



**NATIONAL
ASSOCIATION
FOR THE
VISUAL ARTS**

18.03.2021

Thresholds Working
Group Secretariat

Not-for-profit Unit
Individuals and
Indirect Taxes
Division

Treasury
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Re: INCREASING HARMONISED FINANCIAL REPORTING THRESHOLDS FOR ACNC REGISTERED CHARITIES

NAVA welcomes the opportunity to respond to the consultation paper on increasing harmonised financial reporting thresholds for ACNC registered charities.

The National Association for the Visual Arts (NAVA) is a company limited by guarantee and a registered charity with the ACNC. NAVA is also a tax-deductible fund listed on the Australian Government's Register of Cultural Organisations (ROCO) maintained under Subdivision 30-B of the Income Tax Assessment Act 1997. Under the current reporting thresholds NAVA is considered a large charity and undertakes an annual audit.

NAVA leads advocacy, policy and action for a contemporary arts sector that's ambitious and fair. As the peak body protecting and promoting the professional interests of the Australian visual and media arts, craft and design sector, NAVA undertakes advocacy on behalf of the sector and sets and monitors adherence to best practice standards. Since its establishment in 1983, NAVA has been influential in bringing about policy and legislative change to encourage the growth and development of the visual arts sector and to increase professionalism within the industry. NAVA also provides direct service to its Members and the sector generally by offering industry advice and support, and professional development programs and resources. NAVA also administers the Artists' Benevolent Fund which has experienced high demand in response to the pandemic crisis.

Many organisations in the visual arts sector are not-for-profit and are registered with the ACNC. *Giving Attitude*, a recent report from Creative Partnerships Australia found that support from the private sector including donations, grants, sponsorship and volunteering is increasing and is a significant contributor to the arts sector, alongside government support and earned income. The report also shows that more help is needed to build the capacity of organisations to fundraise.

NAVA supports the harmonisation of fundraising registration with ACNC reporting and responds to consultation paper as follows:

Do you consider the proposed new thresholds are suitable? If no, why?

If no, what thresholds do you consider appropriate to balance regulatory red tape and the need for accountability and transparency?

NAVA supports the harmonisation of reporting arrangements and obligations across jurisdictions for ACNC-registered charities. NAVA particularly supports the raising of the threshold for small charities. Many small not-for-profit art organisations are volunteer run, having either one or no paid staff, and therefore have difficulty finding the resources (time, knowledge, funds) to undertake a review. Small arts organisations may also receive a one-off government grant which would take their income over the current \$250,000 threshold and therefore change their charity type for one year only potentially resulting in onerous administrative work such as changing accounting basis to accrual as well as undertaking a review. By raising the threshold to \$500,000 this reduces the likelihood of this situation happening and overall reduces the administrative work for an organisation with a small amount of human and monetary resources.

As outlined in the consultation paper, increasing the charity size thresholds will allow these charities to redirect their resources to fulfilling their charitable purpose, including helping vulnerable Australians. This will support the charity sector at a time when, for many charities, donations have plummeted, access to volunteers is constrained, and demand for services has increased.

The COVID-19 pandemic is the most debilitating disruption to cultural life that most Australians have ever experienced. Amongst varying industries across Australia, the arts was one of the most severely impacted: the industry's self-generated income quickly disappeared and yet a large proportion of artists, organisations and casual staff were unable to access any stimulus or income support.

NAVA's immediate response was to make resources available to our Members and community, including reviving the Artists' Benevolent Fund. We assessed impacts, led policy discussions, and worked with government bodies to present useful information. Demand for NAVA's work and services has been particularly high this past year and the harmonisation of financial reporting would help us redirect human resources where they are needed most. NAVA is currently considered a large charity as its yearly income is just over \$1 million. Under the changes, NAVA would become a medium charity, which will reduce financial costs as well as staff time spent on undertaking an audit.

NAVA believes that the data currently being collected by the ACNC through the Annual Information Statement is sufficient to maintain transparency. There will also be charities who receive government funding who may need to continue to undertake reviews or audits beyond the proposed ACNC requirements in order to fulfil those funding agreements and may choose to upload this further information as part of the Annual Information Statement.

In your view, is it more important for the ACNC to increase reporting thresholds as soon as Commonwealth legislative priorities allow, or for the increased thresholds to be increased simultaneously across all jurisdictions consistent with a longer timeframe?

NAVA preferences increases to reporting thresholds be implemented as soon as Commonwealth legislative priorities allow so that charities can benefit from these changes as soon as possible, particularly given that many charities are under experiencing strain from

lack of funds and human resources as well as increased demand for support from their communities and Members. However, we understand that this would seem unfair to those in states for whom it may take a lot longer to benefit from these changes and may create some confusion. More information available regarding the transition process as well as an indication on how much longer the 'longer timeframe' could be would help clarify whether changes should be implemented as soon as possible or simultaneously.

What lead in time would you consider suitable for charities to make the necessary changes to their reporting processes?

Charities would need at least one financial year or calendar years' notice to change their reporting processes. If changes were to be implemented from 1 July then those charities who financially run on calendar year would not be able to update their reporting processes until the following 1 January. This of course would need to coincide with detailed information from the ACNC about the changes and how they affect each individual charity so that staff and responsible persons are confident in their obligations.

In your view, if non-ACNC-registered incorporated associations were required to report similar financial information to that which ACNC-registered incorporated associations provide to the ACNC, would this provide sufficient accountability and transparency, including for the purposes of members, donors and the interested public?

What, if any, issues do you consider potential differences in reporting thresholds for charity and non-charity incorporated associations will cause? Why?

NAVA believes that the data that is currently being collected by the ACNC through the Annual Information Statement is sufficient to maintain accountability and transparency and that streamlining this process across all states and organisations not registered with the ACNC would help minimise administration and confusion for organisations. It can often be difficult to understand which regulations apply to your organisation when there are different rules and processes for different types of organisations, particularly for smaller organisations who may either have one or no paid staff with particular expertise.

In your opinion, is the Thresholds Working Group overlooking any issues concerning the nexus between fundraising reporting requirements and financial reporting requirements for ACNC registered charities?

NAVA supports the harmonisation of fundraising registration with ACNC reporting. As an organisation with NSW Fundraising Authority, the process of our ACNC reporting being a sufficient reporting method would help reduce unnecessary administrative work. With this being available in all states this will help charities put more funds and effort towards fulfilling their charitable purpose.

Please do not hesitate to contact me for any further information I can provide.

Sincerely,

Holly Morrison
Best Practice and Finance Coordinator

