

# FACT SHEET

## Entity Structure: Not for Profit

Not for Profit organisations are regulated by Consumer Affairs Victoria (or other respective State based body) and can take either an incorporated or an unincorporated organisation form.

## Advantages of an Incorporated Association

- Ability to ensure that money received is directed to the specified cause via the model rules
- Classified as a Separate legal entity in which members and office bearers are protected against personal liability for the organisations debts
- Potential for the organisation to receive Deductible Gift Recipient (DGR) status
- No tax paid on profits made in the organisation, therefore all money going to the cause
- Potential to pay members for their work in the organisation
- No requirement to lodge a tax return/ incur preparation overheads
- Audit and independent reviewer gives a third party view to ensure that the model rules are consistent with the organisations actions
- Ability for the organisation to trade
- Ability to apply for range of government and non- government grants

## Disadvantages of an Incorporated Association

- Costs involved with paying for incorporating and lodging administrative forms.
- Minimum of 5 members
- Audit requirements can introduce additional cost
- Assets/ Profits held must be used for the purpose intended in the model rules

## Advantages of an Unincorporated Association

- The organisation can have any number of members
- Your organisation is not restricted from trading or doing business for personal profit
- Not bound by the Associations Incorporation Reform Act 2012
- Will not have the requirement of meeting statutory obligations of incorporation

## Disadvantages of an Unincorporated Association

- Not classified as a separate legal entity, thus personal liability risk to individual members and office bearers
- Unable to apply for grants that require applicants to be incorporated
- Loss of tax free treatment by Australian Taxation Office

Not-for-profit Incorporated Associations are viewed in three Tiers for the purposes of determining audit requirements:

- Tier 1** Revenue less than \$250,000. No audit or review required, unless specifically requested by the members or regulator
- Tier 2** Revenue from \$250,000 to \$1 million. A review by an independent accountant is required as a minimum
- Tier 3** Revenue more than \$1 million. An audit is required