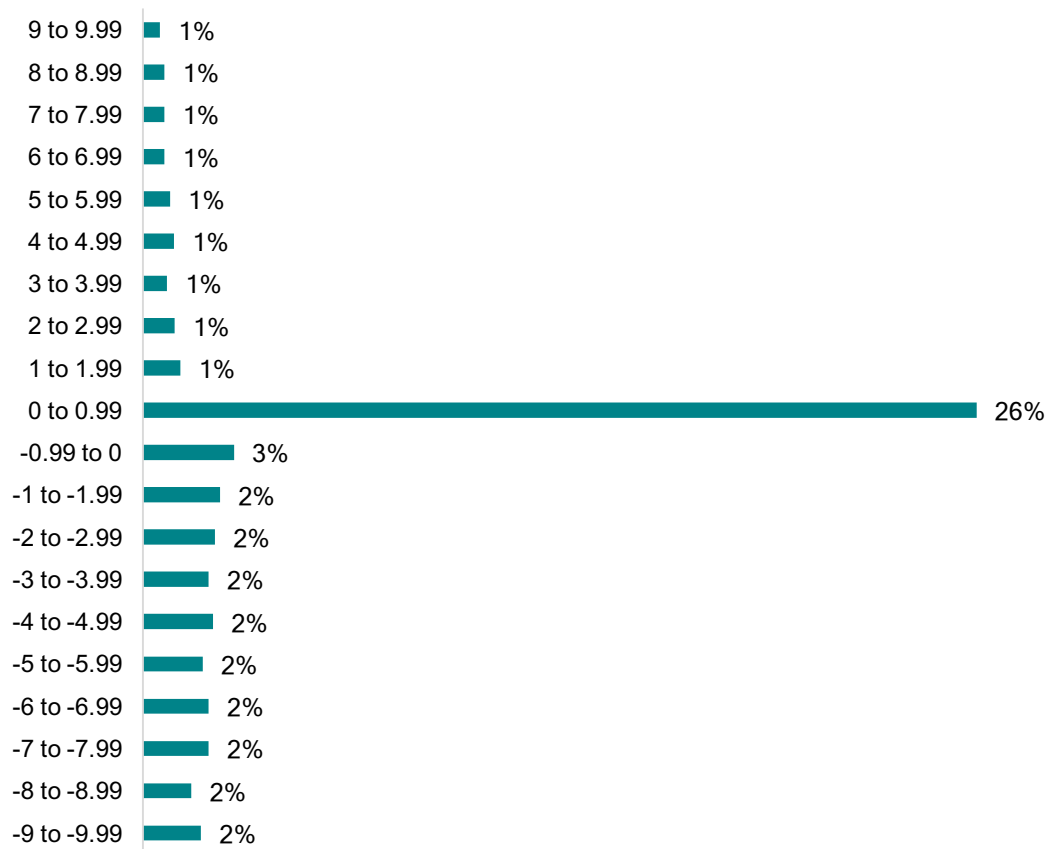


Figure 13: Distribution of profits between -10% to 10% in detail (n=4,636)



National research undertaken by the Australian Institute of Company Directors found that there are considerable misunderstandings within the director population about the appropriate level of profit NFPs should pursue. Interestingly, in some cases there was even a demonstration of discomfort among NFP leaders and others when discussing profit.

This appears to arise because of long-standing values and assumptions about the charity sector that no longer apply to the modern business environment in which NFPs operate.

Research respondents also mentioned that the attitudes of the public sector and some philanthropists towards NFP profits were also out of date, with many stating that funding or donations either could not be spent on overheads, or contracts included limits on the allocation of funds to overheads.<sup>27</sup>

### 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 is zero or below. The organisations in the Social Services sub-group reported median profits ranging from 35.7% to -62%.

The total profit was highest for 'Higher education' activity group, which reported \$191m in profit, followed by 'Primary and secondary education', with \$171m (16%), and 'Hospitals and rehabilitation services' which achieved total profits of \$109m (10%). Although the profit margin was highest for 'Income support and maintenance', the total profit achieved was just over \$3m.

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

For NFPs, sustainability usually means being able to continue pursuing its constitutional objectives. 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 that 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 sustainability. Other factors, such as inflation, are usually more predictable, and should always be considered 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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<sup>27</sup> Knight, PA. 2016 NFP Governance and Performance Study, Australian Institute of Company Directors

Figure 14: Median profit margin (%) by activity type (n=4,636)

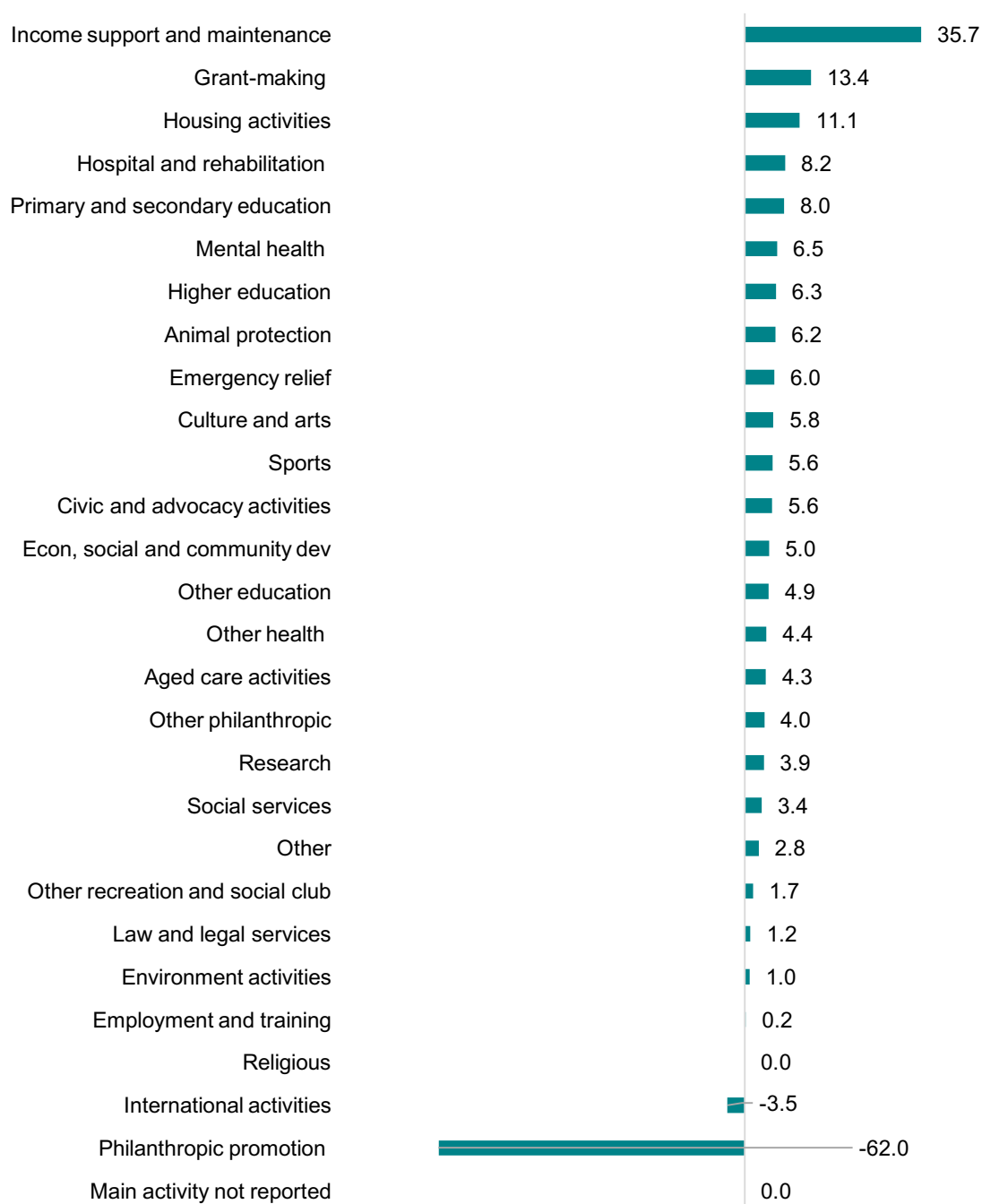


Table 9: Sum of net profit and percentage of net profit by activity group

	Sum of net profit (\$)	Percent of sector profit (%)
Higher education	191,603,578	18
Primary and secondary education	171,430,000	16
Hospital and rehabilitation	100,279,037	9
Aged care activities	98,053,593	9
Other health	95,231,831	9
Housing activities	66,311,821	6
Religious	50,625,902	5
Economic, social and community development	50,020,439	5
Other education	20,657,348	2
Emergency relief	18,839,046	2
Social services	11,408,790	1
Research	10,524,168	1
Environment activities	7,187,160	1
Grant-making	3,909,156	0
Income support and maintenance	3,673,666	0
Mental health	2,220,622	0
Sports	1,939,291	0
Animal protection	1,607,071	0
Other philanthropic	1,504,395	0
Other recreation and social club	1,367,085	0
Culture and arts	1,127,289	0
Civic and advocacy activities	1,009,024	0
International activities	-284,211	0
Employment and training	-618,124	0
Law and legal services	-1,030,439	0
Philanthropic promotion	-3,081,573	0
Other	156,770,363	15
Main activity not reported	6,352,567	1
<b>Total</b>	<b>1,068,638,895</b>	<b>100%</b>



# Government/NFP relationships

Governments have multiple and complex relationships with the Western Australian Not-for-profit (NFP) and For-profit sectors. The three roles most relevant to this report are the following:

## Government as investors

Governments give funding or exempt organisations from fees or taxes to help with establishment, viability or adaptation to change. Examples include providing land at discounted prices to home builders, or manufacturers to encourage new industries; grants to arts organisations and advocacy bodies to provide services that are not independently viable; and industry development funds to assist with transition through market or policy changes. Examples of the latter include assistance to the taxi industry to adjust to the impact of Uber, and to the disability services sector to help adjust with the transition to the National Disability Insurance Scheme.

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.

## Government 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 communicating service users' needs and in the design of efficient and effective services. 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 and 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 becomes 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 or Local Government agencies in one or all of these roles, each of which requires both parties to adopt a different approach and behaviours. For example, a 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 or 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 provider and evaluator roles to monitor the achievement of outcomes.

## 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 than government or For-profit providers. For governments, donors and the community, they can also be highly cost effective. As previously mentioned, their profit is retained within the organisation, 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.

Given the importance of the relationship between the NFP sector and government, the Department of Finance (Finance), the Department of Treasury (Treasury) and the Lotteries Commission (Lotterywest) generously provided their available data on contracting with and grant funding of NFP organisations. This section summarises some of the key findings from these data sets.

## WA Government contracting with the NFP sector<sup>28</sup>

There are approximately 450 NFP organisations currently contracted to provide community services to WA Government agencies. Treasury estimates that collectively these NFPs have 1,500 contracts with 14 Government agencies under the DCSP.<sup>29</sup>

This data shows that in 2015-16 the estimated value of all current open contracts under the DCSP policy was \$1.6bn. The largest annual contract value was \$125.6m and the median annual contract value was \$256,625.

To provide further data in support of this project, Finance provided a summary of the data available to them via Tenders WA on contracts that fall under the DCSP policy as of the end of June 2015. The data provided includes the government agency issuing the contract, the contract length and value and other variables. It should be noted that data entry issues and

## Recommendations to further improve data on contracting with the NFP sector

Based on the analysis undertaken for this report and others, we suggest that a few minor additions and amendments to the minimum data collection requirements for individual government agencies to maintain within their contract registers will greatly improve the utility of this data set for all users. Specifically, we suggest the following:

- The collection of the Australian Business Number (ABN) of contracted entities and acknowledging this is a requirement of Tenders WA. This single addition will enable individual government agencies to internally use entity data from other sources (such as the Australian Charities and Not-for-profits Commission and Commerce) to be matched to contracting records, thereby improving the range of data available and reducing the requirement to duplicate data collection.
- Collect service delivery postcodes or districts in which the services will be provided. This will enable a more accurate and usable data source, which may include type of service, funding amount and service provider details.
- Collecting the main activity type of the organisation using the ACNC categories.

discrepancies might occur when agencies enter inconsistent or incomplete contract details onto the Tenders WA platform, which is the central source of information on WA public sector-awarded contracts. Therefore, this data may under- represent government contracting with the NFP sector.

Although the data is not a complete record of contracting, it does provide some useful insights. The total value of these contracts for the period between 2012 and 2019 is \$1.61bn.<sup>30</sup> Of the 703 current or recent contracts awarded to 460 organisations, most

<sup>28</sup> See [www.finance.wa.gov.au/cms/Government\\_Procurement/Policies/Delivering\\_Community\\_Services\\_in\\_Partnership.aspx](http://www.finance.wa.gov.au/cms/Government_Procurement/Policies/Delivering_Community_Services_in_Partnership.aspx)

<sup>29</sup> Government of Western Australia, Department of Treasury. Sustainable Funding and Contracting with the Not-for-profit Sector 2015 Evaluation Report

were awarded to NFPs (not all of which are charities) in the Social Services sub-group. The largest single contract issued was over \$290m, and the median value was \$641,000.

Contract length (including any extensions) varied from 6 months to 7 years, with the median length being 4.8 years. A goal of the DCSP policy was to extend the average length of contracts beyond three years, and this data suggests that this has been achieved.

While the government data provided did not record an activity type against contracts (as per ACNC categories), the distribution of contracts by agencies indicates the broad range of funded services. For 2015-16, data indicated that there were 399 contracts related to child protection (mostly with the Department for Child Protection and Family Services), 145 contracts with Local Government and Communities and 219 with the Mental Health Commission (inclusive of mental health and drug and alcohol contracts).

The data also shows that organisations other than in the Social Services sub-group were awarded contracts that fall under the DCSP policy. For example:

25 were awarded to local governments through the Department of Local Government and Communities for community services.

24 were awarded to NFP schools or educational institutions, mostly for student cadet activities.

### Improvements to contracting records

Although Finance provides guidance and support for the implementation of the DCSP policy, individual government agencies are responsible for ensuring contract records are maintained in an internal contract register, and for providing information to Tenders WA. This is a requirement of the partial exemptions issued under the State Supply Commission Act. Some agencies have formal procedures and

specialised software for contract management and others do not, and therefore the data available on Tenders WA on contracting to the NFP sector is currently incomplete.

On 26 July 2016, the WA Government issued an amendment to the Treasurer's Instructions (TI 820) that requires agencies "to maintain a register of contracts to improve the quality, completeness and consistency of information currently captured on agency's register of contracts. This instruction is to apply 90 days after 1 July 2016".<sup>31</sup>

This TI applies to accountable authorities and for contracts made between the authority and private sector entities, including NFPs. It specifies the minimum data to be collected and requires contractor performance reviews.

This TI should improve contract management capabilities across the WA Public through the collection of additional and specific contract management data, improving the quality and timeliness of data on WA Government contracting with the NFP sector.

### Lotterywest

Lotterywest distributed more than \$280m in funding to the WA community in 2015/16. Under the Lotteries Commission Act (1990), Lotterywest must distribute 40% of net gaming revenue to the Department of Health to support WA hospitals, 5% must be distributed to sports organisations via the Sports Lottery Account and a further 5% must be distributed to arts and culture via arts and cultural organisations.<sup>32</sup> The remaining funds are distributed to community organisations and Local Government authorities as per Lotterywest's legislative requirements and distribution policy.

These distributions provide essential funds for WA's NFPs and are a major source of capital for many of WA's community services. The funds can be used for a wide-range of purposes, but are not for ongoing operating costs or costs associated with core delivery of

<sup>31</sup> Government of Western Australia, Introduction to the Financial Administration Bookcase. 1 July 2016.

<sup>32</sup> *Lotteries Commission Act 1990*. Reprint 3 The Act as at 2 November 2012.

services, including those purchased by governments.<sup>33</sup>

To support this project, Lotterywest kindly provided data on the grants distributed for 2014/15 and 2015/16. This data consists of a broad range of attributes, including the value of grant requested, the value of grant agreed, a summary of the request, strategic outcomes sought, grant purpose, expense type, location of grantee organisation and other variables. As such, this data provides a rich source of additional information on the sources of capital for WA's NFPs.

Over the last two years, 1,421 organisations received a total of 2,115 grants totalling \$249.7m. Most organisations received one grant over this period (67%), 21% received two grants, 6% received three grants, 2% received four grants and the remaining 2% received five or more grants.<sup>34</sup>

The total value of grants allocated was approximately the same in both years. However, slightly fewer but higher-value grants were distributed in 2015/16.

Table 10: Summary of Lotterywest grants for 2014/15 and 2015/16

Lotterywest grants	2014/15	2015/16
Total number of grants	1,113	963
Total granted amount	\$130.9m	\$118.8m
Average grant amount	\$117,562	\$123,427
Median grant amount	\$20,000	\$20,000

## Lotterywest target groups

Lotterywest collects data on the target group (similar to beneficiary group) that the funds aim to support. There are 35 categories of target group, and an application can serve more than one group. These groups are aggregated into seven overarching categories, as show in Figure 15. As the categories overlap, the data is only indicative of target group allocation.

In terms of grant numbers, nearly half of all grants over the two-year period analysed were allocated to specific 'Social units', which includes 'Carers', 'Families', 'Individuals', 'People in a specific community', 'Volunteers' or the 'General community'. The next largest category was 'Life stage' groups, with 18% of grants allocated, such as 'Children', 'Adults', 'Parents' and 'Seniors'.

Figure 16 shows the distribution of grant funding by the main target groups. In general, this reflects the number of grants allocated, with the highest percentage of funds granted to social units.

<sup>33</sup> For more information see [www.lotterywest.wa.gov.au/assets/documents/grants-approach-to-purchase-services](http://www.lotterywest.wa.gov.au/assets/documents/grants-approach-to-purchase-services)

<sup>34</sup> This analysis was undertaken over two years to reduce the impact of annual anomalies. Overall, the results are consistent across both years.

Figure 15: Percentage of grants by main target group

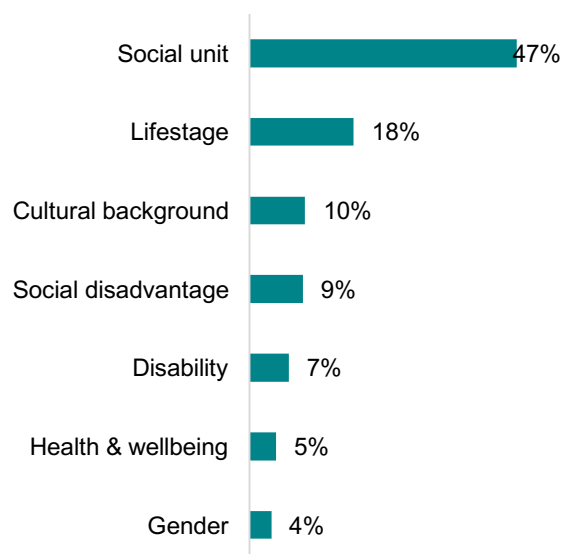


Figure 16: Percentage of grant funding by main target group

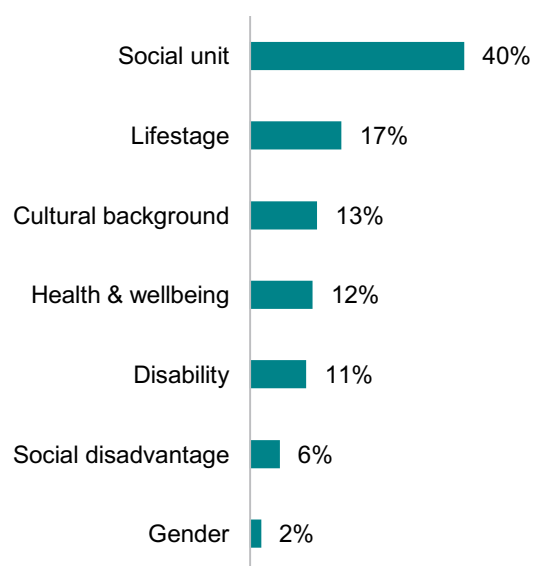


Table 11: Lotterywest target group categories

Lotterywest target group categories
Cultural background / Aboriginal people
Cultural background / Culturally linguistically diverse people
Cultural background / People who are migrants
Cultural background / People who are refugees
Disability / People with a physical disability
Disability / People with a sensory disability
Disability / People with an intellectual disability
Disability / People with disabilities
Disability / People with severe profound disability
Gender / Men
Gender / Transgender
Gender / Women
Health wellbeing issues / People who are experiencing addiction
Health wellbeing issues / People with a genetic condition
Health wellbeing issues / People with a medical condition
Health wellbeing issues / People with a mental illness
Health wellbeing issues / People with learning difficulties
Lifestage / Adults
Lifestage / Children 0- 4
Lifestage / Children 5-12
Lifestage / Parents
Lifestage / Seniors living in residential care
Lifestage / Seniors living independently
Lifestage / Young people 13- 18
Lifestage / Young people 19- 25
Social disadvantage / People experiencing unemployment
Social disadvantage / People on low incomes
Social disadvantage / People who are ex-offenders
Social disadvantage / People who are experiencing homelessness
Social unit / Carers
Social unit / Families
Social unit / Individuals
Social unit / People in a specific community
Social unit / The general community
Social unit / Volunteers

## Lotterywest expense type

Lotterywest also allocates an 'Expense type' to its grant data. This shows the types of activities or events that have been supported by grants. A fifth of the total number of grants were allocated to 'Access and performance' costs and a further fifth to 'Equipment and furniture'. However, the average amount of grant funding per expense type varies considerably. For example, the average value of grants for

'Building purchase and construction' was over \$900,000, compared with \$62,000 for grants for 'Access and performance' costs. As such, when analysed by percentage of grant funding, 30% of the total value of grants was allocated to 'Building purchase and construction', 19% to 'Project costs' and only 11% to 'Access and performance' costs.

Figure 17: Percentage of grants by expense type

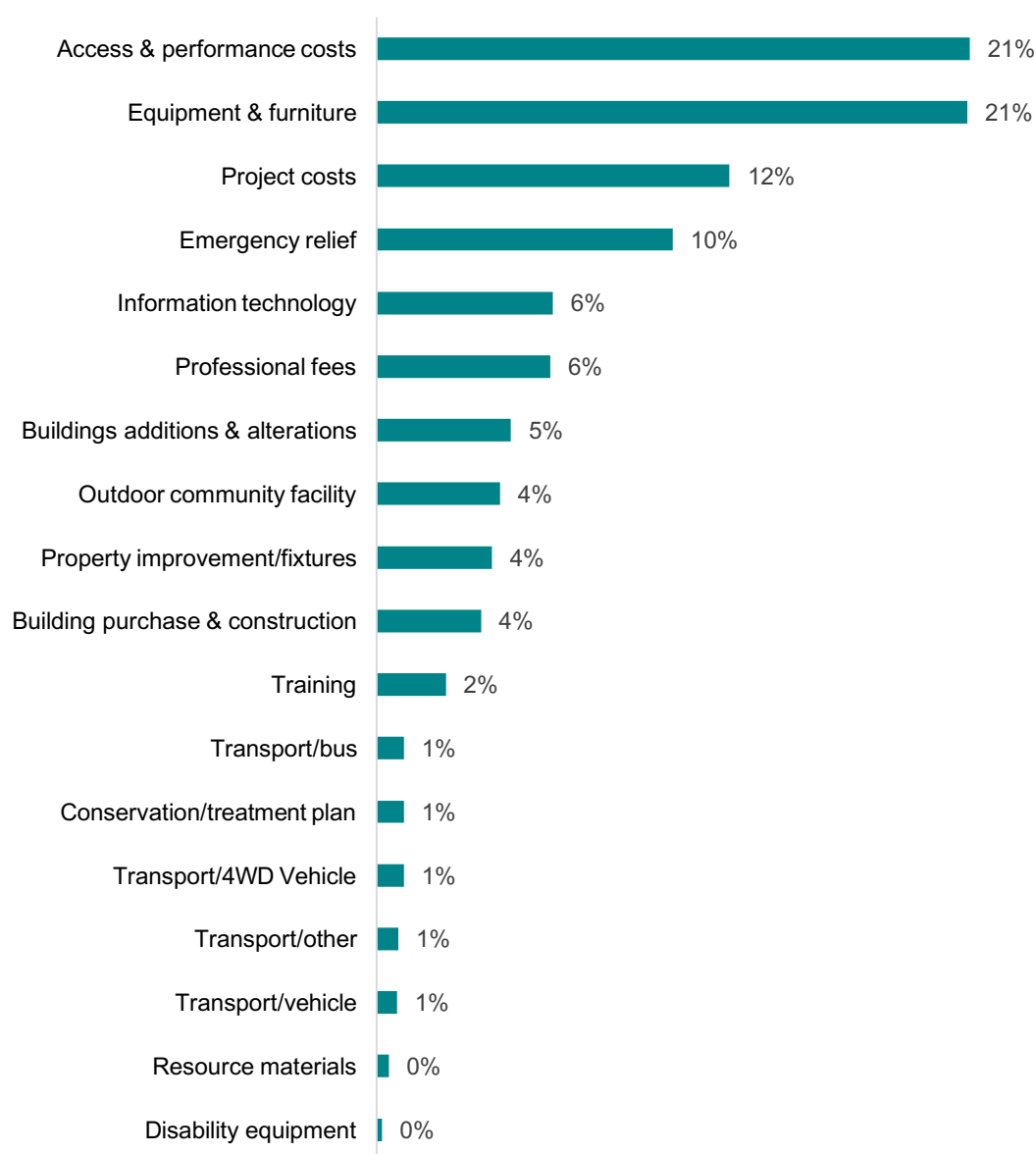
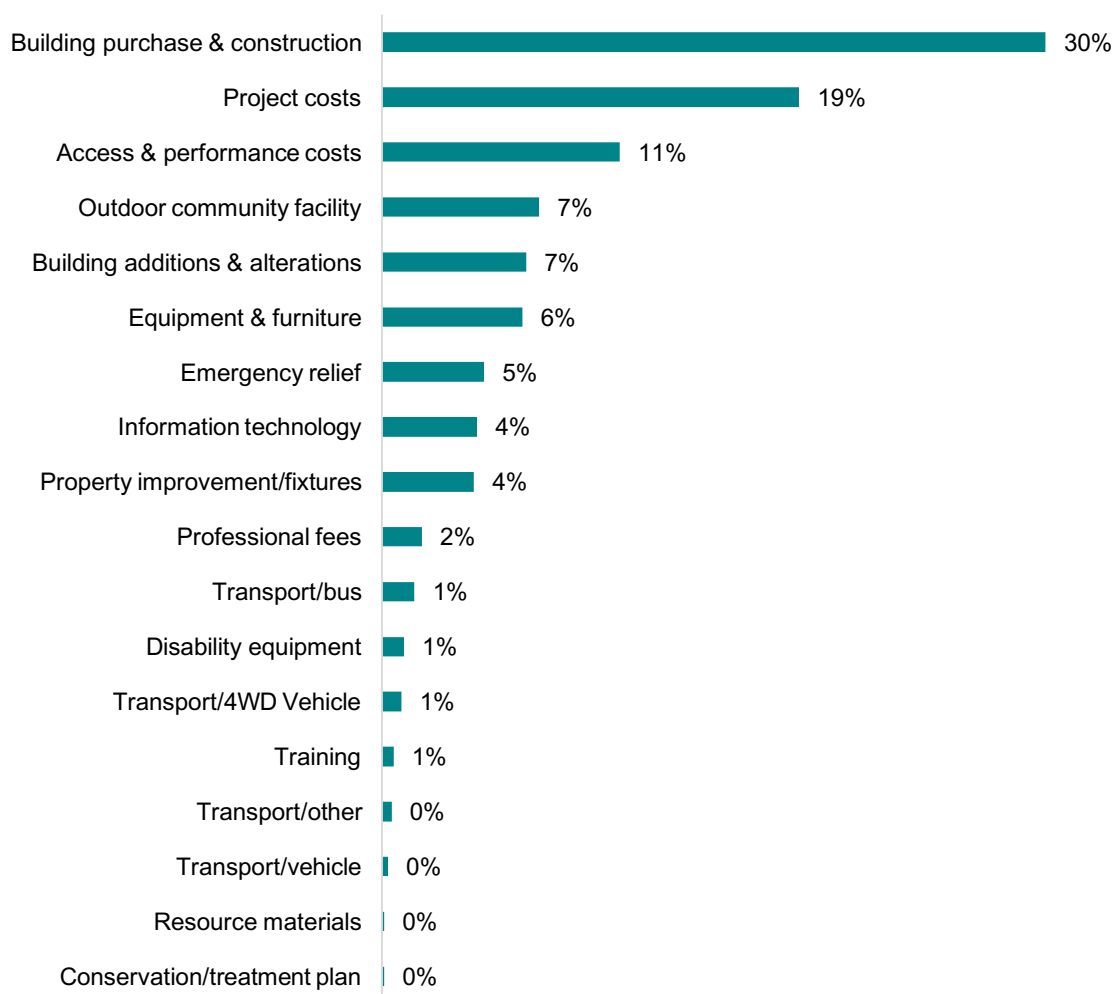


Figure 18: Percentage of grant funding by expense type



### Intersection of government contracted charities and Lotterywest grants

The data from Lotterywest and Finance (Tenders WA) was run through the Australian Business Number (ABN) lookup tool provided by the Australian Business Register to identify and match the ABNs of organisations on both lists. This list was then compared with the ACNC data. The ABN lookup tool does not match organisation names and ABNs perfectly, so the resulting data is not a complete list of all

organisations that are on both the Tenders WA list and the Lotterywest list, but it provides some indication of the organisations receiving income from both sources. Of the total number of 460 organisations on the Tenders WA list, and the 1,421 on the Lotterywest list, 192 organisations were found to be on both lists for 2014/15 and 2015/16. For these 192 organisations, the total contracted amount (for the duration of their contracts) was \$620.85m. These same 192 organisations also received approximately \$32m in grants from Lotterywest, representing 26% of all Lotterywest funding.



# 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 wanted to access Commonwealth tax concessions available to charities were required to be registered with the ACNC. From 1 July 2013, registered charities were required submit an 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 Western Australia. Some have extensive activities, but the majority would likely have only minor activities in WA, and therefore to include all charities that report operating in WA would significantly over-count the size, financial information and employment of the WA sector. As such, only the charities that reported that their head office was in WA were extracted from the full data set to produce the WA charities data set. This means this data under-represents the activities of charities in WA, and can be considered a conservative estimate of the size and functions of the sector.

It should be noted that WA charities also operate in other jurisdictions, so the activities and finances of charities flow both into and out of WA.

Charities have different financial reporting years, and this impacts 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 (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 18% use other 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 the 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 was downloaded from [data.gov.au](http://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 was used.

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 data on the ACNC website and charity data set. Examples of organisations that may be exempt include Public and Private Ancillary Funds, where donors wish to remain anonymous, or where there is commercial sensitivity.

In other cases, such as charities working in domestic violence or child protection, publication of charities' details and names of responsible persons could endanger public safety.<sup>35</sup>

## 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

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<sup>35</sup> 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".

possible that erroneous data was entered by charity or 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 Curtin University 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

WA Country Health Service is a registered charity, but also a WA Government entity. As it accounts for a large percentage of income and employment, it was removed from the data set. There are other WA Government entities that are also registered charities, such as the Legal Aid Commission of WA, but as these were mostly immaterial to the findings, they were not removed from the data set.

## 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.

## Alignment of collection periods

The data in this report uses the most recent data sets available from each source, rather than align data sets for a previous period in which all data was available. This approach has been taken for several reasons. In particular, comparing the ACNC data over three years has shown little variation in distributions; the information collection is still developing, and

small variations may be the result of improved record collection or data references, rather than shifts in the profile of sector; and using the most recent data from each source allows for the report to be updated when new data is released.

## Other data sets

### Australian Business Register (ABR) data set

The ABR is a database of the information provided by organisations when they register for an ABN. It contains information on the organisation's legal structure, legal name, location, activity type, Australian and New Zealand Standard Industrial Classification, authorised contact details, charity and Deductible Gift Recipient status and Goods and Services Tax status.<sup>36</sup> Curtin obtained information from the ABR and matched this against the ABNs of WA charities to construct a more comprehensive data set.

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<sup>36</sup> Source: <http://abr.gov.au/About-us/Our-work/ABR-explained>

# Appendix 2 Legal structures used by NFPs

The following are definitions of the main legal structures used by NFPs as articulated by the ACNC.<sup>37</sup>

## 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 clubs and 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 or 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.

## 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.”*

## Companies 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;*

<sup>37</sup> <https://www.ato.gov.au/Non-profit/Getting-started/Choosing-a-legal-structure/>

- *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.”*

## Appendix 3 Additional data tables

Table 12: Number of charities by main activity (n=4,636) and other activity (n=1,885)<sup>38</sup>

Main activity	Main activity count	Main activity %	Other activity count	Other activity %
Religious	1,278	28	506	11
Primary and secondary education	533	11	501	11
Emergency relief	364	8	516	11
Other education	259	6	660	14
Economic, social and community development	218	5	308	7
Social services	203	4	518	11
Culture and arts	150	3	335	7
Other health	144	3	288	6
Aged care activities	121	3	258	6
Environment activities	92	2	152	3
Housing activities	77	2	136	3
Other recreation and social club	70	2	436	9
Employment and training	63	1	205	4
Grant-making	63	1	142	3
Animal protection	57	1	54	1
Higher education	56	1	111	2
Mental health	54	1	245	5
Research	47	1	136	3
Civic and advocacy activities	29	1	151	3
Hospital rehabilitation	27	1	101	2
International activities	26	1	215	5
Law and legal services	25	1	26	1
Sports	21	0	181	4
Income support and maintenance	15	0	159	3
Other philanthropic	10	0	117	3
Philanthropic promotion	3	0	N/A	0
Political	N/A	0	11	0
Other	422	9	539	12
Main activity not reported	209	5	N/A	0
<b>Total</b>	<b>4,636</b>		<b>7,007</b>	

<sup>38</sup> Not all charities that submitted an AIS reported a main activity.

Table 13: Number of charities reporting 'none' for volunteers by main activity and staff numbers (n=4,636)

Main activity	Count of volunteers 'none'	Sum of full-time staff	Sum of part-time staff
Religious activities	61	143	87
Economic, social and community development	50	444	91
Primary and secondary education	32	1,103	738
Other education	30	391	225
Employment and training	23	377	124
Other health service delivery	23	665	1,173
Higher education	15	4,858	1,667
Social services	15	88	46
Grant-making activities	14	38	19
Research	14	69	61
Culture and arts	13	21	19
Emergency relief	12	7	5
Housing activities	12	123	67
No main activity listed	12	11	5
Aged care activities	11	83	167
Animal protection	3	4	12
Hospital and rehabilitation services	3	116	42
Income support and maintenance	3	15	4
Mental health and crisis intervention	3	6	10
Environmental activities	2	29	9
Law and legal services	2	113	15
International activities	1	0	0
Other recreation and social club activity	1	69	11
Other philanthropic	1	0	0
Philanthropic promotion	1	7	8
Sports	1	0	1
Other	66	1,529	397
Main activity not reported	12	11	5
<b>Total</b>	<b>424</b>	<b>10,309</b>	<b>5,003</b>