

Valuing the “community benefit” of the not for profit sector: Recommendations of interested individuals with not for profit management experience

Our 3 Recommendations to this Inquiry

This submission is provided by four Chief Executive Officers of national not for profit bodies. We each have different experiences of working in and leading not for profit enterprises. The submission is made by us in our private capacities, and the recommendations we make do not necessarily represent the views of each of our diverse employers.

We make three recommendations to this Inquiry. The first two recommendations are our minimal hope for the outcome of this Inquiry, and the third is our main if not more challenging recommendation that we believe will drive a new efficiency within the not for profit community by seeking to properly value and recognise “community benefit”.

Recommendation 1 – That the Inquiry propose a consultation leading to the establishment of a national consistent framework for the financial disclosure of all not for profit bodies to a “National Office of Not for Profit Organisations”, with the level of disclosure required directly relating to the volume of public funds¹ handled by the body.

Recommendation 2 – That the Inquiry propose a consultation leading to the establishment of a new accounting standard designed specifically for not for profit bodies which enables single annual reporting to all governments and their different departments for management and acquittal of public funds.

Recommendation 3 – That the Inquiry propose a consultation leading to the establishment of a new national assessment framework for individual not for profit bodies to report on the “community benefit” of their activities.

A national reporting framework, and a not for profit accounting standard

Many respected and well qualified organisations and individuals have made detailed and considered submissions and recommendations to this Inquiry.

Among submissions to the Inquiry are many worthy proposals to develop a nationally consistent framework for financial disclosure of not for profit activities, which gives genuine recognition to the diversity of the not for profit sector. It is also argued in many submissions that reform will need to be widely embraced if it is to succeed.

¹ Public funds is inclusive of tax deductible donations and government grants or subsidies.

We support proposals that would see a nationally consistent reporting framework established. We argue it should be implemented without cost impact to not for profit organisations, and that it should be developed in close consultation with the not for profit sector.

We also support the exploration of an accounting standard for use by not for profit organisations that would enable single annual reporting to multiple government funding bodies for the acquittal of government grants. It is our experience that many organisations in receipt of multiple government grants face complex reporting requirements that tend to result in duplication. The development of a new accounting standard able to meet grant acquittal requirements of government would be welcomed by not for profit organisations. This will in fact be more of a challenge to government than it will to not for profit bodies, and it is time government accepted its role in simplifying reporting for not for profit bodies by making its own requirements more streamlined.

Proposals for a national consistent reporting framework and a not for profit accounting standard represent the minimum outcomes we hope the Inquiry will recommend. We encourage the Inquiry to go further than these minimal administrative changes, and make longer term recommendations that go to the substance of the not for profit sector.

Community benefit reporting

Our key proposal is that the Inquiry set itself an ambitious target of recommending the development of a standard or mechanism to enable not for profit organisations to easily demonstrate and report in a nationally consistent manner the benefit or contribution they make to the Australian community.

Community benefit reporting or identification of charitable outputs is not new, and many not for profit organisations already voluntarily provide this type of detail by way of published annual reports. It has become common practice for not for profit organisations of varying sizes to report voluntarily to the public on the contribution they make to the community.

Absent from within the not for profit sector is an agreed framework for how to quantify and value those activities of not for profit organisations as being of genuine benefit to community. We consider it reasonable that where public funds are being used to enable service provision by a not for profit body that there be an agreed standard or mechanism by which the community benefit of the application of public funds can be assessed.

Community benefit is assessed in some other nations. In the United States of America, the Internal Revenue Service considers a program can be reported as a quantifiable community benefit if it:

- Addresses an identified community need;
- Includes low income and underserved persons;
- Has a relationship to the not for profit organisation's mission;
- Meets a need that otherwise would have to be met by the government or another non profit organisation;

Activities not included as quantifiable community benefits are programs that are:

- Provided for marketing purposes only;
- For employees only;
- Required by government rules or standards;
- Questionable as to whether they should be reported.

This framework utilised in the United States of America is not necessarily going to assist the development of an Australian alternative, but it provides some guide as to what is in place in other jurisdictions. In Australia, our proposal is that a Community Benefit assessment framework be developed to include mechanisms for the simple disclosure to a single national body of the:

- Scale, volume, and type of services provided by the not for profit body;
- Quantification of the contribution of volunteering within the not for profit organisation in the fulfilment of its mission;
- Dollar value of services provided by the not for profit body not required or not funded by government;
- Quantification of the contribution of in-kind contributions or other non-monetary donations to a not for profit organisation in the fulfilment of its mission;
- Performance of boards of governance against accepted standards of organisational governance for community organisations;
- Compliance with relevant standards applicable to the area of operation in which the not for profit body operates (eg a disability body would be required to demonstrate its compliance with disability service standards).

The ultimate purpose of a Community Benefit assessment framework would be to create a common standard by which not for profit bodies would demonstrate their true value within community. This will enable most not for profits organisations to demonstrate to government and the community that they have earned and deserve the continuing special treatment they receive by way of tax and other concessions. It may also demonstrate to government the true value and worth of the not for profit sector across Australia, and highlight the need for additional investment in capacity development.

This submission is provided to the Committee in our private capacities. We would welcome the opportunity to provide further evidence to the Inquiry.



Kerry Graham



Dr Andrew Young



Mike Wilson



Martin Laverty

About the authors

Ms Kerry Graham

Kerry Graham is the CEO of the Inspire Foundation in April 2007. A lawyer by training, Kerry started her career working for Aboriginal Legal Services. She was the founding lawyer of the NSW Youth Drug and Alcohol Court, and has held leadership roles at the National Aboriginal Sports Corporation Australia (NASCA) and Good Beginnings Australia. Kerry is a member of the National Social Inclusion Board and the Suicide Prevention Australia Taskforce.

Dr Andrew Young

Dr Young is the CEO of Canteen, the cancer charity for adolescent and young people. He worked as a strategy consultant with one of the major global consulting firms, Anderson Consulting, developing business and marketing strategies for a range of large Australian and international companies. He joined The Smith Family where for four years he worked as the head of marketing and fundraising. Andrew has been Chief Executive Officer of CanTeen since January 2004, winning the Equity Trustees' Not-for-Profit CEO First Year Achiever Award in 2005.

Mike Wilson

Mike Wilson is the CEO of the Juvenile Diabetes Research Foundation in Australia, a not-for-profit organisation dedicated to finding a cure for diabetes and its complications through the support of research. Mike is also a Director on the Board of the Glycaemic Index Ltd, an organisation founded by JDRF, Diabetes Australia and the University of Sydney. Prior to joining JDRF in Australia, Mike was the Strategic Relationships Manager for The Smith Family. Before The Smith Family, Mike worked in management consulting with Andersen Consulting (now Accenture) across the financial services, entertainment and consumer goods industries. Mike was a Manager in the Sydney Strategy practice.

Martin Laverty

Martin Laverty is CEO of Catholic Health Australia, a national peak body of not for profit Catholic hospitals and aged care services. Trained as a lawyer, Martin commenced his career as an adviser in the NSW Parliament. He has served as the CEO of the NSW Muscular Dystrophy Association, the head of Government at The Smith Family, and as a Director of Government Relations at the international public affairs consultancy Burson-Marsteller. Martin has worked as a consultant adviser to many not for profit organisations, and serves as a voluntary Board Director of the National Heart Foundation, as Chairman of the Lorna Hodgkinson Sunshine Home which provides accommodation and care to people with disabilities in Sydney, and as Chairman of Challenge Southern Highlands, a small charity providing supported employment for adults with intellectual disabilities.

Contact Details: Email: martin.laverty@bigpond.com.au