

# Proposed Not-for-Profit Financial Reporting Framework Changes

## Submission by TNA

20 February 2025

### Introduction

[Theatre Network Australia \(TNA\)](#) is the national peak body for the small-to-medium performing arts sector, supporting over 650 member organisations and independent artists. Many of our members are small and medium not-for-profit (NFP) organisations, including incorporated associations and companies limited by guarantee.

TNA welcomes the opportunity to respond to the proposed simplification of Australia's NFP financial reporting framework, particularly the removal of Special Purpose Financial Statements (SPFS) and the introduction of Tier 3 General Purpose Financial Statements (GPFS).

Our submission reflects direct feedback from our members, who vary in size, structure, and reporting obligations. Our key concern is ensuring that any new reporting requirements do not place undue burden on smaller organisations, particularly those that currently prepare simpler financial reports or do not have external accounting support.

### Key Findings from TNA Member Consultation

We surveyed 29 small organisations as a sample of our 107 organisation members with a turnover of less than \$250,000pa. The following trends emerged:

#### 1. Many arts organisations already conduct audits & prepare GPFS due to funding agreements

- State and federal funders (such as Creative Australia & Creative Victoria) require audits for grant recipients, often for organisations with turnovers under \$3 million. Some state funders like Arts Tasmania require audits on any grant over \$50,000 – a significantly lower threshold than ACNC.
- These organisations are already preparing GPFS and are unlikely to be significantly impacted by the proposed changes.
- Potential benefit: The introduction of Tier 3 GPFS may actually simplify reporting for them.

#### 2. Small organisations without funding-driven audit requirements will be most affected

- Some members currently only prepare simple internal financial reports (e.g., budget vs actuals, MYOB/Xero-generated reports).
- These organisations will now need to prepare GPFS, increasing compliance complexity.
- They may still be able to handle reporting in-house but will require training and guidance.

#### 3. Financial reporting and audits are a major burden on small-to-medium art organisations

- 77% of respondents rely on external accountants, bookkeepers, or auditors, with the rest relying on administrative staff or volunteers such as Board members.
- Several organisations reported that audits take weeks of staff time and present prohibitive costs, in some cases up to 10% of organisational turnover.
- Smaller organisations with limited staff or volunteer-run teams may struggle to manage increased requirements.

#### 4. Time and administrative effort are a key concern

- 61% of respondents identified additional reporting time as a major concern.
- Many organisations already have heavy financial reporting obligations due to multiple funding agreements.
- If Tier 3 GPFS is not genuinely simplified, it could add to administrative burdens instead of reducing them.

## TNA's Recommendations

### 1. Retain a genuinely simplified reporting option under Tier 3 GPFS

TNA supports the introduction of Tier 3 GPFS but urges that it:

- Truly reduces reporting complexity - small organisations should not face a miniature version of Tier 2 reporting.
- Be aligned with existing sector practice - many organisations rely on MYOB/Xero, so the reporting framework should be compatible with these systems.

### 2. Provide accessible, low-cost training and support for small organisations transitioning from SPFS to GPFS

Many small NFPs can handle GPFS in-house if they receive adequate guidance.

- Government-funded training programs should be offered to help small organisations understand new reporting requirements.
- Templates and practical tools (e.g., sample reports, software integration guidance) should be developed.

### 3. Extend the transition period to allow small organisations time to adjust

- A phased implementation over 3+ years would allow organisations to develop internal capacity before full compliance is required.
- Many of our members have limited financial management staff and need time to integrate changes without disrupting core activities.

## Conclusion

TNA supports the goal of simplifying NFP financial reporting but urges the government to ensure that:

- Tier 3 GPFS remains simple and practical for small organisations.
- Training and transition support is available for organisations moving from SPFS to GPFS.
- Small organisations are not overburdened by excessive compliance costs or complexity.

By adopting a proportionate, practical approach, the new framework can increase transparency while allowing small arts organisations to remain financially sustainable. TNA welcomes further discussion and is available to provide sector-specific insights as the framework is finalised.

## More Information

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