



# Not-for-profit accounting and reporting issues



30 June Reporting

# Your facilitators are...



**Stephen Isaac**



**Shara Learmonth**



**Bruno Romeo**

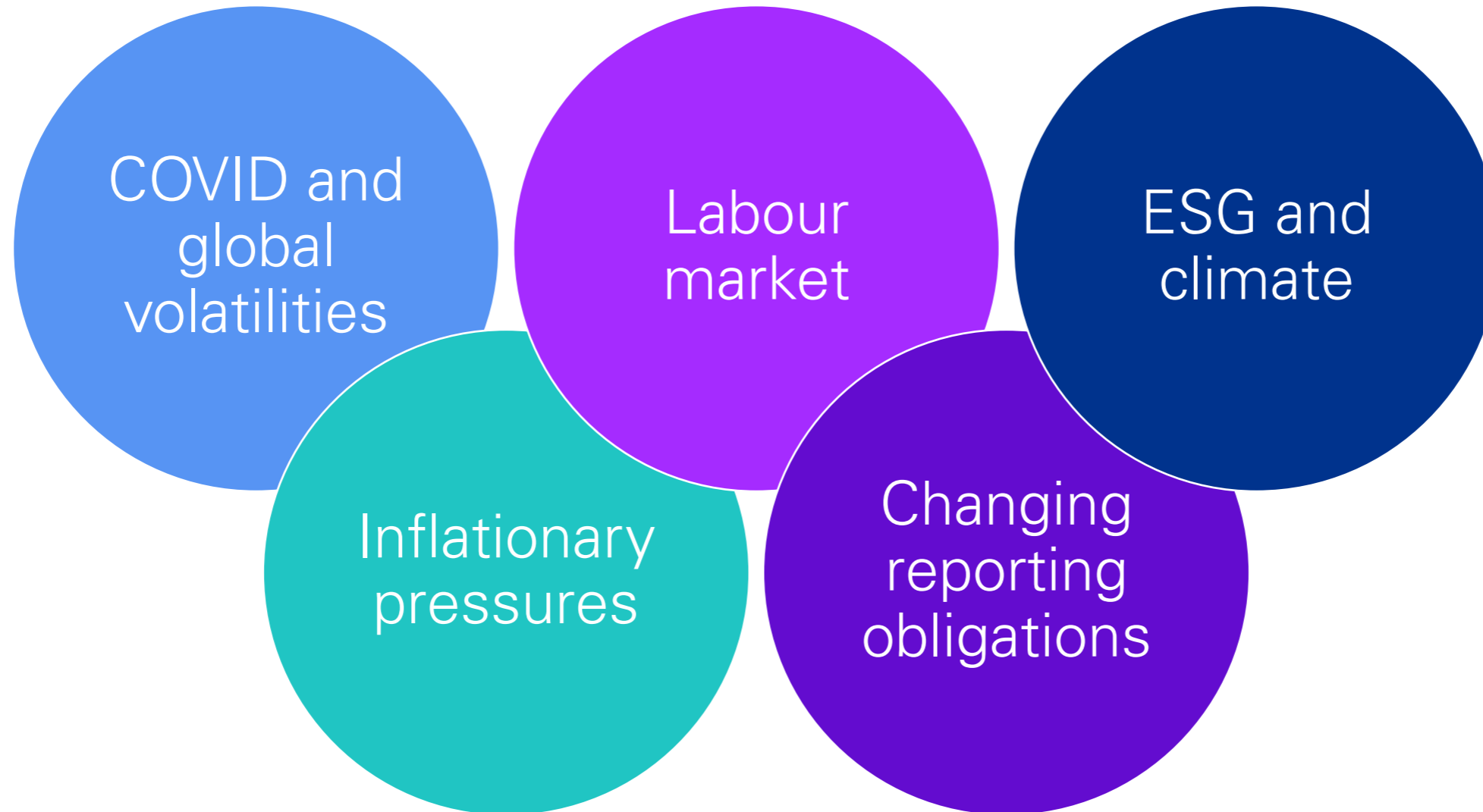


**Kaylene Hubbard**



**Julie Locke**

# Set the scene



# Agenda

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**ESG and service performance reporting**

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**Tax and regulatory developments**

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**Financial reporting reminders**

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**Q&A**

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# ESG and service performance reporting

# What is ESG and why is it important?

ESG factors are Environmental, Social or Governance matters that may positively or negatively impact an entity's financial performance or solvency.

## Environmental factors

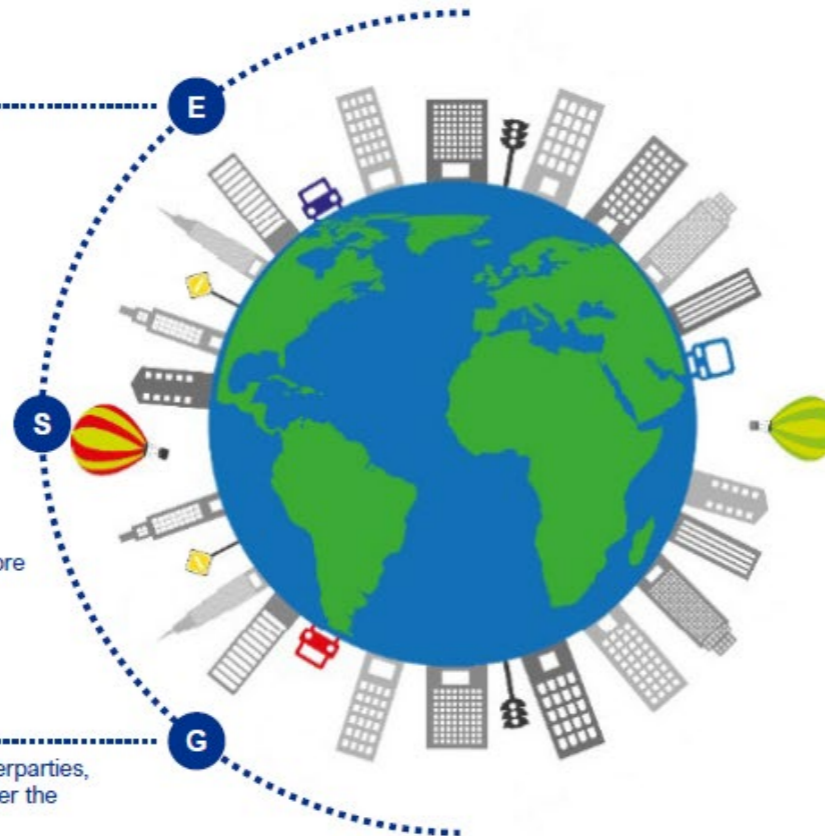
- Natural environment and processes.
- Impact the entire value chain of companies and any other counterparties to which institutions are exposed.

## Social factors

- Rights, well-being and interests of people and communities, which may impact on activities of the institutions' counterparties.
- Also related to the social transformation towards a more inclusive, equitable society.

## Governance factors

- Cover governance practices of the institutions' counterparties, including ESG factors in policies and procedures under the governance of the counterparties.
- Governance also plays a fundamental role in ensuring the inclusion of environmental and social considerations by a given counterparty.



The climate agenda is rapidly growing in momentum, meaning that you will be under increased pressure to improve climate risk management practices continuously.

Climate-related risks are a subcategory of environmental risks. The two are interlinked because they can reinforce each other as climate change could intensify environmental degradation and vice-versa.

- Government National Determined Contributions
- Growing investor and lending appetite
- Regulatory and risk management

## Useful KPMG resources:

### - ESG Predictions Report



### - KPMG CEO Outlook 2021



# ESG reporting developments

Developments in ESG related reporting both globally and within Australia has gained significant momentum in recent months

## Global ESG reporting developments

- International Sustainability Standards Board (ISSB) established by the IFRS Foundation on 3 November 2021
- ISSB to develop a comprehensive global baseline of sustainability related disclosure standards
- Climate-related disclosures heavily based on Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainable Accounting Standards Board (SASB) standards

## Australian ESG reporting context

- AASB released ED 321 *General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related disclosures* in April 2022 which is open for comment until 15 July 2022
- The focus on for-profit entities, with not-for-profit entities to be considered at a later stage following additional outreach and research with the sector

## Service Performance Reporting

- ED 270 *Reporting Service Performance Information* initially released August 2015 with objective to develop a standard that establishes the principals for not-for-profit entities to report their service performance information
- The project was listed as low priority for a number of years, however the AASB is now considering consultation feedback and will decide the project direction in H2 2022

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## Relevant NFP examples:

### Camp Quality Integrated Report:

[Our reports - About us - Camp Quality](#)

### Uniting Sustainability and Sustainable Development Goals:

[Sustainability \(uniting.org\)](#)

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# Tax & regulatory developments



# ACNC developments

**Effective for 30  
June 2022  
financial year  
ends**

<b>Charity size</b>	<b>Previous annual revenue threshold</b>	<b>New annual revenue threshold</b>	<b>ACNC minimum reporting requirements</b>
<b>Small</b>	< \$250,000	< \$500,000	ACNC Annual Information Statement
<b>Medium</b>	≥ \$250,000 < \$1 million	≥ \$500,000 < \$3 million	Annual Information Statement and reviewed financial report
<b>Large</b>	≥ \$1 million	≥ \$3 million	Annual Information Statement and audited financial report



**Estimated to impact 1,977 charities**



**Estimated to impact 1,658 charities**

# Tax and regulatory developments

## Regulatory reform

- All deductible gift recipients (DGRs) to be registered as charities with the ACNC before 14 December 2022
  - Applies to 11 categories of DGR including Environment, Welfare and rights, Cultural Organisations, Education and Hospitals where the entity is not already registered as a charity with the ACNC
- Reporting for self-assessed tax exempt not-for-profits from 1 July 2023
  - Will apply for the 2023/2024 income year
  - ATO has indicated that they will not direct resources at looking at historical compliance
  - ATO has asked for input and consultation
  - Reporting to be streamlined year on year

# Tax and regulatory developments

## Recent case law

Case	Outcome
<b>Global Citizen Ltd v Commissioner of the Australian Charities and Not-for-profits Commission 2021</b>	Public Benevolent Institutions (PBIs) do not have to have exclusively benevolent purposes, and relief provided by them can be indirect and still be considered 'relief'.
<b>Cancer &amp; Bowel Research Australia Ltd v Commissioner of the Australian Charities and Not-for-profits Commission 2021</b>	Non-charitable purpose of avoiding taxation liabilities of a former organisation means no entitlement to registration.
<b>Angel Loop Ltd v Commissioner of the Australian Charities and Not-for-profits Commission 2021</b>	Non-incidental purpose of providing private benefits to inventors and investors means no entitlement to registration.
<b>The Buddhist Society of Western Australia Inc v Commissioner of Taxation (No 2) 2021</b>	Discussion of what is a 'school' and when a building is used, or is to be used, as a school.

Financial and  
reporting  
reminders

# GPFS Tier 2: Simplified Disclosures (AASB 1060)

## Key Features

- Compared to current RDR ↓ disclosures
- Under certain circumstances: option not to present statement of changes in equity
- Some additional disclosures not currently required under RDR (e.g. audit fees, related parties, lease maturity)
- Principles and methodology for disclosures going forward

## Benefits

- Single physically separate standard
- Disclosure only standards are replaced in full

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**Effective date:  
1 July 2021**

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# Not-for-profit financial reporting framework

## Revised framework

### For-profit:

- Removal of SPFS
- New Tier 2 Simplified Disclosures (AASB 1060)

### Not-for-profit:

- Amended framework in progress
- Potential introduction of Tier 3 reporting

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## What does it mean for 30 June 2022?

### General Purpose Financial Statements - Tier 2

- Reduced Disclosure Regime (RDR) no longer exists!
- Must transition to new Tier 2 Simplified Disclosures standard (AASB 1060)
- Unlike RDR, AASB 1060 is a 'one-stop-shop'

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### Special Purpose Financial Statements

- No impact – new framework only impacts for-profit entities
- Apply 'old' financial reporting framework and reporting entity concept under SAC 1 *Definition of Reporting Entity*

# ACNC developments for SPFS preparers



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## Key Management Personnel Remuneration Disclosure – 30 June 2022

- Large charities preparing SPFS
- “Those persons having authority and responsibility for planning, directing and controlling activities of the entity” AASB 124 *Related Party Disclosures*
- ACNC will allow all benefits to be disclosed as one total
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- Will be required for each subsequent period after adoption

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**Consider data  
and control  
requirements  
now!**

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## **Lease of land for 5 years:**

- Cost over lease term = \$60 (ignore discounting)
- Fair value over lease term = \$100



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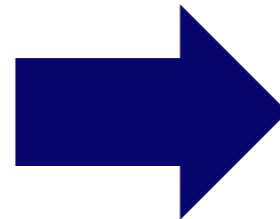
Fair Value – Day 1	
<b>Balance Sheet</b>	
ROU Asset	\$100
Lease Liability	(\$60)
<b>Net Assets</b>	<b>\$40</b>
<b>Profit or Loss</b>	
Income	\$40

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## Who?

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- Public sector decision to be deferred

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## When?

- Considered by AASB as part of ED 318 in February 2022 meeting
- No amendment required, but decision formally included in Basis for Conclusions

# Standards and amendments applicable for 30 June 2022

Covid-19 Related Rent Concessions – beyond 30 June 2021 [AASB 16]  
(AASB 2021-3)

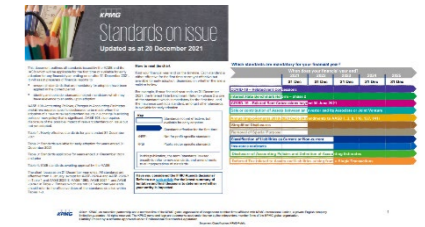
General Purpose Financial Statements - Simplified Disclosures  
(AASB 1060 )

## Recent IFRS IC agenda decisions (February 2022)

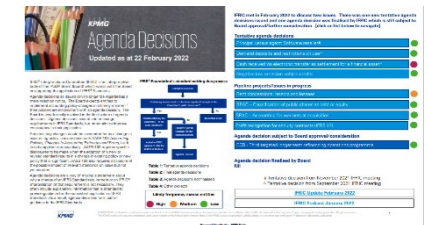
Demand deposits with restrictions on use

### Useful KPMG resources

#### Standards on Issue



#### IFRS IC Agenda decision summary



#### 22RU-09 NFP updates for 30 June 2022



# AASB – Targeted additional guidance



***Narrow scope  
amendments:***

**Exposure Draft 318**



***Post Implementation  
Review:***

**AASB 1058**

**AASB 15 NFP  
guidance**



***Education  
material:***

**AASB Staff Webinars**

**AASB Staff FAQs**

# ED 318 – Illustrative examples and concessionary leases

## Illustrative examples

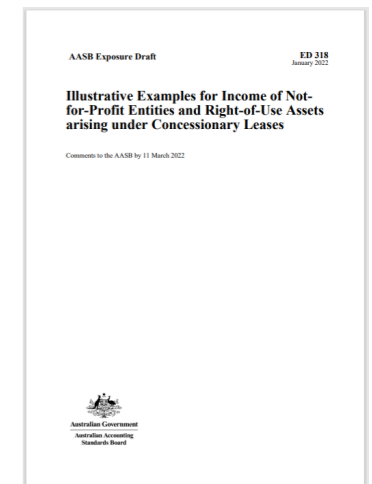
- AASB 15 **new** upfront fees illustrative example (whether recognise immediately or as provide future services)
- AASB 1058 **amend** recognition of a financial liability (IE 3A) **X – post-implementation review**

## Concessionary leases – permanent cost option

- Not-for-profit private sector entities permanent option to measure right-of-use asset at cost
- Public sector entities decision deferred

**Amending standard  
May 2022**

**Effective date  
1 July 2022**



# Bed licences

A Department of Health discussion paper, *Improving Choice in Residential Aged Care – ACAR Discontinuation*, was released in September 2021

The discussion paper noted Aged Care Places (commonly known as 'Bed Licences') will be discontinued from 1 July 2024



## What is the impact this 30 June 2022?



- Useful lives of bed licences should be reassessed from indefinite to finite-lived intangible assets
- This would result in the commencement of amortisation on a straight line basis from 1 October 2021 to 30 June 2024



- Carrying value of bed licences should be tested for impairment
- Bed licences would continue to form part of the CGU assessment, unless held for sale, in which case impairment assessment would be at the asset level



- The change in useful life should be treated as a change in estimate in line with AASB 108 Accounting policies, changes in accounting estimates and errors and should be applied prospectively

**The above is consistent with ASIC FAQ released on 29 September 2021**



# Charitable fundraising changes to reporting – NSW and WA

## NSW

Annual fundraising amount	Requirements
Less than \$100,000	<ol style="list-style-type: none"> <li>1. Lodge an annual return</li> <li>2. Include a statement of compliance</li> <li>3. Include and annual financial statement</li> </ol>
More than \$100,000 – less than \$250,000	<ol style="list-style-type: none"> <li>1. Lodge an annual return</li> <li>2. Include a statement of compliance</li> <li>3. Include and annual financial statement with notes to the financial statement</li> </ol>
\$250,000 or more (from all fundraising appeals)	<ol style="list-style-type: none"> <li>1. Lodge an annual return</li> <li>2. Include a statement of compliance</li> <li>3. Include and annual financial statement with notes to the financial statement</li> <li>4. Include an auditor's report for your accounts from all your fundraising appeals</li> </ol>

### Financial reporting requirements:

- Automatic eligibility for an authority to fundraise for ACNC registrants
- Annual reporting required for authority holders regardless of whether money has been raised
- Removal of duplicate reporting - report once with the ACNC
- Audit requirement remains for those who fundraise more than \$250k in the financial year
- Specific notes to the financial statements required for fundraising appeals which exceed \$100k in aggregate

# Charitable fundraising changes to reporting - NSW and WA

## WA

- Specific audit requirements pursuant to the WA Charitable Collections Act 1946 and regulations have been repealed
- Removal of duplicate reporting - report once with the ACNC
- Continuous licences (charities were previously required to renew their licence every three years) if registered with the ACNC
- To participate in this arrangement, charities must provide their WA fundraising licence number when submitting the Annual Information Statement



Wrap Up

# Take aways

- 1 Keep up to date on sustainability requirements as they develop**

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- 2 Ensure your status and reporting obligations to the ACNC are up to date**

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- 3 Revisit your reporting obligations and assess the impact to your current and future reporting requirements**

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- 4 Stay up-to-date with the AASB and ACNC developments**

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- 5 Consider changes in accounting for bed licences and fundraising**

Questions

Thank you





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