Not-for-Profit Governance and Performance Study 2020

The COVID-19 edition

A JOINT PUBLICATION FROM: Commonwealth Bank BaxterLawley Australian Institute of Company Directors

A message from CommBank

What a difference a year makes

It is incredible how much, and how quickly, life has changed since the release of last year's Study. Certainly, nobody could have predicted the arrival of COVID-19 to our shores, and the devastating impact the pandemic would bring with it.

Across our nation, we have seen the growing recognition, and appreciation, of the vital role not-for-profits and community groups play in our society. However, the rapid rise of people unexpectedly finding themselves in need of support has come at a time when the sector itself is facing severe and unexpected financial pressures.

The resilient and entrepreneurial nature of the people who work so tirelessly to support those in need has again shone through in the face of adversity. There are countless examples of not-for-profits quickly and successfully pivoting their operations, as well as moving major fundraising campaigns into the online world. And, we have seen the deepening of donor and member relationships and the forging of new supporters as the very essence of the great Aussie spirit, of 'helping those in need', comes to the fore.

The economic impact of COVID-19 has also highlighted the need for board members and senior executives to have a deep understanding of their not-for-profit's financial position. To assist in this area, CommBank and the University of Western Australia launched The Not-for-Profit Balance Sheet: A resource for Directors and CEOs, during this year's Not-for-Profit Finance Week. Designed for people without an accounting background, and available for download from the CommBank website, this resource outlines what the Balance Sheet is telling you about the financial health of your not-for-profit or community group.

The 2020 NFP Governance and Performance Study makes for compelling reading and CommBank is very proud once again to support this important research. I hope you find the material covered on the following pages to be a useful and practical guide in stimulating discussion amongst your board members and senior leaders of your not-for-profit.

Julienne Price
Head of Schools and Not-for-Profit Sector Banking
Commonwealth Bank of Australia

Not-for-profit governance in the spotlight

Welcome to the 2020 edition of the Not-for-Profit Governance and Performance Study.

In what has been an extraordinary year, the AICD is appreciative of those who took time to participate in this year's Study. It has been a very challenging year for not-for-profit (NFP) leaders in particular and I thank all participants for being involved in this important piece of research.

The financial impacts of COVID-19 have been enormous, and a substantial component of this year's report focuses on how the NFP sector has fared during 2020. Not surprisingly the financial impact has been extremely varied across this diverse sector. While some organisations have seen little negative financial impact, others have been faced with very large drops in revenue and have had to place their organisations into an effective "hibernation".

With the wide-spread impacts of COVID-19, the decisive and innovative action taken by directors and executives of NFPs must be applauded. The dedication of these leaders has meant that NFPs have continued to provide services to some of society's most vulnerable in a time of great need.

The AICD recognises the importance of the NFP sector. A large percentage of our members are on one or more NFP boards and I trust that the findings of this year's study assist in your governance deliberations.

In 2019, we published the second edition of the NFP Governance Principles and I am encouraged by the positive reaction to these. We continue to offer scholarships for leaders of smaller NFPs to attend the Governance Foundations for NFP Directors program with 130 of these scholarships being available for early 2021.

I wish all NFP leaders the best for the coming months in what remains a challenging time.

Angus Armour FAICD
Chief Executive Officer & Managing Director
Australian Institute of Company Directors

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Introduction

The COVID-19 pandemic has impacted all aspects of society in 2020. The AICD has produced the NFP Governance and Performance Study (NFP Study) since 2010 and, not surprisingly, this year the findings highlight the significant impact the pandemic has had on the sector.

Many organisations in the diverse NFP sector were facing significant challenges prior to the crisis, and COVID-19 has simply highlighted NFP's preparedness to survive. As one respondent noted, ***"COVID-19 was the tide that went out and showed all those who were swimming naked."***

This year's NFP Study sheds light on how COVID-19 has impacted organisations across the many sub-sectors that comprise the NFP landscape, and considers steps required to address the challenges COVID-19 has presented to ensure the long-term sustainability of the sector.

The Study also highlights many of the structural problems in the sector that existed prior to COVID-19. Recognising the differences in the sector and the systemic structural issues will be critically important for how governments, and the community more broadly, deal with the recovery phase.

The NFP Study emphasises the extraordinary leadership demonstrated by many NFP directors as boards have played a more 'hands on' role during the crisis.

This year's Study differs from previous editions due to its overt focus on the impacts of COVID-19. While respondents were asked about other issues, including the impact of the bushfire crisis endured by much of Australia, these issues were not top of mind when the research took place.

Executive summary

1. COVID-19 intensifies the pressure on the NFP sector

COVID-19 has dealt a huge financial blow to the NFP sector with the majority of organisations likely to make a loss in the 2020 financial year.

However, the picture is complex as many NFP organisations were facing considerable financial challenges prior to COVID-19. Notably, almost 40 per cent of organisations had made a loss in the previous three years.

The NFP Study has highlighted significant disparities between NFP's underlying strengths to withstand the challenges presented by the crisis. Differences were particularly acute across sub-sectors, with organisations in the Arts, Sport, Health and Aged Care sectors seeing greater impacts than those in other sectors. Sources of funding also played a significant role, with those reliant on government funding faring better than those reliant on philanthropy and face-to-face fundraising. However, timing of the crisis, location and, in some cases, luck have all played a role in the severity of the financial impact on NFPs.

It is important to recognise there has been a steady decline in profitability in some sub-sectors (such as Aged Care), which highlights that they were under financial pressure even before the pandemic.

2. Leadership in extraordinary times

Directors and executives acted swiftly and decisively when COVID-19 struck. While there was some initial trepidation, boards quickly focused on the key issues at hand and made decisions that were required for their organisation’s survival. NFP leaders also recognised that this would bring long-term change to their organisations.

Consistent with trends in the for-profit space, boards were more involved in operational issues for the first couple of months, and chairs in particular were heavily involved in stakeholder engagement.

Technology and the move to virtual platforms played a significant role in assisting leaders to govern their organisations. Directors less experienced with using platforms such as Zoom were surprised at how quickly virtual meetings became the new norm.

3. Mergers and winding up have paused for now

Merger activity and discussions on mergers reduced considerably according to survey respondents. With boards focused on the survival of their organisation, mergers and other strategic opportunities are not currently on the agenda.

Similarly, respondents are not contemplating winding up their organisations at this time, with those discussions being at their lowest point in the NFP Study's eleven year history.

Respondents were, however, firmly of the view that both mergers and winding up discussions will resume once government stimulus measures such as the JobKeeper subsidy scheme come to an end.

4. Government response to COVID-19 and the road to recovery

The leaders of NFP organisations have endorsed the response of Federal, State and Territory governments to the pandemic. Programs such as JobKeeper have been instrumental in the survival of many organisations across the sector.

Many directors remain concerned about what will occur when measures such as JobKeeper are wound back, or when other forms of support no longer exist.

The road to recovery is unpredictable and many organisations will exit the pandemic looking very different to how they entered.

There is no doubt that the sector will need targeted assistance to ensure its ongoing success. Different sub-sectors also entered the crisis in better shape than others and their future survival may depend on factors outside those related to the pandemic.

It will be crucial that ongoing government assistance addresses the systemic structural issues facing the sector.

Chapter one:

COVID-19 intensifies the pressure on the NFP sector

The financial impacts of COVID-19 on NFPs have been significant.

Respondents identified the greatest impacts as major revenue reductions, increased costs and access to reserves, and debt funding to support operations.

JobKeeper has provided NFPs with by far the greatest relief during the pandemic. Critically, it has allowed many organisations to survive.

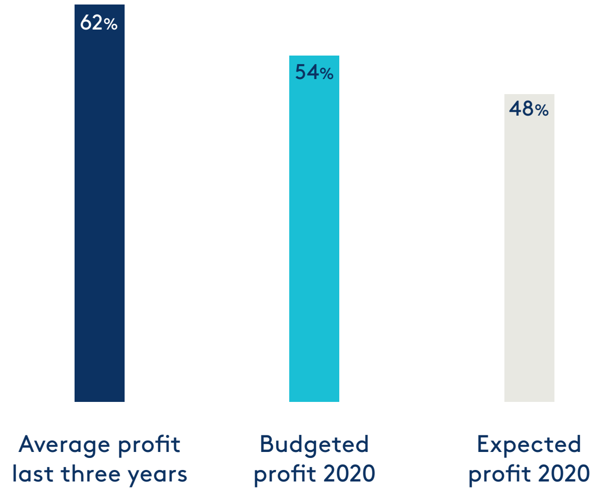
On average, the percentage of NFPs expecting to make a profit dropped from 54 per cent in FY19 to 48 per cent in FY20, but this does not reflect the diversity of the NFP sector. It also disguises the fact that many NFPs were experiencing major financial difficulties prior to COVID-19, and the road to recovery for them may require targeted assistance.

Our research found that COVID-19 has amplified the challenges that many organisations were already facing, and this is illustrated more clearly when looking at sub-sectors. For example, health and aged care profitability had been reducing for a number of years prior to another significant drop through COVID-19.

Financial challenges for many, but not all

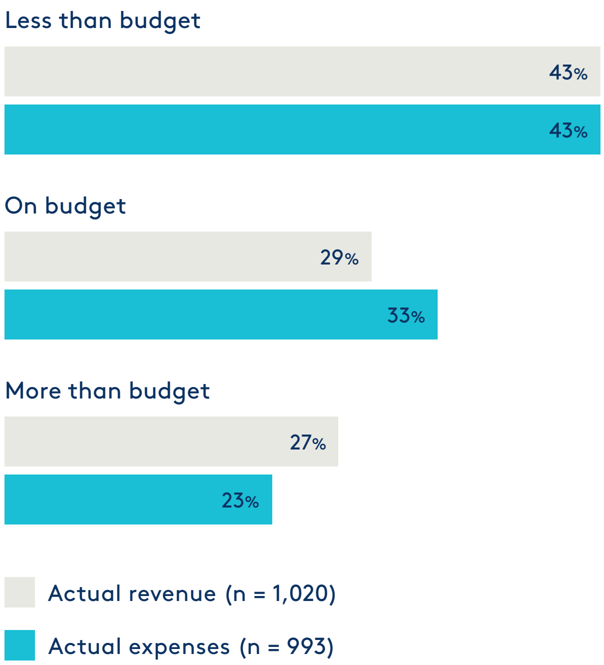
Many respondents to the survey noted a reduction in revenue for FY20, with 43 per cent indicating that their revenue would be less than budgeted (Figure 1.2).

Figure 1.1: Historical profitability, and budgeted expectations vs actual performance for FY20 (n = 1,033)



Directors told us that over the past three years, 62 per cent of their organisations had recorded a profit. In the financial year ended June 2020, only 48 per cent expected to achieve a profit compared to 54 per cent who had initially budgeted to make a profit (Figure 1.1). In addition, the percentage of organisations making a loss had increased from 18 to 28 per cent.

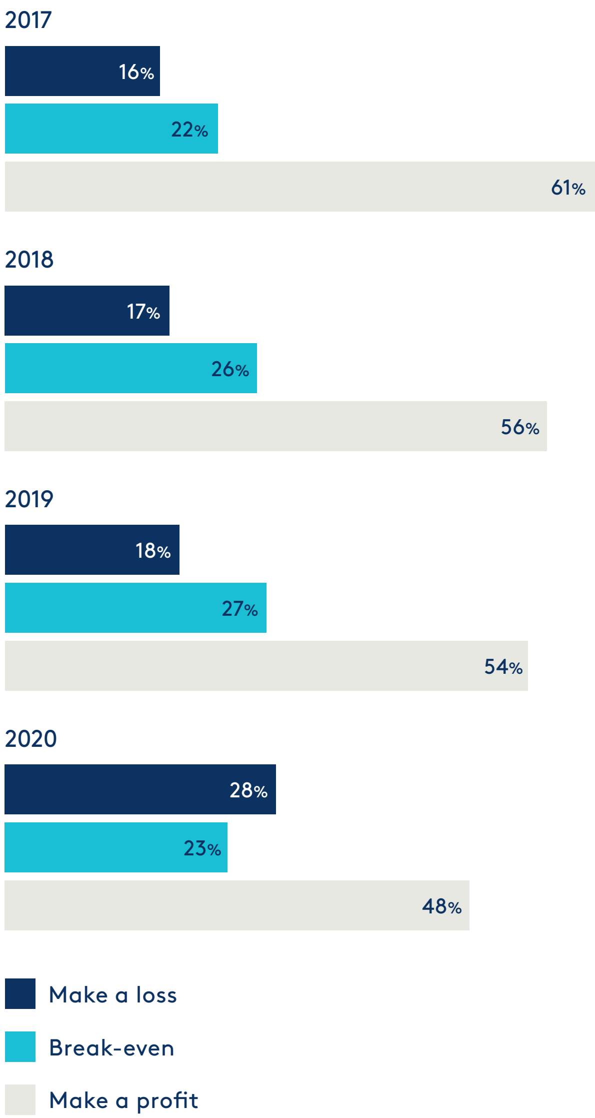
Figure 1.2: Actual expenses and revenue for NFP organisations in FY20



Survey data over the last four years reflects declining profitability in the sector (Figure 1.3). In 2017, 61 per cent of respondents' organisations made a profit, which decreased to 54 per cent in FY19.

In FY20 the number of respondents expecting to make a profit dropped to 48 per cent, with over half expecting to make a loss or approximately break-even. Previous editions of this study have shown that profit margins are small, and this was clear again in FY20 with one-third indicating their profit margin would be five per cent or less.

Figure 1.3: Annual financial performance of last four years (2020 n = 1,001)



Interestingly, a third of respondents stated that their financial position was **not** negatively impacted by COVID-19 (Figure 1.4).

While some organisations, including those in the Disability and Aged Care sub-sectors noted an increase in costs for delivering essential services, 43 per cent of respondents noted that their costs for this financial year would be less than budgeted (Figure 1.1). This reflects some sub-sectors that have vastly reduced services and in some cases have placed their organisations into hibernation.

A significant proportion of directors (42 per cent) that responded to the AICD Member survey, *The governance impact of COVID-19*, in June had concerns about making going concern assessments or solvency declarations in light of the pandemic (Figure 1.5).

Figure 1.4: Financial impact on NFP's balance sheet (n = 1096)

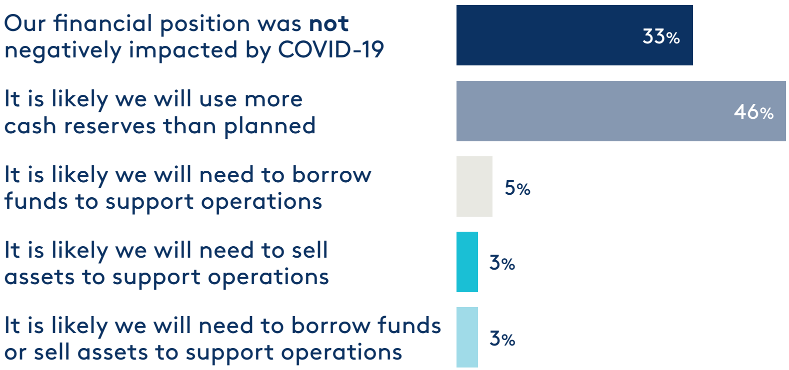
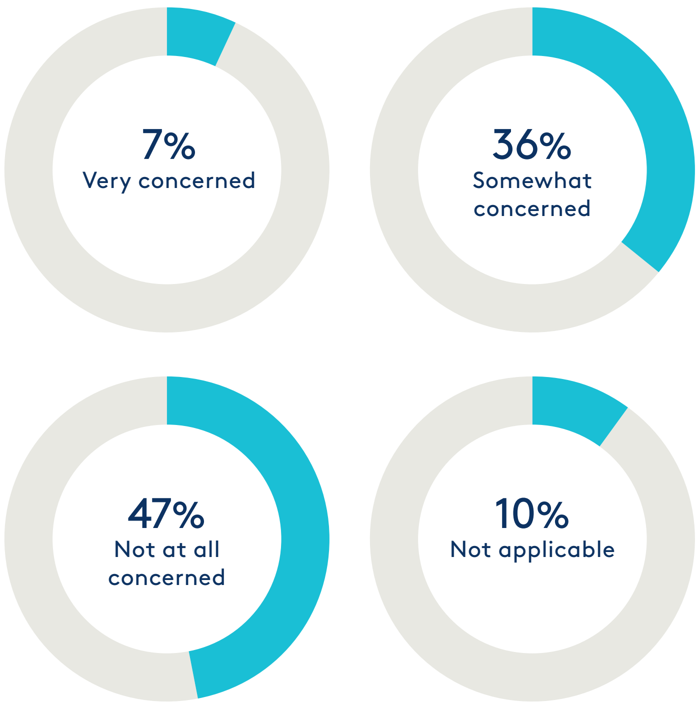


Figure 1.5: NFP director concern about going concern or solvency. Source: AICD Member survey, *The governance impact of COVID-19*, June 2020 (n = 817)



Factors influencing financial impact

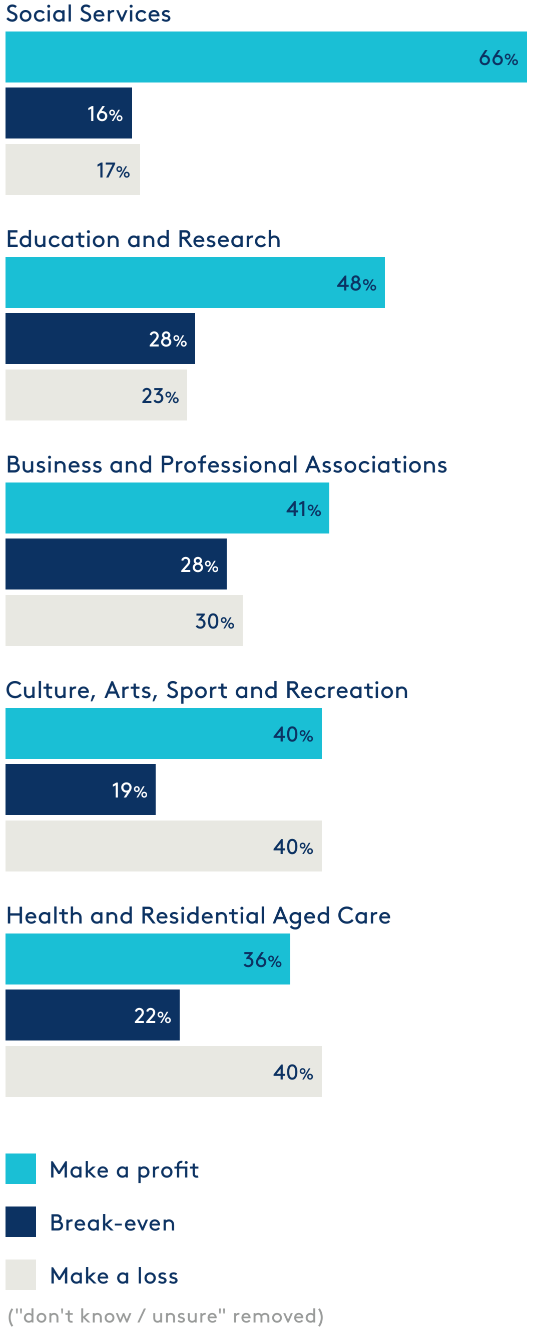
Our research found significant variations in the impact of COVID-19 on organisations depending on such things as funding sources, timing, location and, in some cases, luck.

Sub-sector variability

There was a substantial variance of financial impact across sub-sectors (Figure 1.6). For example, almost two thirds of Social Services organisations indicated they were likely to make a profit in FY20.

In contrast, NFPs in other sub-sectors are either just breaking even or expect to make a loss, including approximately 60 per cent of Health and Residential Aged Care organisations, Business and Professional Associations, and 50 per cent of Education and Research organisations.

Figure 1.6: Sub-sector financial performance for FY20 (n = 772)



Timing

This only tells one part of the story – our focus groups in particular noted how even within similar sub-sectors, the financial impact has not been consistent, nor could it be controlled. For example, sporting organisations who had their major events occur in summer months, received some buffering from the COVID-19 storm. In contrast, winter sports, including community sporting organisations, have been majorly impacted as reflected in the Australian Sports Foundation survey. This report found that community sporting organisations lost an aggregate $1.6 billion in revenue due to COVID-19[1].

A similar situation occurred for arts and culture organisations. If major events took place prior to COVID-19, or after the first lockdown, then those organisations were in a much better financial position than those NFPs whose major fundraising events have been cancelled.

Financial impacts for these organisations were based more on luck and timing than other factors.

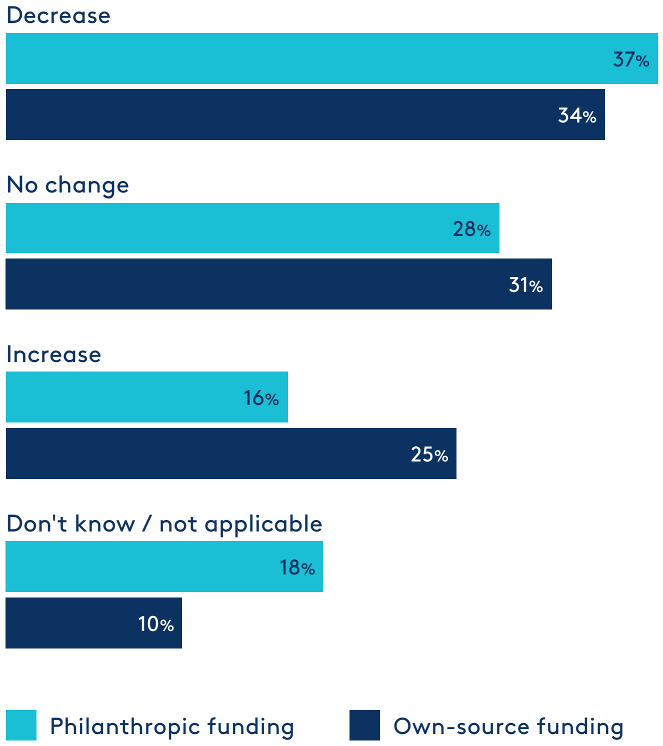
1 The Australian Sport Foundation, *Impact of COVID-19 on Community Sport Survey* Report, 2020. P3

Revenue source

Organisations' revenue sources have also contributed to the financial impact of COVID-19. Diminished donations and philanthropy have had significant impacts on those charities that rely on these sources of revenue (Figure 1.7). Unsurprisingly, those organisations whose revenue largely consists of government funding were far less impacted.

The survey data tells us that NFPs operating in the Business and Professional Associations, Education and Research and some areas of Social Services remain profitable (Figure 1.8). Notably, many of these organisations have continued to receive direct government grants and are not as reliant on 'own-source funding'.

Figure 1.7: Funding sources for NFP's – philanthropic vs own-source (n = 995)



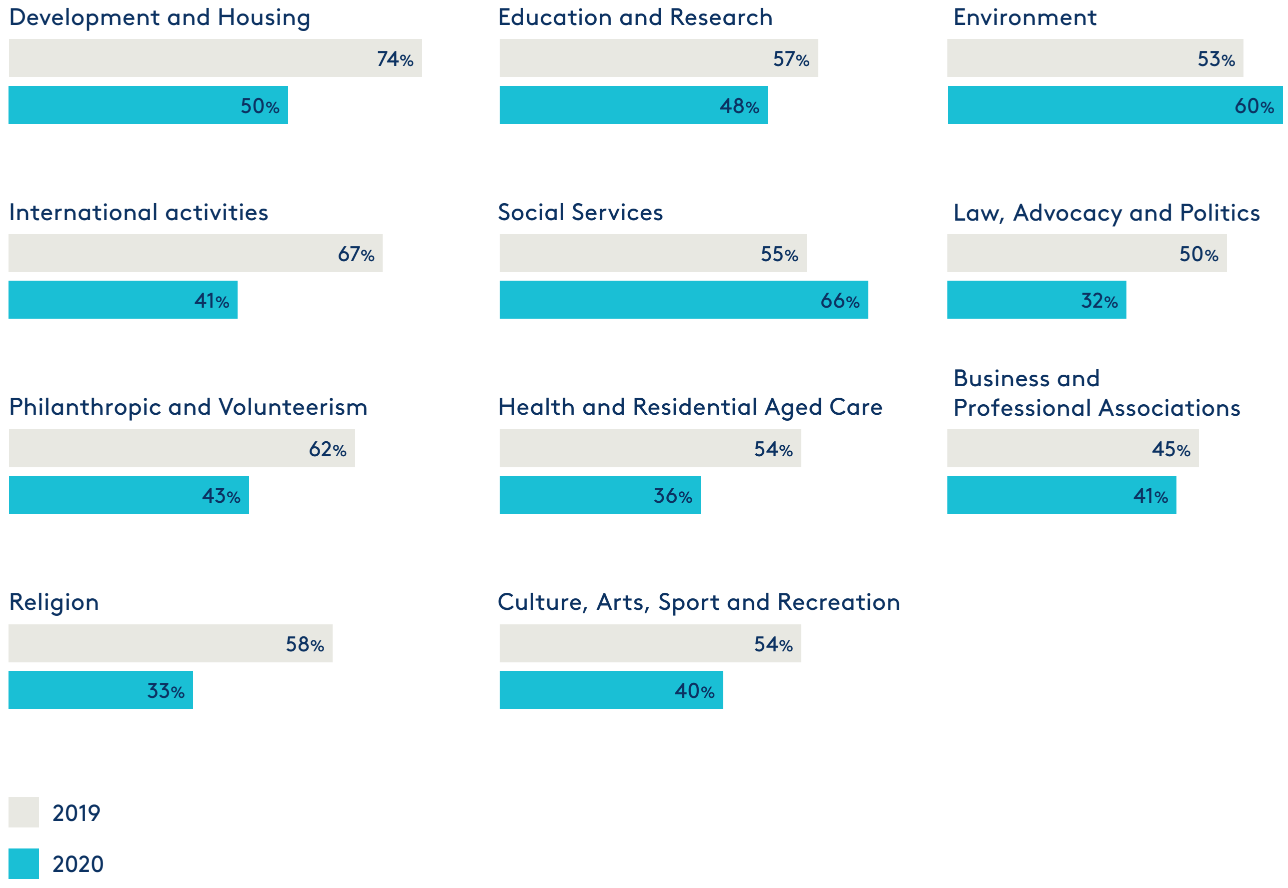
(Results may not add to 100% due to rounding)

"Our organisation is fully funded by federal and state governments and so was not adversely impacted. Our funding was increased substantially to cover additional services for drought, bushfire, flood and COVID-19 impacts on our client base."

However, the future remains uncertain for many NFPs. Education providers may not feel the immediate impacts of COVID-19 and an economic downturn until next year. As one respondent to the survey said:

"We are an independent school that is indirectly impacted by the slowing economy and its effect on our families' incomes. Too early to predict what will happen with enrolments in 2021."

Figure 1.8: Percentage of directors reporting their NFP made a profit in most recent year (n = 1,013)



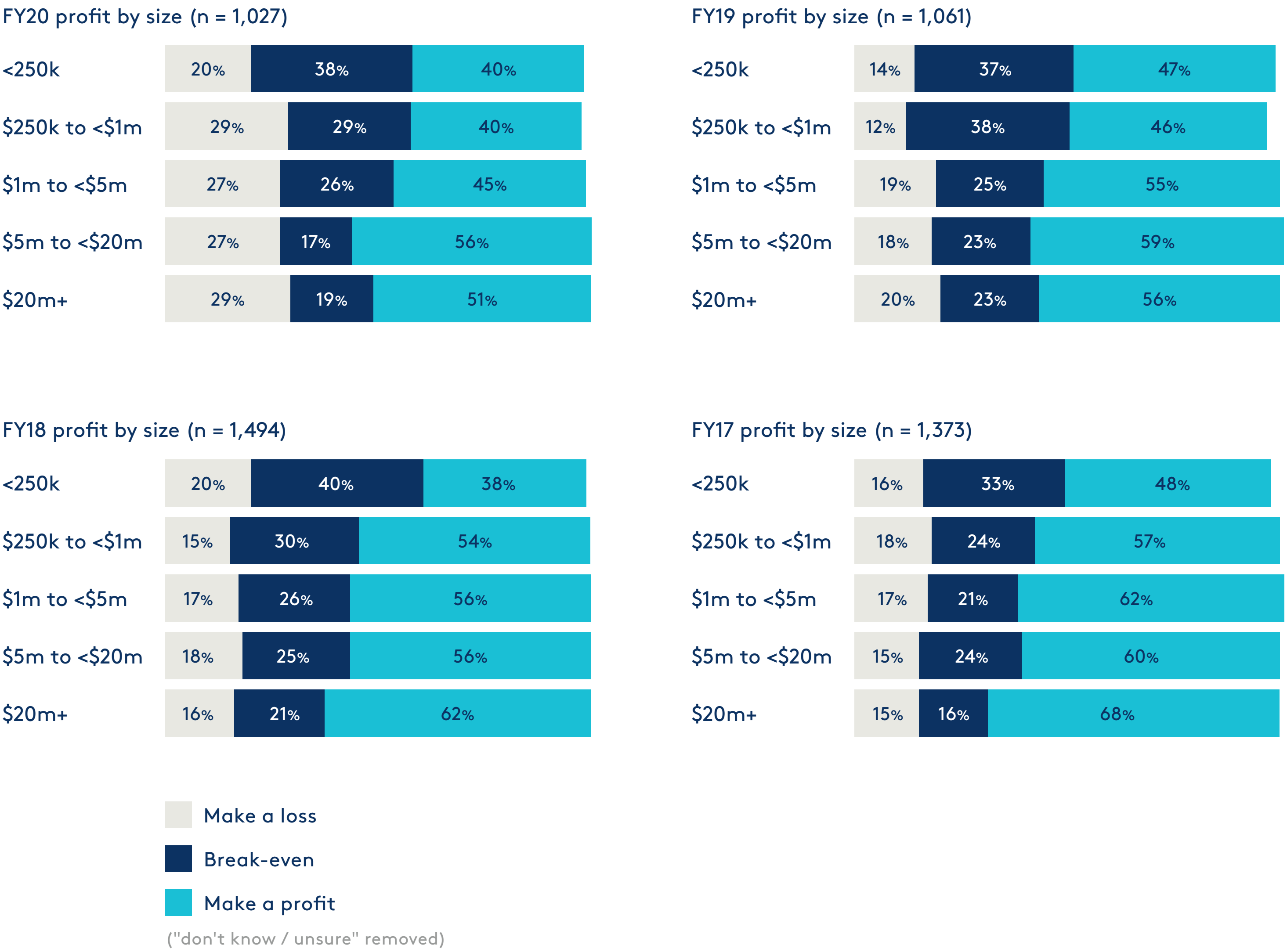
Size

Previous studies have shown that larger NFPs were more likely to make a profit. In 2017, 68 per cent of directors of organisations with turnover of greater than $20 million reported making a profit (Figure 1.9). This year, that tumbled to only 51 per cent.

By contrast, 56 per cent of organisations turning over between $5 million and $20 million made a profit in FY20.

Of further note was that the very large organisations, with revenue of over $500 million, were less likely to make a profit than those turning over >$20million. While there were only 24 respondents from this group, 54 per cent of these organisations reported making a loss in the 2020 financial year.

Figure 1.9: Profitability of NFPs by organisation size



COVID-19 is not only to blame

Aged Care is an example of a sub-sector where profit has been declining over a number of years. The StewartBrown report released in March[2] showed that 60 per cent of aged care homes recorded an operating loss for the nine months to March 2020. Coupled with lower occupancy rates, residential aged care was already under significant pressure prior to COVID-19.

The situation in rural and regional residential aged care was even worse with 74 per cent of these homes having an operating loss and 55 per cent having a cash operating deficit[3].

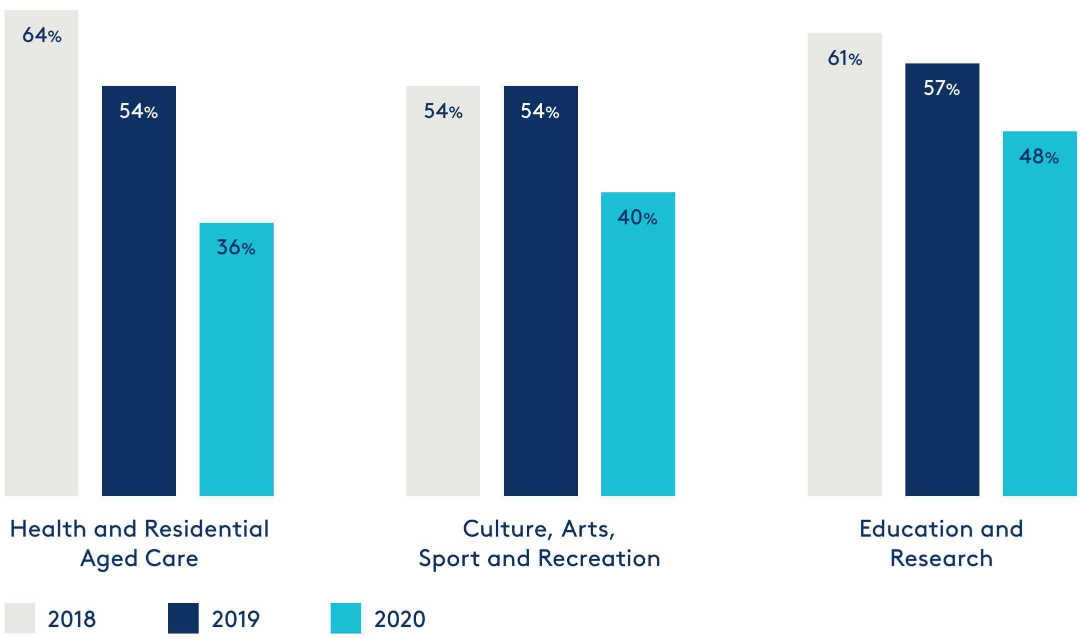
In 2014 and 2018, the NFP Study explored Aged Care and the profitability in those years declined significantly, while in the Disability sector less than half of organisations made a profit of more than three per cent, as shown in the NDS report of 2019[4].

Similarly, the findings of the 2017 NFP Study noted the financial challenges facing the Disability sector. In 2017, 65 per cent of NFP disability service providers had made a profit over the previous three years. However, 67 per cent reflected that there would be uncertainty and variability of revenue over the coming years.

While recognising that overall profitability was down across the NFP sector, sub-sectors such as Health and Aged Care, Culture, Arts, Sport and Recreation and Education and Research were significantly impacted by COVID-19 but had also been tracking down over a number of years.

The 2018 NFP Study showed that 64 per cent of health and aged care organisations had made a profit in that financial year (and 76 per cent had achieved a profit over the previous three years). In 2019, this had reduced to 54 per cent making a profit and 36 per cent in 2020.

Figure 1.10: Percentage of sub-sector organisations making a profit, 2018 to 2020 (2020 n = 457)



2 StewartBrown, *Aged Care Financial Performance* Survey, March 2020. P4.

3 StewartBrown, *Aged Care Financial Performance* Survey, March 2020. P4.

4 National Disability Services (NDS), *State of the Disability Sector* Report, 2019. P20.

For Culture, Arts, Sport and Recreation, profitability fell from 54 per cent in 2018 and 2019 to 40 per cent in 2020 (Figure 1.8). The *Impact of Covid-19 on Community Sport* report[5] by the Australian Sports Foundation also noted that sports clubs lost substantial revenues, while remarking:

> "Despite being largely volunteer run, outgoing costs continued even though sporting activities were on hold. These ongoing expenses, coupled with the loss in revenue, caused 93 per cent of all clubs to lose money."

For the Education and Research sub-sector, profitability fell from 61 per cent in 2018 and 57 per cent in 2019 to 48 per cent in 2020 (Figure 1.8). And a number of focus group attendees stated that the main financial impact for their school may be six to 12 months away as the recession drives an expected reduction in enrolments.

The decline in profitability for so many sub-sectors over the last few years highlights the financial distress that was facing many organisations prior to COVID-19. This indicates that the road to recovery will be challenging for many and they may require targeted assistance.

Reserves

There has long been debate in the NFP sector about whether organisations should aim to make a profit and build up a buffer of financial reserves for a rainy day. Discussions around NFP board tables have often been about the appropriate level of reserves that should be achieved and the ensuing conversation with members and stakeholders is often a challenging one. Once the pandemic is over, organisations will need to restore their balance sheets. Building reserves will provide an appropriate buffer to ensure organisations can survive the next big crisis.

COVID-19 has highlighted the importance of having appropriate reserves. As one focus group participant commented, ***"our organisation built up reserves for a rainy day, and it's currently bucketing down outside."***

Forty-six per cent of survey respondents indicated that their organisation is likely to use more cash reserves than planned and, in many instances, these reserves are being used to keep the organisation operating (Figure 1.4).

Boards are also considering what needs to occur in the recovery phase to rebuild reserves and what may be the appropriate ratio to achieve for future crises.

5 The Australian Sport Foundation, *Impact of COVID-19 on Community Sport Survey* Report, 2020. P14

Borrowing

Over many years, this Study has tracked the appetite of NFPs to borrow money. While the 2018 Study noted that 45 per cent of respondents indicated that they would not be comfortable borrowing to fund asset purchases, this year three per cent of respondents highlighted that it is likely they will now need to either borrow funds or sell assets to fund capital investment (Figure 1.4).

A further 40 per cent indicated they would be comfortable borrowing if required to do so. Of particular interest is that five per cent indicated their organisations will need to borrow funds to support operations.

Unsurprisingly, Development and Housing organisations with larger asset bases, have the greatest ability and confidence to access debt. In focus groups we heard that the current low interest rate environment makes it an ideal time to access cheap finance.

However, it is worth acknowledging that many NFPs will typically fall outside of banks' usual lending criteria. Noting lower levels of profitability this financial year, that cohort is likely to increase.

What directors said

On the impact of COVID-19

"The organisation went into COVID with net equity of $4.5M. It will come out under present conditions with about $1.5M. The organisation was reliant on substantial income from events which were significantly impaired due to COVID."

"As a result of COVID-19 our sport has shut down and we are finding it challenging to stay afloat without grants and gifts. Thankfully these have been accessible, and we are seeing great support through our industry and from local and state government."

"We were hit hard with first the drought, then fires in terms of competition for donation dollars, then with COVID the events we usually run were all canned."

"Our major funding event had to be called off and this had a big impact."

On structural changes

"Our org had underlying business viability issues that were brought into sharp focus by COVID-19. The crisis created a sense of urgency and focus, and government support enabled us to move decisively and under new leadership to implement necessary (overdue) changes to the business model."

"COVID-19 brought to light some problems that had been bubbling in the background. It is our strong cash reserves that will help us invest to survive."

"COVID-19 has served as a catalyst for cost base lining as well as restructure and leadership changes."

On future viability

"This is devastating to our business and has questioned the relevance of our primary mission for the next few years. We have too many ongoing costs to sustain a hibernation period with no foreseeable end. The next six months will be crucial for our sustainability."

"COVID-19 made it very clear how much our organisation is at the mercy of government policy decision [and the] need to to diversify revenue lines."

"Our strategy has been to weather the COVID storm and use the opportunity to invest and restructure with a view to being more sustainable, adaptable and agile in a post-COVID environment."

Talking points for boards:

- Can we be sure of our solvency?
- Are we confident in our cash flow forecasts?
- What will occur when JobKeeper ends?
- What is the appropriate level of reserves we should aim for?
- What are the future implications for the sub-sector we are in?
- Were we being challenged financially prior to COVID-19?
- Are there different operating models for us into the future?
- Should we look to diversify or reduce the breadth of our services?

Chapter two:

Leadership in extraordinary times

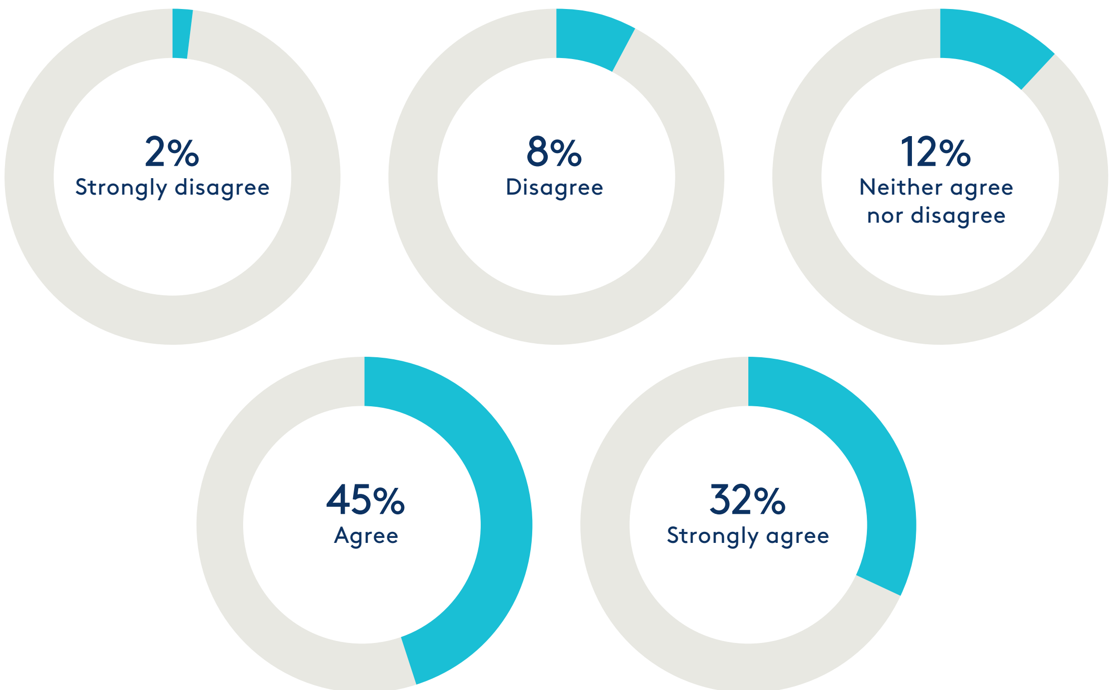
COVID-19 has pushed boards and organisations to their limits. NFP leaders have responded exceptionally well to this crisis. COVID-19 has had an impact on how boards meet, with meetings moving online to comply with social distancing requirements, as well as what boards prioritise.

NFP directors rated their organisation's response to the crisis very highly, however, many also recognised that their organisation would need to adapt.

Organisations have changed, perhaps forever

The onset of COVID-19 brought immediate change, with 77 per cent of respondents reporting that their organisation significantly changed the way it operates (Figure 2.1). While for some this may have been an immediate response to continue providing services to clients, for others it will lead to longer-term changes to operating models.

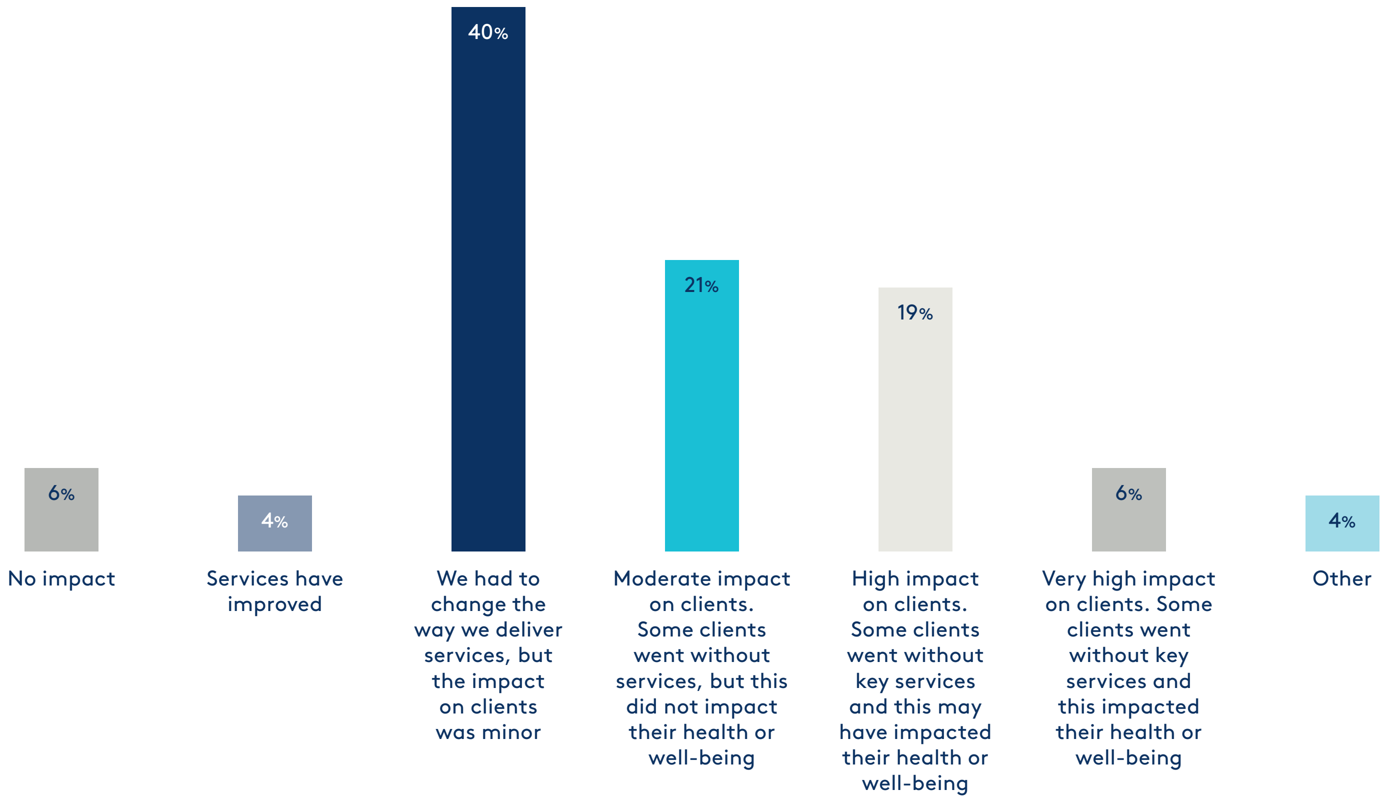
Figure 2.1: Directors' response to question “we have had to significantly change the way we operate” (n = 976)



Director focus groups discussed the opportunity created by the pandemic to realign the organisation's strategy and purpose with its longer-term objectives. For example, an arts organisation reflected on the pivot to deliver online performances and showcase their works to a digital audience. Likewise disability sector directors noted that the families of some clients were enjoying a high-level of personalised service during the pandemic, but queried the financial sustainability of this model. Directors of community housing organisations discussed the opportunities of social enterprises, while noting some challenges. As one director from this sub-sector reflected, ***"If the future is a social enterprise model, it needs time and support."***

Not only did directors reflect on the way their organisation had changed its operations, but they also reflected on the impact those changes had on their clients. Almost 20 per cent of directors said that COVID-19 had a high impact on clients, some of whom went without key services being provided (Figure 2.2).

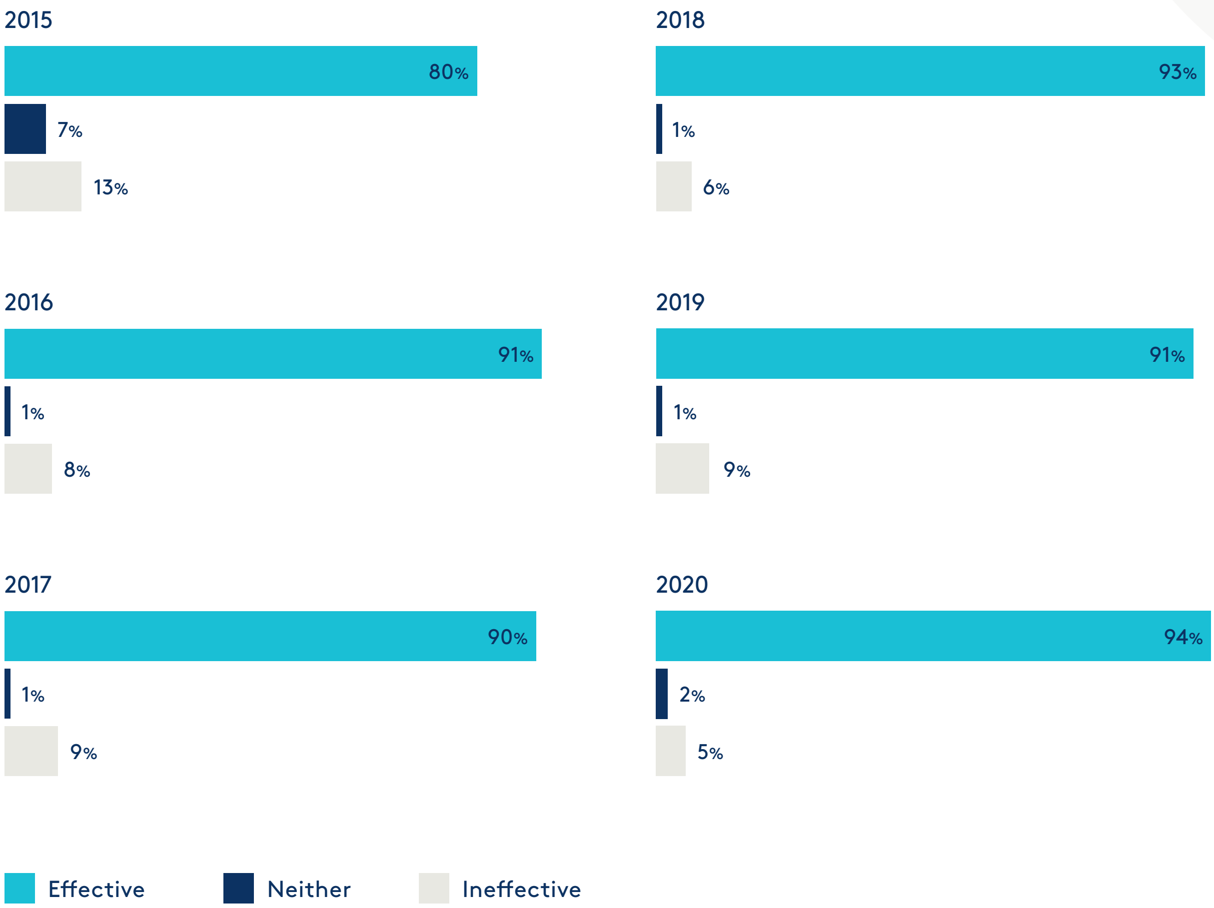
Figure 2.2: Organisational impact from COVID-19 (n = 978)



Organisations rate their effectiveness highly

When asked to rate the effectiveness of their organisation in achieving its stated purpose, sentiment was higher (94 per cent) than in previous years (Figure 2.3). Even for organisations that were struggling financially, directors considered they had succeeded with achieving their organisation's purpose.

Figure 2.3: Rating of effectiveness (2020 n =1067)



Results may not add to 100% due to rounding

Organisations responded effectively to COVID-19

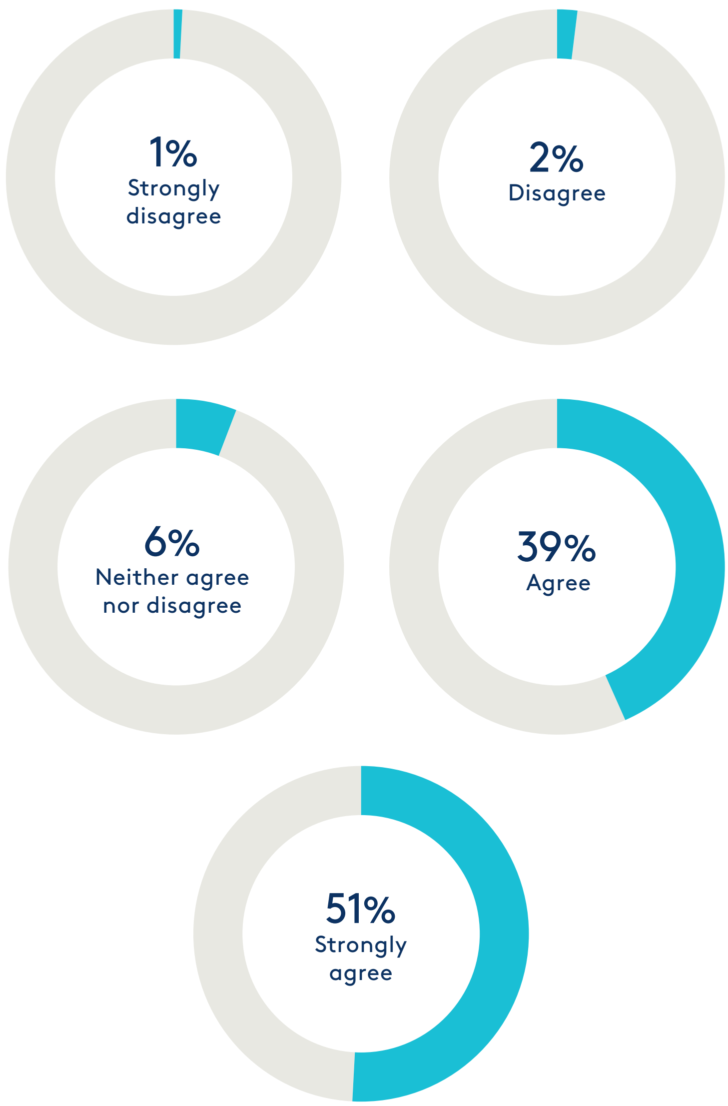
Directors were particularly proud of their NFP's response to COVID-19, with 90 per cent agreeing or strongly agreeing that their organisation has responded well to COVID-19 (Figure 2.4).

Many of the focus group participants spoke of their admiration for their organisation's resourcefulness and the speed at which individuals coped with the changing environment. Directors noted that their board responded with clear thinking, determining what immediate steps needed to be taken and then plotted what the coming weeks and months may look like.

> "The board and organisation has been outstanding in the sectors most difficult time in history"

This was just one of the many reflections that indicate how organisations and individuals were able to achieve great outcomes during such challenging times.

Figure 2.4: Our organisation has responded well to COVID-19 (n = 976)



“The Board has supported me as a CEO to manage the response effectively with autonomy as was required due to the rapid pace of change and unpredictability.”

Specifically, a number of directors told us their organisations were able to transition quickly to remote service delivery models for clients. Some were guided by their Business Continuity Plans (BCPs), but often these plans were developed for natural disasters such as bushfires and did not address the challenges that are brought on by a pandemic.

“Senior executives have responded well and used their BCP and pandemic plan to get them started...”

Despite directors' positivity, many were concerned about the ongoing fatigue of their workforce. For those who had been impacted by bushfires prior to the pandemic, many were concerned about the health and well-being of their staff.

Time spent on governance

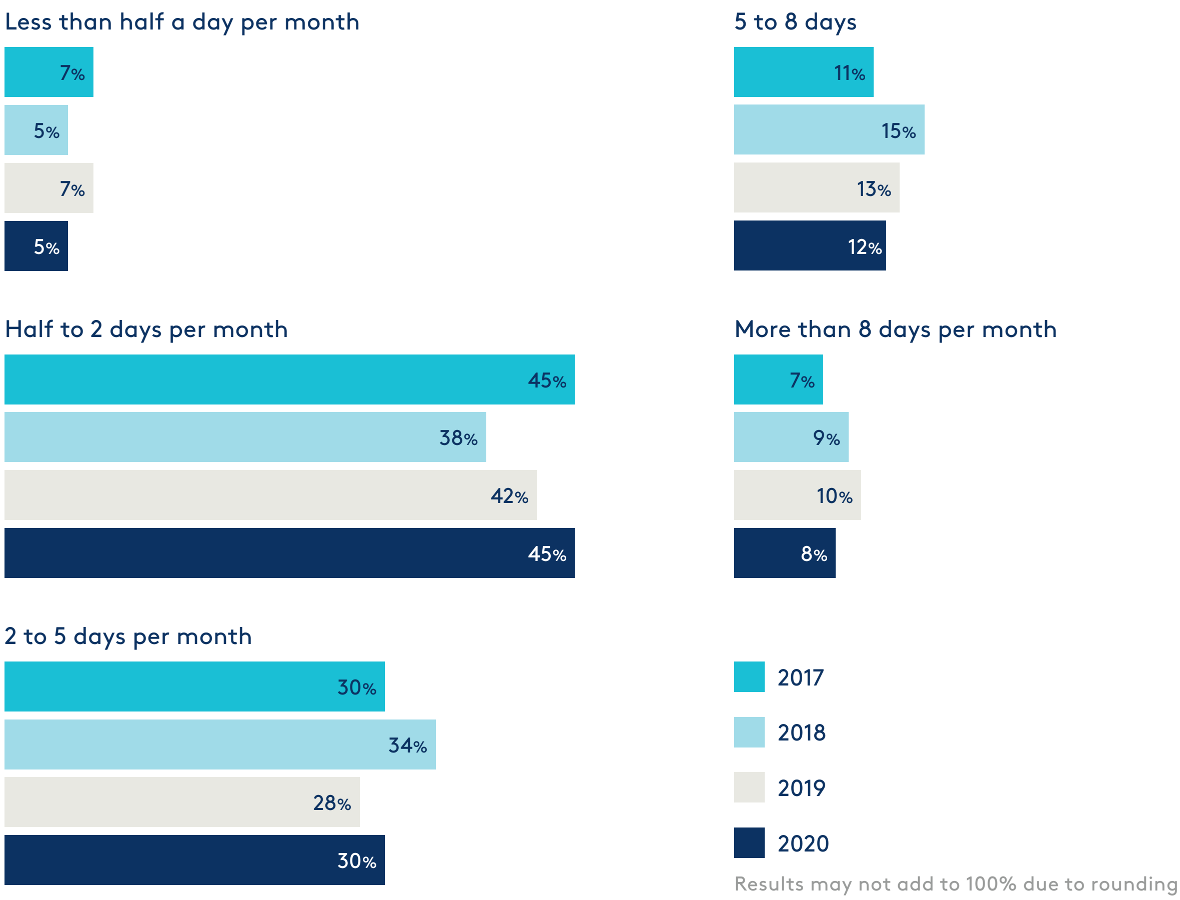
Compared to last year, 69 per cent of directors reported that COVID-19 had increased the amount of time they spent on governance. Respondents also reported more frequent correspondence and meetings. Boards of many larger organisations implemented short weekly or fortnightly briefings with directors to keep them abreast of emerging issues.

However, despite the reported increase in time spent on governance, when directors were asked to specify the hours spent on a single NFP they indicated that the overall time spent on board work had changed very little. The survey showed that 20 per cent of respondents spent more than five days a month on governance, down from 23 per cent last year (Figure 2.5).

In almost all cases, face-to-face meetings were replaced by video conferencing for at least some months and it appears that the reported increase in meeting time was offset by a decrease in other events and travel.

> “We are all much more adept at Zoom and remote meetings and are saving money on travel.”

Figure 2.5: Time spent on governance (2020 n=809)



Results may not add to 100% due to rounding

Challenges for Chairs

It was apparent from our focus groups that while Zoom and other virtual meetings had generally been effective, there were additional challenges for Chairs of organisations. A recent joint report by the AICD and the Governance Institute of Australia titled *Governance Through a Crisis*[6] found that as the person with ultimate responsibility for the flow of deliberations, the role of the Chair is critical in running effective virtual meetings. Chairs have to work harder to ensure engagement and must establish the protocols for interacting in a virtual environment.

> "Virtual meetings (are) ok for transactions, but not ideal for new strategy deliberations"

For those organisations who had new directors or a new CEO, this situation was made more complex. Chairs found it difficult to build the appropriate team environment, and for the board and CEO to form an effective relationship, when not meeting in person.

> "(the) new CEO required onboarding and support... (and) more hands-on support operationally."

6 The Australian Institute of Company Directors (AICD) & The Governance Institute of Australia, *Governance Through a Crisis*, September 2020

Did boards step in, step back or step up?

We know that due to the practicalities of running any small enterprise, the lines that separate the board and management of smaller NFPs can be blurred at times. However, directors of large organisations are typically not involved in operational matters. This study asked whether this changed in the face of the crisis, whether directors were too involved or not involved enough, and whether their involvement was appropriate for governing in a crisis.

Many respondents noted this challenge. As indicated by one respondent, ***"it is a fine balance between guidance, governance and getting out of the way of a very busy executive."***

Our focus groups this year reflected on directors' efforts to support management and be more available outside of traditional board and committee meetings. One respondent reflected, ***"the board was prepared to undertake further activities to support management given the situation, but management responded extremely well, and this was not necessary."***

The *Governance Through a Crisis*[7] highlighted that it is critical for directors to know when intervention or additional leadership is necessary, versus when to respect boundaries and not stray into the role of management. This is helped if directors actively monitor whether they are blurring the lines and remain 'alive' to the risks and opportunities of board involvement during a crisis.

For boards, COVID-19 has exposed some gaps in directors' knowledge of their organisations. Many are now more actively watching financial forecasts and cashflow.

"Our Board has stayed strategic but has interacted more with the executives as they have had to respond to major environmental and market shifts that impacted strategy and required strategic responses. We see this as a long-term change, not as a short-term blip before we "return to normal"."

7 The Australian Institute of Company Directors (AICD) & The Governance Institute of Australia, *Governance Through a Crisis*, September 2020

What directors said

On response to COVID-19

"Senior executive (team) have responded well and used their BCP and pandemic plan to get them started. The Audit and Risk committee (now) meet more often to support the execs."

"Having a robust Business Continuity Plan in place helped our organisation's reaction and ongoing management."

On the boards role

"The board as a whole has had to be far more hands on to manage the dramatic impact of COVID-19 on the business. Survival strategies and mission critical decisions have been required, especially in the last three months, to ensure the organisation survives the economic impact of the pandemic."

"The COVID crisis has coincided with improved financial strength of the organisation (unrelated to the crisis), and the financial position of the organisation has allowed the board to move beyond short-term thinking to a more mature governance model."

"We entered a restructure at the end of last year unrelated to COVID... however this strategically placed (us) in a better position to respond to changing environments."

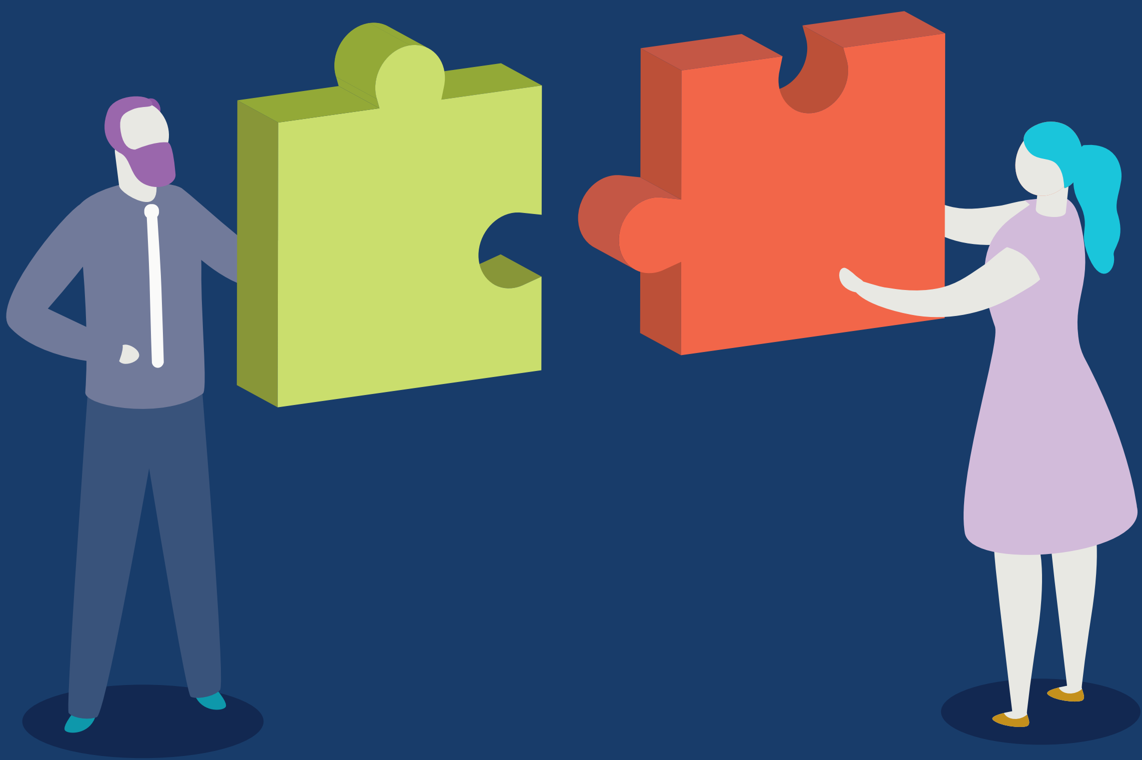
"A meeting (was) held in mid-April to hibernate the NFP until February 2020, layoff all staff, maintain CEO to maintain relationships and fundamentals. (The intention is to) preserve cash so that cause can be pursued in 2021 and beyond."

Talking points for boards:

- What did the crisis reveal about our culture?
- What will our organisation look like in two years' time?
- Will we continue to have virtual meetings or move back to face-to-face?
- How are our staff coping?
- How are our directors and our Chair coping?
- What lessons have we learned for the next big crisis?
- Has the board become too involved in operations?

Chapter three:

Mergers and winding up have paused for now



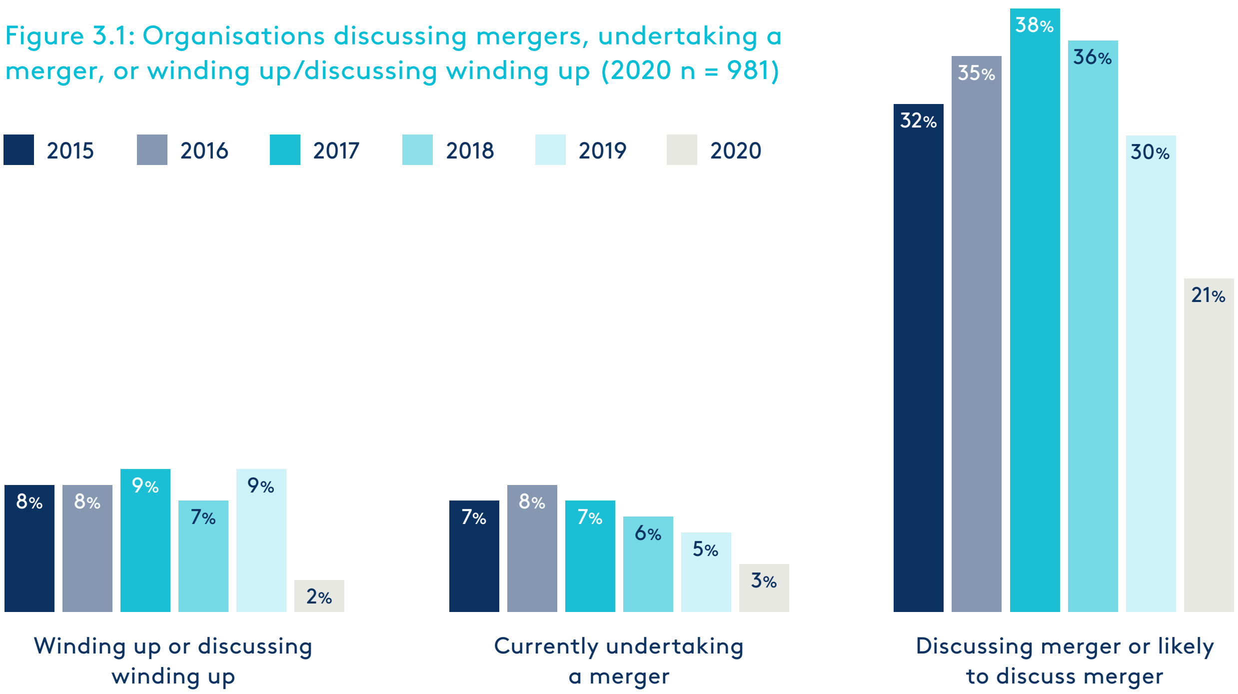
Merger activity is at its lowest point since the NFP Study was first published in 2010. Perhaps this is unsurprising given the focus on other extraordinary issues. However, it does continue a trend in merger activity reduction that was reported in the 2019 NFP Study.

Collaboration was also not as strong a theme in this year's findings, which reflects the focus that directors have had on ensuring the survival of their organisations through the crisis.

Merger activity on hold for now

Only three per cent of directors reported they were currently undertaking a merger, which was down from five per cent last year and eight per cent in 2016 (Figure 3.1). And for those currently discussing a potential merger, this has dropped from 30 per cent to 21 per cent this year.

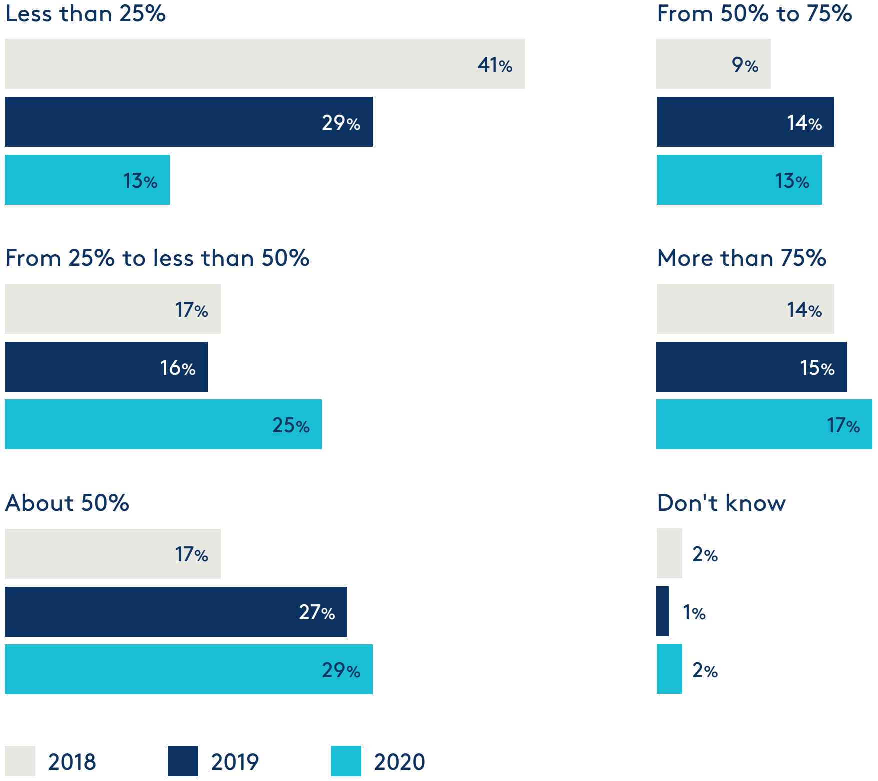
Figure 3.1: Organisations discussing mergers, undertaking a merger, or winding up/discussing winding up (2020 n = 981)



Likelihood of a merger

While only 21 per cent are currently discussing a merger, for those that are in discussion, there appears to be an increased likelihood of the merger actually happening. Approximately 30 per cent of these respondents rated the likelihood of a merger as 50 per cent or higher compared to only 17 per cent two years ago (Figure 3.2). In addition, only 13 per cent rated the likelihood of the merger occurring at less than 25 per cent compared to 41 per cent in 2018.

Figure 3.2: Likelihood to merge (2020 n = 215)

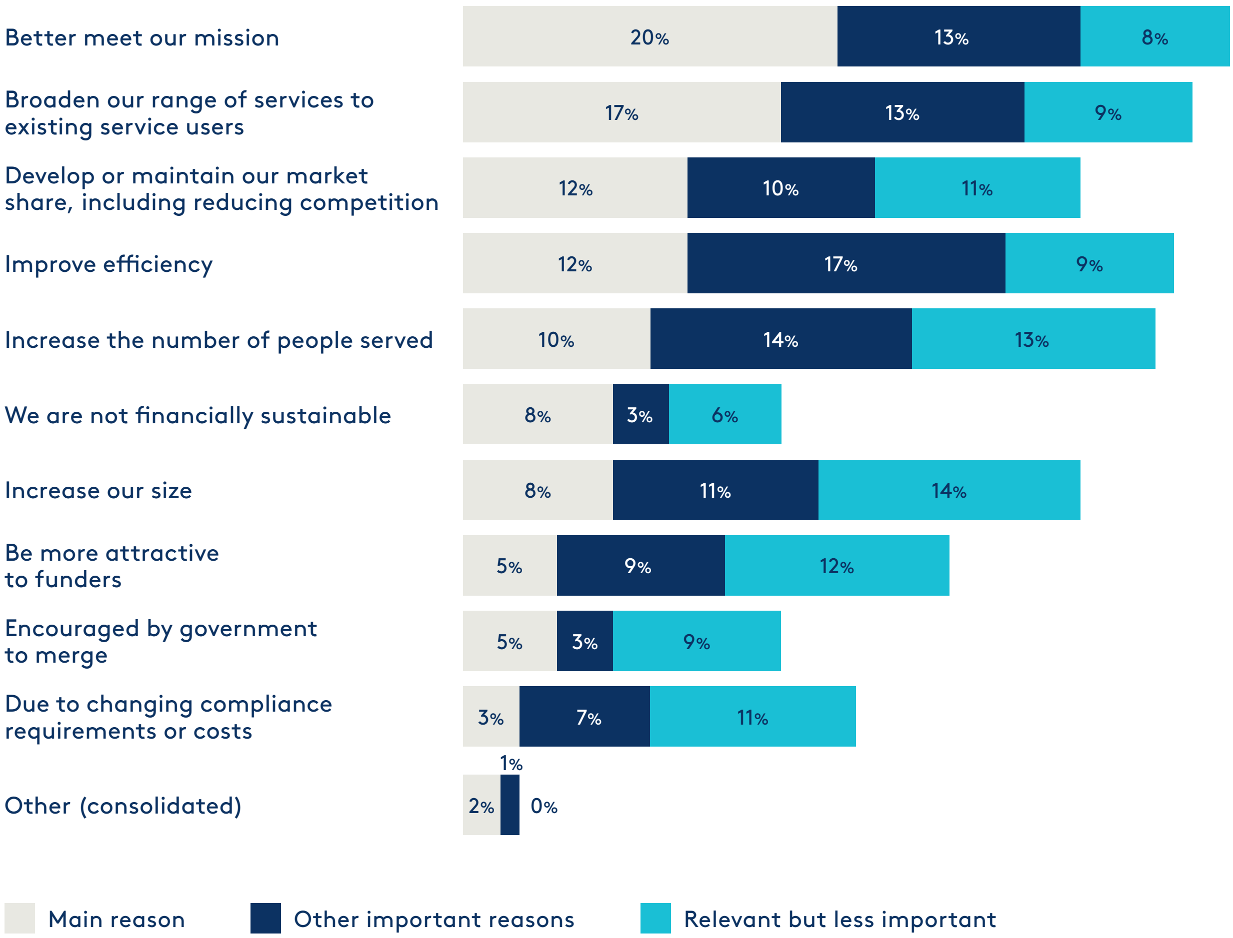


Results may not add to 100% due to rounding

Rationale for mergers

It is often anticipated that the key driver for mergers is a financial rationale. However, it was noted that 11 per cent of respondents noted that financial sustainability was a reason for a merger (Figure 3.3).

Figure 3.3: Merger reasons (n = 265)



Results may not add to 100% due to rounding

Winding up is currently not on the radar

The Australian Securities and Investments Commission's September 2020 report[8] highlighted that there has been a significant reduction in the number of organisations becoming insolvent or entering external administration. JobKeeper and the insolvent trading relief seems to have kept many organisations across all sectors afloat. This appears to be the case in the NFP sector with only two per cent of respondents stating that they were considering winding up their organisation. This was down from nine per cent in the 2019 NFP Study and is the lowest number recorded in the NFP Study's history (Figure 3.1).

Once support measures such as JobKeeper are wound back or cease, it is likely that the number of organisations considering winding up will increase substantially.

Collaboration appears to be on hold

Previous studies have reflected on the importance of collaboration across organisations in the NFP sector. While this remains important, our focus groups indicated that most organisations are internally focused as they endeavour to survive the crisis. In the 2016 NFP Study, it was highlighted that 70 per cent of organisations collaborated on advocacy issues and close to 40 per cent had some form of memorandum of understanding (MOU) with other NFPs.

Mergers are on the horizon

This year's focus groups were primarily focused on keeping their organisation's afloat against the backdrop of the COVID-19 crisis. When pressed to consider the longer-term, many were of the view that mergers, restructures and closures would increase during 2021 and potentially peak in 2022/23.

> "We expect COVID-19 to act as a catalyst for more mergers and will bring them forward in time."

It is difficult to predict the extent to which mergers and winding up will occur, and no doubt it will vary substantially across the different sub-sectors. What is clear is that organisations will not just go back to how things were done in the past as they recognise inefficiencies and faults in the pre-COVID-19 environment. One participant in a focus group reflected that, ***"We must build back better, and it is the responsibility of directors to make this happen."***

8 Australian Securities and Investments Commission, *Insolvency Statistics*, September 2020

What directors said

"We will have to merge with other organisations in our sector for financial strength but are clear that our function is necessary and supported by our constituency."

"... Post COVID-19 will force NFP mergers for efficiency reasons. This has been trending for decades and we expect COVID-19 to act as a catalyst for more mergers and will bring them forward in time."

"The government should provide incentives for organisations in the NFP sector to merge."

"We see great pressure in sensitive sectors... (notably aged care and child care). Government should actively push for better scale and rational outcomes."

"Our federated model is challenging."

"Really important to have quality relationships across all stakeholder groups prior to the crisis."

"We undertook a merger / acquisition during the last two months, so we are in a period of growth."

"There are financial pressures to merge but we will need some assistance to make this happen."

Talking points for boards:

- Would our organisation better achieve its purpose by merging with another organisation?
- Can we survive as a standalone entity?
- Are we maximising our collaboration with other organisations and stakeholders?
- If we didn't provide this service, which organisation could?
- What will our organisation look like in three years' time?

Chapter four:

Governments' response to COVID-19 and the road to recovery

Overall, directors believe that governments have handled the response to the pandemic well. However, there were some differences in how respondents rated the performance of each state government.

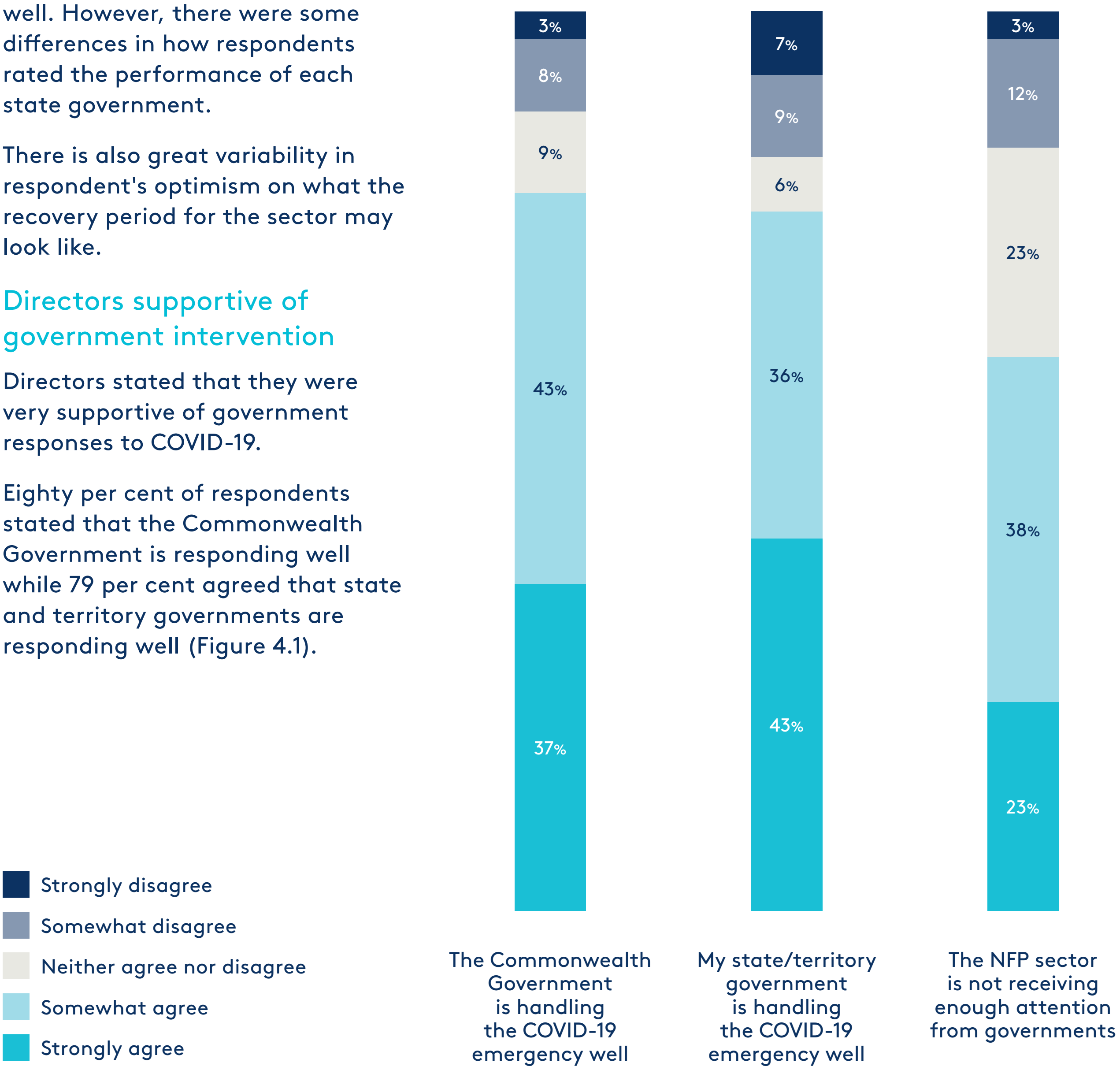
There is also great variability in respondent's optimism on what the recovery period for the sector may look like.

Directors supportive of government intervention

Directors stated that they were very supportive of government responses to COVID-19.

Eighty per cent of respondents stated that the Commonwealth Government is responding well while 79 per cent agreed that state and territory governments are responding well (Figure 4.1).

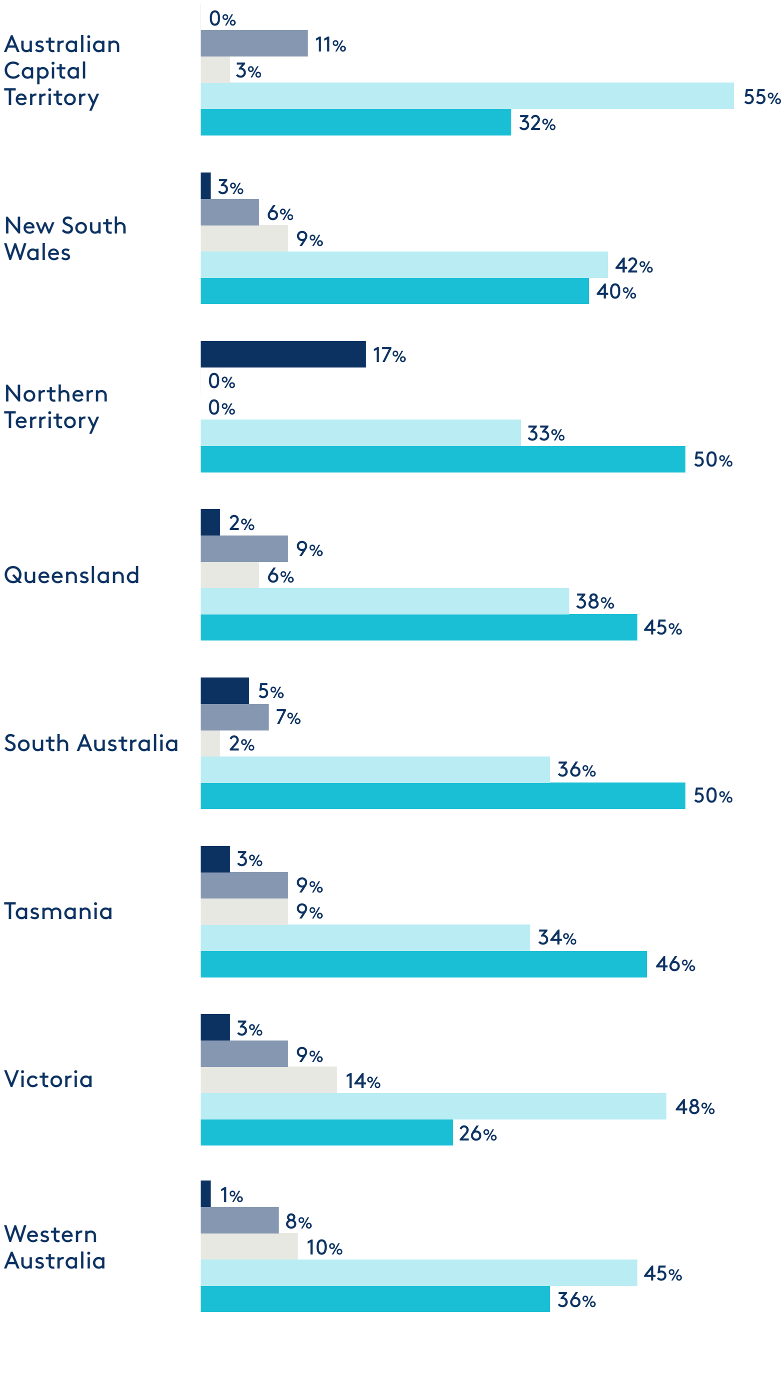
Figure 4.1: Directors assessment of government intervention and support for the sector (n = 961)



Results may not add to 100% due to rounding

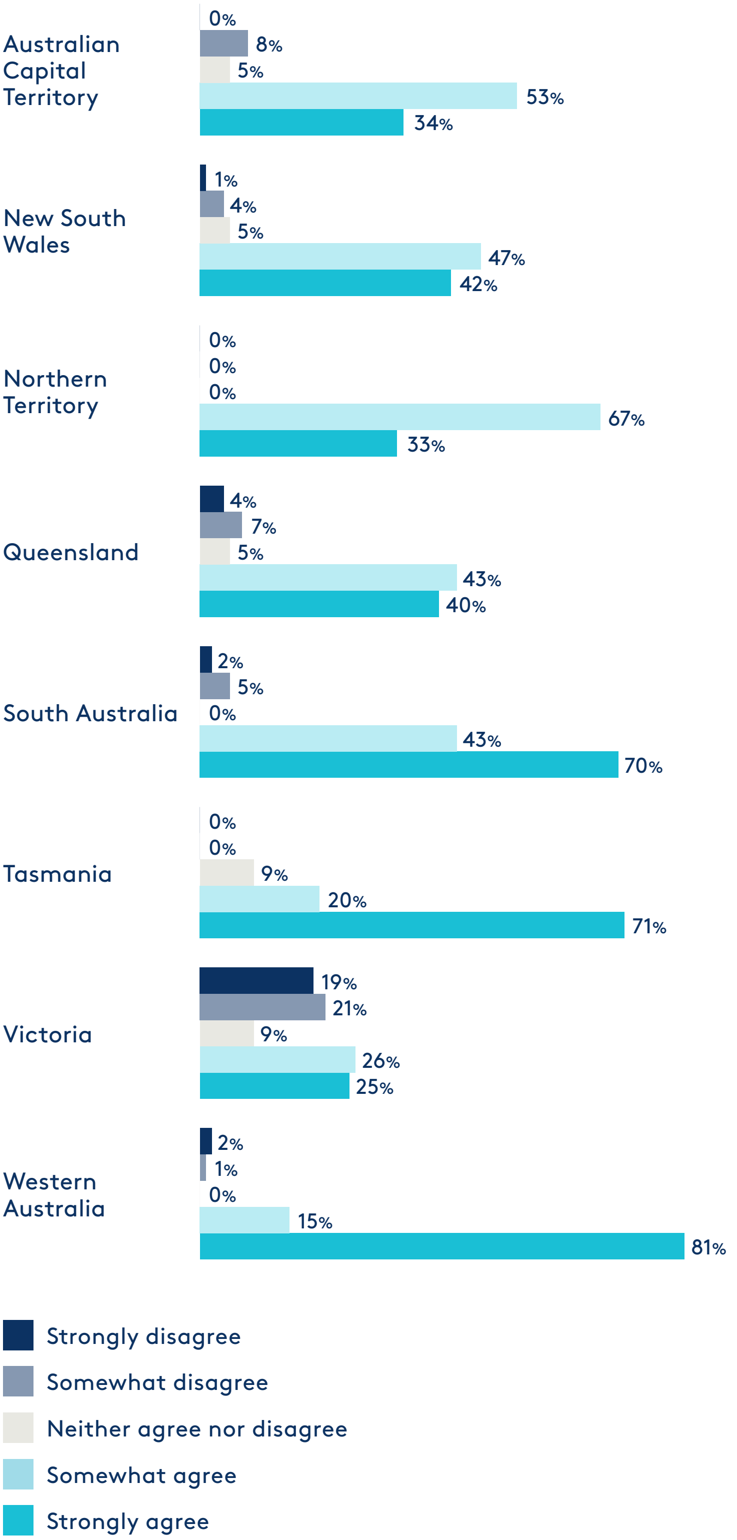
Responses to how well the Commonwealth Government handled the crisis were fairly consistent across jurisdictions (Figures 4.2). However there were major differences in how respondents rated their own state/territory governments handling of the crisis. These broadly reflect the status of each state or territory in the COVID-19 recovery plan. Eighty one per cent of Western Australian respondents strongly agreed with their state government's handling of the crisis compared to 25 per cent of Victorians (Figure 4.3).

Figure 4.2: The commonwealth government has handled the COVID-19 crisis well (n= 948)



Results may not add to 100% due to rounding

Figure 4.3: My state/territory government has handled the COVID-19 crisis well (n = 948)



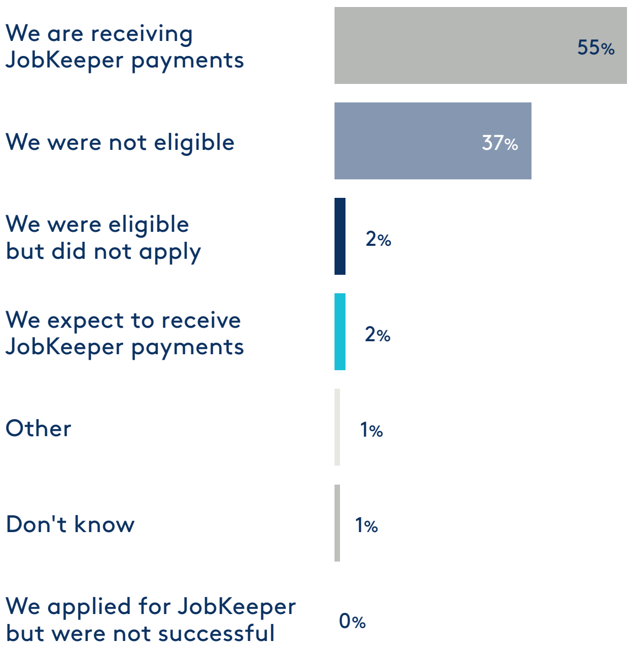
Results may not add to 100% due to rounding

Over half of NFPs were receiving JobKeeper

There is no doubt that JobKeeper was a lifeline for many organisations.

Fifty-five per cent of survey respondents noted their organisation is receiving JobKeeper payments (as of August 2020) while one third of organisations were ineligible (Figure 4.4).

Figure 4.4: JobKeeper eligibility overall (n = 1,003)



Results may not add to 100% due to rounding

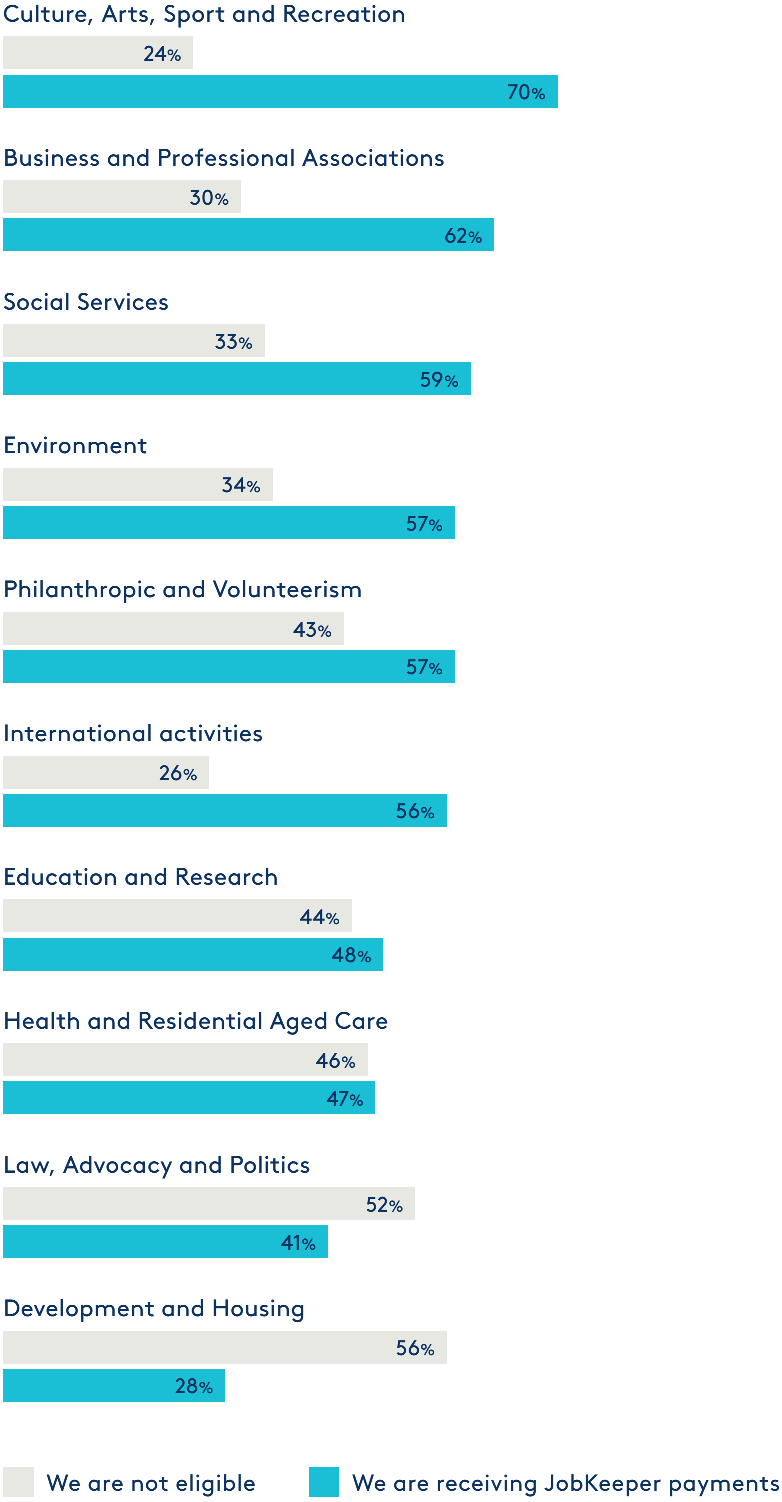
Sub-sector differences

Those sub-sectors with non-cyclical funding models were found to have the highest eligibility for assistance. These included culture, arts, sport and recreation organisations, of which over 70 percent were receiving assistance (Figure 4.5).

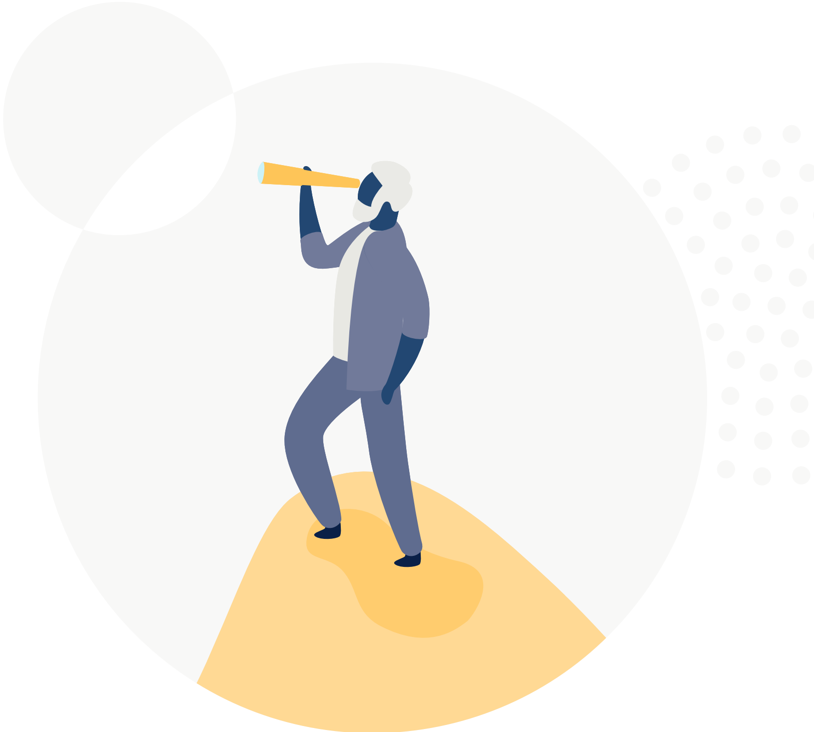
It is important to recognise that arts organisations, while appearing to be receiving JobKeeper at high levels, do have a highly casualised and contracted workforce. This means they may receive a lower level of support, or received no support compared to other sport and recreation organisations in this category.

In contrast, only 28 per cent of respondents from development and housing organisations, which largely receive government funding, received assistance.

Figure 4.5: Access to JobKeeper by sub-sector

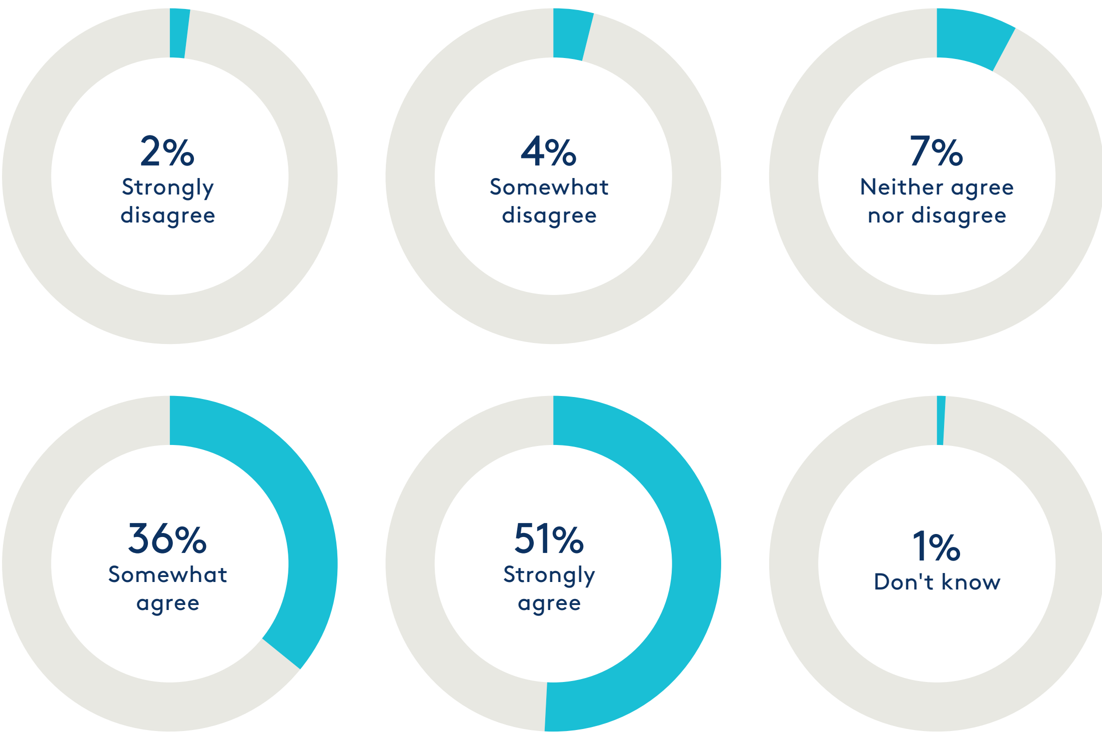


The full impact of COVID-19 will not be realised until 2021 and recovery may be less predictable



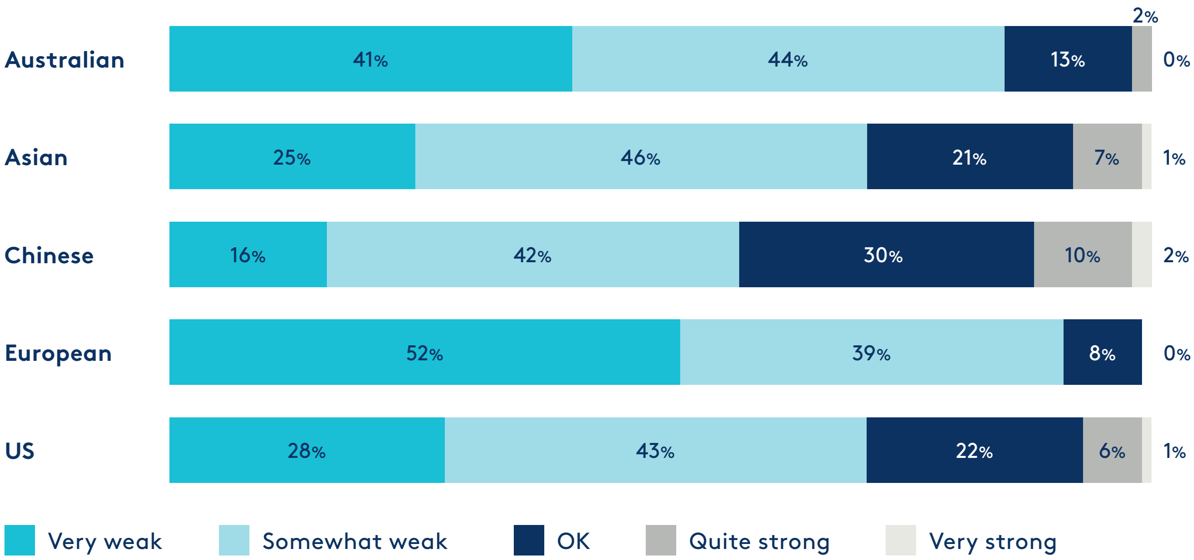
Eighty-seven per cent of directors stated they are worried about the Australian economy and there is also a high degree of uncertainty about the future (Figure 4.6). This reflects to the AICD's *Director Sentiment Index* report released in March this year, which found that 85 per cent of directors from all sectors predicted a weak economy over the next 12 months (Figure 4.7).

Figure 4.6: Director concern for the Australian economy (n = 961)



The AICD's *Director Sentiment Index* report also showed that directors expected the global economy to be weak for the next 12 months at least. The expectations for Asian economies including China were also low which has major ramifications for Australia.

Figure 4.7: Director assessment of the health of world economies (n = 1014). Source: *Director Sentiment Index: First Half 2020*



Results may not add to 100% due to rounding

"Our results confirm that government policies, in particular JobKeeper, have played an absolutely critical role for the NFP sector to date, with more than half our respondents receiving payments under the JobKeeper program. With our survey also showing that 87 per cent of respondents are worried about the strength of the Australian economy, the nature and effectiveness of future government support will continue to play a vital role in the future of the sector. That's important because our survey also tells us that the sector expects to be a key player in the aftermath of the crisis as it helps Australians cope with the many challenges of a post-pandemic world. Some 44 per cent of our respondents expect their client numbers to increase in 2020/21 while 45 per cent reckon that service volumes will rise."

Mark Thirlwell, AICD Chief Economist

What else will change post-COVID-19?

As organisations move through the recovery phase, there are significant changes on the horizon.

A third of respondents are focused on major structural change, in some cases to deal with underlying issues that were present prior to COVID-19.

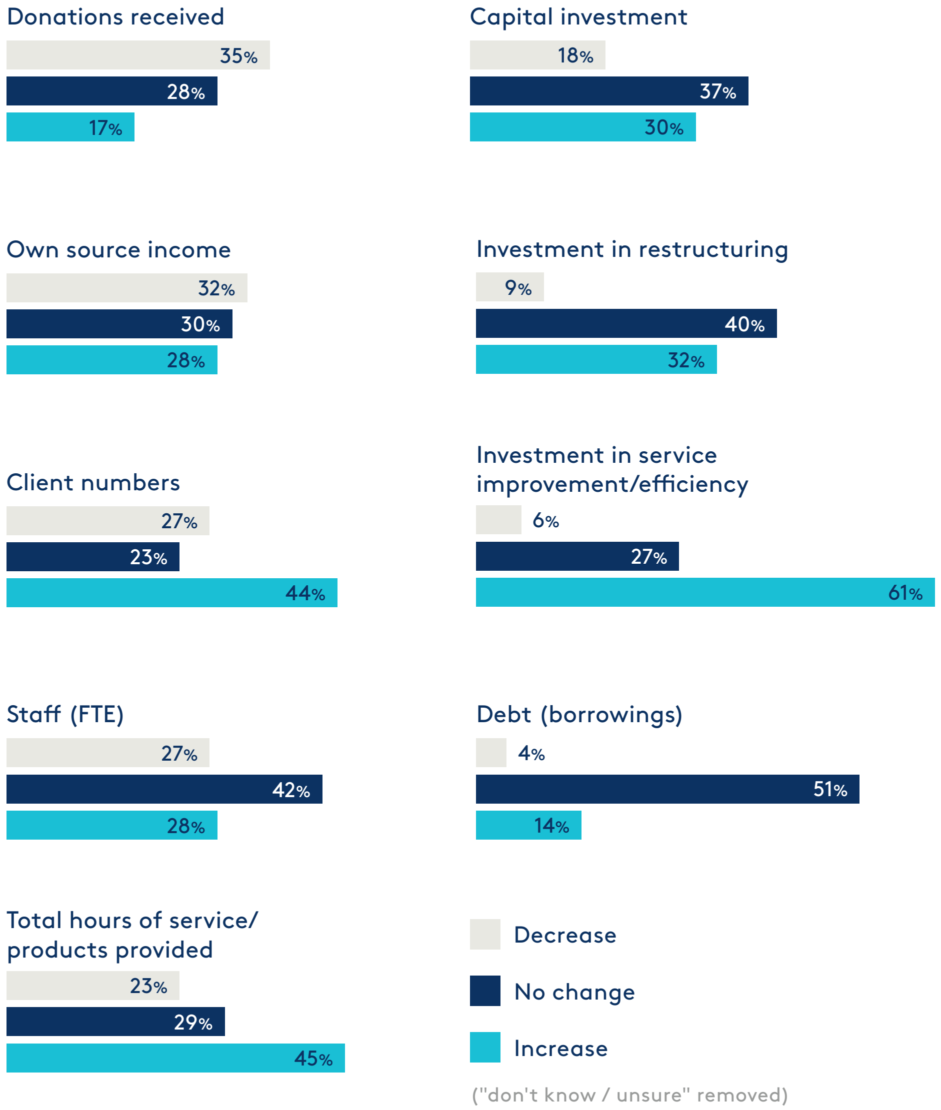
Forty-four per cent of respondents expect client numbers to increase and 45 per cent predict service volumes will increase. However, 27 per cent expect a decrease in clients (Figure 4.8).

Eighteen per cent are expected to reduce planned capital investment and 30 per cent are expecting to increase investment. In addition, there will be large increases in service improvement with 61 per cent expecting to invest to create service efficiencies.

Amongst all of the uncertainty, there is still real optimism about what the future may bring, as exampled in one respondent's comment:

"COVID-19 has resulted in investments by the government in building capacity in the community sector that our organisation will benefit from. We are receiving additional grants to provide services and to build capacity that will have a positive effect long after COVID-19 has passed."

Figure 4.8: Expected changes for NFP's in the 2020/21 year (n = 1,005)



What does the future hold for NFPs?

Many organisations entered the pandemic with serious financial challenges. Their boards will be faced with difficult choices in the coming period. Some will need to consider whether to wind up their organisation and place their resources with other organisations that can better fulfil their purpose.

Similarly, a fresh wave of mergers between NFPs may be on the cards. In the community housing sector, for instance, respondents noted that merger activity has slowed in the last two years and suggested that additional support and seed funding from government could promote helpful sector consolidation.

At the other end of the spectrum, many NFPs that had strong financial foundations prior to the pandemic, expect to receive significant support throughout its duration and anticipate they will emerge in a strong position.

Figure 4.9: Forecast of NFP sector, based on pre-COVID financial strength and accessibility to government assistance during COVID-19 crisis

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Organisations receiving JobKeeper and other financial support</th></tr>
<tr><th>No</th><th>Yes</th></tr>
<tr><th rowspan="3">Financial strength pre-COVID-19</th><td>Weak
Survival dependent on extent of government support</td><td>Accelerated decline.
Where this is of low impact on community, not a concern.
However, many aged care, disability, arts and other organisations fit this category.</td><td rowspan="2">On life support.
Some will survive when should be closing/merging.
JobKeeper acting as a lifeline to others, but unless underlying issues of funding and profit addressed, will potentially struggle.</td></tr>
<tr><td>Average
Could go either way</td><td rowspan="2">Expected to survive but consume assets. May become weaker over time.</td></tr>
<tr><td>Strong
Expected to recover within 12-24 months</td><td>Expected to thrive.</td></tr>
</table>

Pre-COVID-19 baseline funding needs to be addressed to further support the sector

This divergence in outlooks has highlighted the need for the baseline funding in certain NFP sectors to be re-evaluated and addressed.

NFP's in human services sectors (such as aged care, disability and mental health) and the arts have struggled with inadequate funding, inefficient funding structures and inequitable distribution of support.

One respondent in this year's survey commented:

"Lack of base funding means we have been unable to respond to variations in circumstances affecting our members, or to engage professional help to assist in covering this issue."

On the road to recovery, NFPs can approach governments with opportunities to use fiscal stimulus to achieve both economic and broader social objectives. For instance, some of the stimulus measures aimed at the construction industry could be allocated for rebuilding social infrastructure like social and affordable housing.

Focus group participants cited concern about the ability to cater for future demand as the recession bites harder and an already stretched sector needs to respond.

> "Government investment in capital for social housing [is] much needed, with demand only likely to grow."

What directors said

"JobKeeper will enable us to continue in the short-term; however, longer-term the outlook is poor... While demand for our services is up, our financial sustainability and therefore capacity to continue to provide these services is under threat."

"Our organisation is currently awaiting significant changes to State Government funding - and may either become unfunded or be funded at a higher rate (but will not remain funded in the same way it has been previously). We expect outcomes to be known before the end of the 20-21 financial year."

"JobKeeper has helped immensely, we are better off with it."

"Philanthropic and bequest income is not consistent over time and this is a critical factor for JobKeeper eligibility. Whether we can retain JobKeeper will have a dramatic impact on our future. If the 'every quarter' eligibility rule is applied, it will be devastating."

"JobKeeper contributed to a substantial increase in profit in 2020. Cessation of JobKeeper will make the NFP line ball."

"The organisation is in a good financial position particularly with JobKeeper payments up until the end of September. This money has been and is prudently spent to retain a healthy workforce."

"JobKeeper payments have put us in a strong position to help us face the expected downturn over the next few years."

"Much of our end of year 19-20 positive result was due to JobKeeper as we had a reduction in fee for service income. If JobKeeper is less accessible and we have a second COVID-19 wave where clients cannot afford the services, then our financial model will be impacted..."

"JobKeeper, rent reductions, and government cash flow support has been critical to ongoing viability of the NFP."

"We have had to change our entire delivery model and await the long-term impacts."

"JobKeeper was a lifeline. Ongoing impacts for clients to pay for service is a key issue for us."

"The National v State rivalry in our federated structure is providing challenges."

"We struggled with the decision about accepting JobKeeper."

"It is too early to get a real sense on the impact of COVID-19 for those receiving our services."

"Government funding will not address the permanent structural issues that have been caused by COVID. How we respond will be critical and continually relying on government will create an unhealthy business dependency."

Talking points for boards:

- What impact will a recession have on our clients and our organisation?
- Can we restructure our operations to achieve better outcomes?
- Will a delay in capital infrastructure prove more costly in the long term?
- Should we consider borrowing for the first time?
- What would happened to clients if we ceased services in some areas?
- What are the future implications for the sub-sector we are in?

Breakdown of data set

	2013	2014	2015	2016	2017	2018	2019	2020
Total sample	2,190	3,210	2,976	1,822	1,928	2,022	1,439	1,303
NFP Income**	1,198	2,265	2,471	1,478	1,491	1,627	1,158	1,131
Under $100k	7%	7%	7%	4%	4%	4%	10%	8%
$100k to $250k	7%	7%	6%	5%	5%	5%		
$250k to $500k	7%	8%	8%	7%	6%	5%	11%	12%
$500k to $1m	6%	7%	8%	7%	7%	6%		
$1m to $2m	8%	11%	10%	12%	12%	10%	23%	25%
$2m to $5m	15%	15%	16%	16%	16%	15%		
$5m to $10m	11%	11%	11%	12%	13%	13%	24%	24%
$10m to $20m	12%	11%	12%	11%	12%	13%		
$20m to $50m	15%	11%	10%	12%	11%	13%	12%	13%
$50m to $100m(prev $50m+)	12%	12%	11%	14%	13%	15%	9%	9%
$100m to $500m	N/C	N/C	N/C	N/C	N/C	N/C	N/C	6%
$500m+	N/C	N/C	N/C	N/C	N/C	N/C	N/C	3%
Don't know	0%	1%	0%	1%	1%	1%	1%	0%
Main sector of operations**	1,199	2,240	2,475	1,500	1,504	1,611	1,142	1,108
Culture and recreation. Includes arts and sport	10%	11%	15%	9%	10%	10%	14%	10%
Education and research. Includes primary, secondary, higher and vocational education	19%	17%	14%	14%	14%	14%	14%	15%

N/C Not collected
N/C* Not collected using these categories
Results do not add to 100% due to multiple response

^ Results may not add to 100% due to exclusion of 'don't know' responses
* Categories changed
** Results may not add to 100% due to rounding

	2013	2014	2015	2016	2017	2018	2019	2020
Health and Residential Aged Care Includes hospitals, rehabilitation, nursing homes, mental health treatment, crisis intervention, public health and wellness education, health treatment, primarily outpatient, rehabilitative medical services and emergency services	18%	15%	21%	18%	18%	17%	21%	19%
Social Services Includes In home and community Aged Care, all Disability Services, emergency relief, child and youth care and welfare, homelessness and income support	15%	20%	18%	26%	27%	28%	19%	24%
Environment. Includes animal protection	3%	3%	2%	4%	3%	3%	3%	3%
Development and housing. Includes economic and social and community development in communities, housing assistance, employment and training	3%	3%	5%	4%	4%	3%	2%	3%
Law, advocacy and politics.	1%	2%	2%	2%	2%	2%	2%	3%
Philanthropic intermediaries and voluntarism promotion. Includes fund raising, grant making foundations and supporting volunteering	3%	2%	2%	3%	2%	3%	3%	3%
International activities. Includes promotion of social and economic development, cultural exchange, international disaster and relief, human rights and peace organisations overseas	2%	2%	3%	3%	3%	2%	3%	3%
Religion. Includes congregations and associations of congregations	2%	2%	2%	2%	2%	3%	2%	2%
Business and professional associations. Includes labour unions	8%	8%	7%	6%	6%	8%	6%	7%
Not elsewhere classified	15%	16%	10%	8%	9%	7%	9%	8%
Overall rating of organisation effectiveness **	**N/C***	**N/C***	**N/C***	**N/C***	**1,419**	**1,577**	**1,124**	**1,067**
Highly ineffective					4%	2%	3%	1%
Mostly ineffective					3%	2%	3%	2%
Somewhat ineffective					2%	2%	3%	2%
Neither in effective nor effective					1%	1%	1%	2%
Somewhat effective					13%	15%	15%	14%
Mostly effective					42%	44%	42%	44%
Highly effective					35%	34%	34%	36%
Don't know					0%	0%	0%	0%

N/C Not collected
N/C* Not collected using these categories
Results do not add to 100% due to multiple response

^ Results may not add to 100% due to exclusion of 'don't know' responses
* Categories changed
** Results may not add to 100% due to rounding

	2013	2014	2015	2016	2017	2018	2019	2020
Quality of governance compared with three years ago #	**N/C**	**2,369**	**2,373**	**1,195**	**1,319**	**1,463**	**1,115**	**1,099**
Much worse		0%	0%	0%	1%	1%	1%	1%
Somewhat worse		2%	2%	2%	4%	2%	3%	2%
About the same		12%	13%	13%	13%	14%	14%	13%
Somewhat better		34%	33%	37%	36%	42%	32%	37%
Much better		43%	44%	43%	40%	40%	46%	42%
Don't know		8%	8%	4%	4%	2%	4%	4%
Hours per month on this NFP #	**1,010**	**2,383**	**2,601**	**1,038**	**1,064**	**1,147**	**829**	**809**
Up to half a day (0 to 4 hours)	8%	11%	10%	6%	7%	5%	7%	5%
Half to 1 Day (5 to 8 hours)	24%	20%	20%	17%	17%	13%	15%	15%
1 to 2 days (9 to 16hrs)	27%	31%	28%	27%	28%	25%	27%	30%
2 to 5 days (17 to 40 hrs)	28%	25%	26%	32%	30%	34%	28%	30%
5 to 8 days (41 to 64hrs)	8%	9%	9%	11%	11%	15%	13%	12%
More than 8 days (64hrs+)	5%	5%	7%	8%	7%	9%	10%	8%
Payment of directors**	**1,007**	**2,298**	**2,592**	**1,160**	**1,274**	**1,368**	**1,007**	**966**
Unpaid	55%	58%	59%	56%	54%	49%	60%	67%
Unpaid but expenses covered	20%	23%	22%	24%	26%	29%	17%	11%
Unpaid but provided with honorarium	5%	3%	4%	3%	3%	3%	3%	3%
Paid directors' fees	19%	15%	13%	15%	16%	18%	19%	18%
Other	1%	1%	1%	2%	1%	1%	1%	1%
Merger activity #	**N/C**	**1,958**	**2,259**	**1,139**	**1,272**	**1,361**	**1,007**	**966**
Discussed merger		32%	32%	35%	38%	36%	30%	21%
Currently undertaking a merger		N/C	7%	8%	7%	6%	5%	3%
Completed a merger in the last 12 months			7%	6%	6%	6%	6%	
Discussed winding up			8%	7%	9%	7%	9%	2%
Likelihood to merge in the next two years**	**N/C**	**N/C**	**N/C**	**N/C**	**479**	**486**	**294**	**215**
Less than 10%					22%	21%	29%	13%
10% to 25%					14%	20%		
25% to 50%					13%	17%	16%	25%
About 50%					16%	17%	27%	29%
50% to 75%					15%	9%	14%	13%
75% and 90%					11%	6%	15%	17%
More than 90%					8%	8%		
Don't know					1%	2%	1%	2%

N/C Not collected
N/C* Not collected using these categories
Results do not add to 100% due to multiple response

^ Results may not add to 100% due to exclusion of 'don't know' responses
* Categories changed
** Results may not add to 100% due to rounding

	2013	2014	2015	2016	2017	2018	2019	2020
Gender**	1,859	2,479	2,439	1,234	1,511	1,507	1,145	1,048
Male	70%	63%	62%	61%	57%	59%	59%	61%
Female	30%	37%	38%	39%	42%	40%	40%	38%
Prefer not to answer	N/C	N/C	N/C	N/C	1%	1%	1%	1%
Age**	1,857	2,485	2,439	1,304	1,509	1,517	1,150	1,050
18 to 29	0%	0%	1%	1%	1%	1%	0%	0%
30 to 39	5%	5%	4%	6%	4%	4%	4%	4%
40 to 49	23%	22%	19%	18%	20%	17%	18%	19%
50 to 59	41%	41%	40%	40%	38%	38%	38%	37%
60 to 69	26%	27%	30%	29%	30%	33%	30%	31%
70+	5%	5%	6%	6%	7%	7%	9%	8%
Years' experience as non-executive director of NFP's	1,829	2,483	2,392	1,259	1,459	1,502	1,146	1,033
None	26%	9%	1%	6%	5%	7%	10%	6%
Less than 1 year	3%	3%	4%	4%	4%	4%	4%	2%
1 to 3 years	13%	16%	17%	14%	17%	15%	13%	15%
4 to 6 years	15%	18%	20%	17%	16%	17%	18%	16%
7 to 10 years	15%	19%	20%	18%	18%	21%	18%	19%
11 to 20 years	17%	21%	23%	24%	24%	23%	21%	23%
More than 20 years	10%	13%	15%	17%	16%	14%	17%	18%
Location**	1,864	2,480	2,440	1,299	1,511	1,522	1,152	1,040
New South Wales	27%	27%	28%	32%	33%	33%	30%	34%
Victoria	25%	29%	28%	23%	27%	24%	28%	28%
Queensland	16%	15%	15%	15%	13%	16%	15%	15%
Western Australia	13%	11%	12%	11%	10%	9%	10%	9%
South Australia	7%	8%	7%	7%	7%	8%	6%	6%
ACT	4%	3%	4%	6%	4%	4%	5%	4%
Tasmania	3%	4%	4%	3%	3%	3%	3%	3%
Northern Territory	1%	1%	1%	1%	2%	2%	1%	1%
Outside Australia	3%	1%	1%	0%	1%	1%	1%	1%

N/C Not collected
N/C* Not collected using these categories
Results do not add to 100% due to multiple response

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* Categories changed
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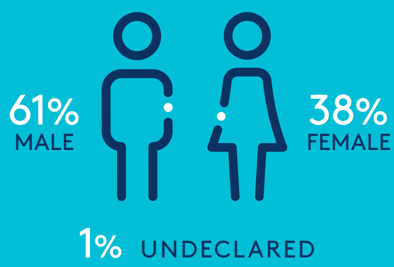
Breakdown of survey respondents

Respondents by sub-sector

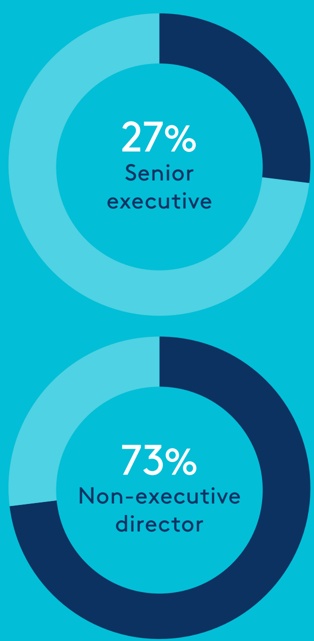
Respondents by gender



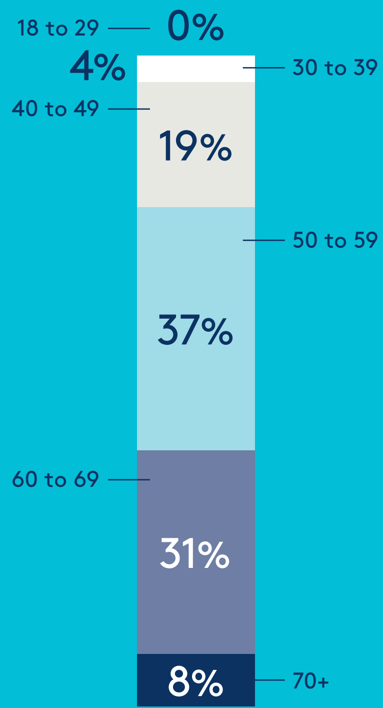
Respondents by location

34% NSW	6% SA	28% VIC
4% ACT	9% WA	1% NT
15% QLD	3% TAS	1% INT

Respondents by role



Respondents by age



Research method

With the onset of COVID-19, the NFP Study was based on a series of virtual focus groups held in July 2020 and an online survey in the same month.

- There were 10 virtual focus groups with leaders from different sub-sectors coming together to discuss key issues. These sub-sectors included Mental Health services, Education, Arts, Sport, Child Welfare, Domestic Violence services, Philanthropy, Disability services, Community Housing, and Emergency and Relief service providers.
- An online survey of AICD members and non-members. The survey was designed by BaxterLawley and distributed by AICD to its members.

The survey sample:

The total number of respondents was 1,303. Of these, 1,173 were eligible for the survey, while the other 130 were not involved in NFP governance and were diverted to answer the director profile questions only.

As in previous years, the sample includes a significantly higher proportion of respondents who are directors of larger organisations and therefore the results may be slightly skewed towards their views.

<table>
<tr><th colspan="4">Size categories</th></tr>
<tr><th></th><th>Income last year</th><th>Our respondents</th><th>ACNC charities data</th></tr>
<tr><td>Very small</td><td>Less than $250,000</td><td>8%</td><td>66%</td></tr>
<tr><td>Small</td><td>$250,000 to $1m</td><td>12%</td><td>16%</td></tr>
<tr><td>Medium</td><td>$1m to $5m</td><td>26%</td><td rowspan="3">18%</td></tr>
<tr><td>Large</td><td>$5m to $20m</td><td>23%</td></tr>
<tr><td>Very large</td><td>$20m+</td><td>31%</td></tr>
</table>

Calculated from data provided by ACNC 2018 Annual Information Statement data. The ACNC size categories changed to between $1-10 million of 14% and above $10 million of 4%.

The 2020 NFP Study also drew on reports including:

- Australian Institute of Company Directors (AICD), *Governance Impact of COVID-19: AICD member survey*, 2020.
- Australian Institute of Company Directors (AICD), *Director Sentiment Index*, March 2020.
- Australian Institute of Company Directors (AICD) and Governance Institute of Australia (GIA), *Governance Through a Crisis: Lessons from COVID-19*, 2020.
- National Disability Services (NDS), *State of the Disability Sector Report*, 2019.
- StewartBrown, *Aged Care Financial Performance Survey*, 2020.
- Australian Sport Foundation, *Impact of COVID-19 on Community Sport Survey Report*, 2020.
- Australian Securities and Investment Commission (ASIC), *Insolvency Statistics*, September 2020.

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About us

The Australian Institute of Company Directors (AICD) is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership of more than 44,000 includes directors and senior leaders from business, governance and the not-for-profit (NFP) sectors.

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