



Not-for-profit 30 June 2024 reporting

23 May 2024



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Practice*



Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

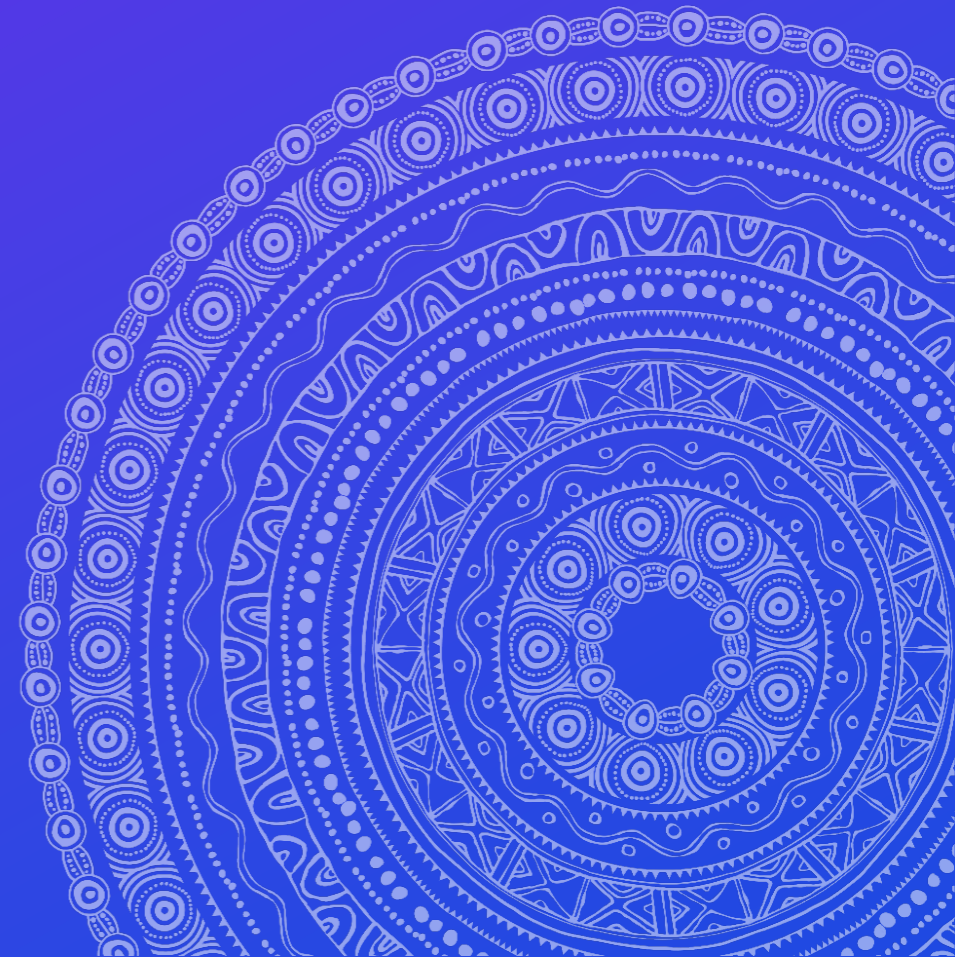
At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

Guided by our purpose to 'Inspire Confidence. Empower Change', we are committed to placing truth-telling, self-determination and cultural safety at the centre of our approach. Driven by our commitment to achieving this, KPMG has implemented mandatory cultural awareness training for all staff as well as our Indigenous Peoples Policy. This sincere and sustained commitment has led to our 2021-2025 Reconciliation Action Plan being acknowledged by Reconciliation Australia as 'Elevate' – our third RAP to receive this highest level of recognition. We continually push ourselves to be more courageous in our actions particularly in advocating for the Uluru Statement from the Heart.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.

*This acknowledgement of country has been developed within KPMG Indigenous Network (KIN) should you wish to modify the wording please reach out for consultation of the KIN. The KIN is a culturally safe and supportive space for Aboriginal and Torres Strait Islander colleagues from all geographies, divisions, and levels of the firm and you can get in touch by emailing smoates@kpmg.com.au



Setting the scene



Economic uncertainties



Rising demand for services



Renewed focus on governance



ESG reporting



Regulatory updates



Agenda

- 01** New AICD Governance Principles
- 02** Mandatory climate risk reporting in Australia
- 03** Tax and regulatory updates
- 04** Financial reporting updates

New AICD Governance Principles for NFPs



Governance – what are we hearing from members and executives



New AICD Governance Principles for NFPs

1



Purpose, vision and strategy

- Defining, documenting and realising purpose, vision and strategy
- Guiding light for decisions and actions

2



Roles and responsibilities

- Define and document roles and responsibilities
- Oversight of key third party service providers
- Comprehensive and clear board reporting

3



Board composition and effectiveness

- Appropriate mix of people with a diverse skillset,
- Selection of directors through a transparent process
- Board evaluations should be conducted periodically

4



Risk management

- Oversee a risk culture
- Risk management framework that sets out an appropriate risk appetite
- Dynamically assess emerging risk

[2024 Not-for-Profit Governance Principles – Third Edition \(aicd.com.au\)](https://aicd.com.au)

New AICD Governance Principles for NFPs (continued)

5



Performance and accountability

- Oversee performance
- Set tone of internal accountability and transparency
- Dynamic external accountability and transparency

6



Stakeholders

- Consider stakeholder views and signal key risks
- Engaging with key stakeholders and consider their interests
- Open and transparent engagement with stakeholders

7



Sustainability

- Sustainability to be regularly considered
- Evaluating risks and opportunities
- Clear on approach to sustainability

8



Organisational culture

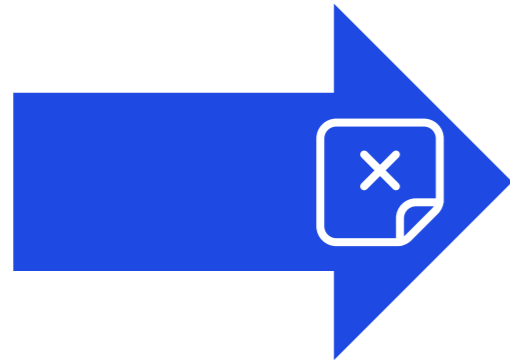
- Model the organisational culture
- Employee and volunteer satisfaction and compliance with relevant laws
- Promote employee and volunteer recognition and meaning

[2024 Not-for-Profit Governance Principles – Third Edition \(aicd.com.au\)](https://aicd.com.au)

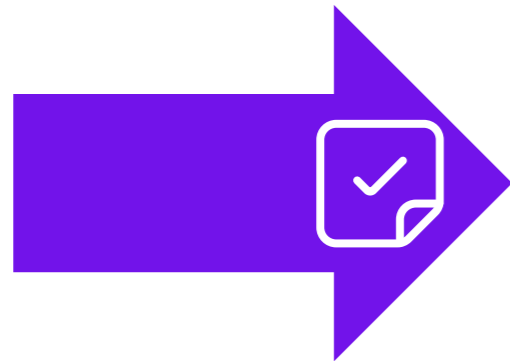
Mandatory climate risk reporting in Australia



Who needs to report under the upcoming requirements?

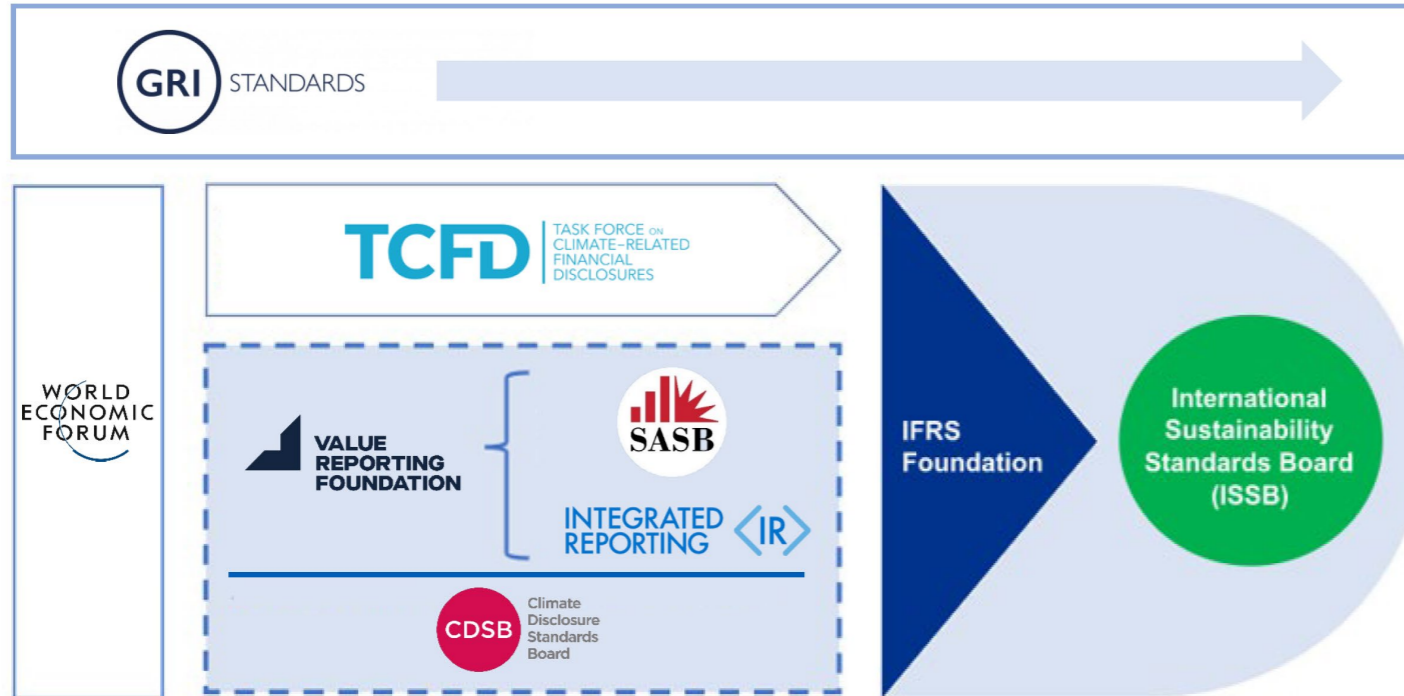


Not-for-profit entities that are **registered with the Australian Charities and Not-for-profits Commission (ACNC)** are not required to report.



Not-for-profit entities that **have chapter 2M reporting obligations** will be required to report under the draft Treasury Bill.

International Sustainability Standards



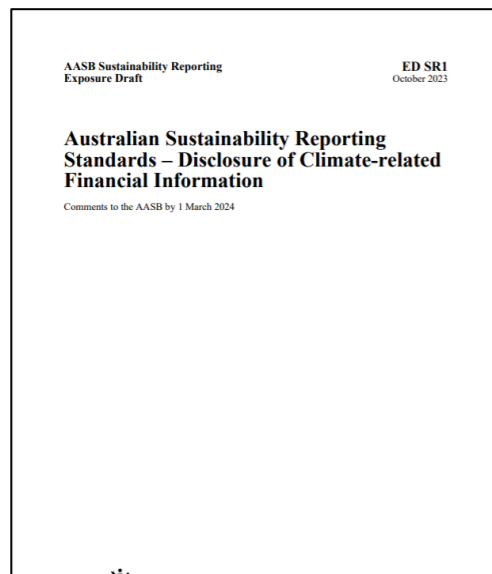
ISSB – IFRS International Sustainability Standards



- Investor focus (financial materiality)
- Global consistency
- Minimum requirements
- More topic based standards to come (nature and biodiversity, inequality, human rights, etc..)

Current & Upcoming Sustainability Reporting Requirements in Australia

Australian Sustainability Reporting Standards – AASB



Oct '23

Contents	
AASB SUSTAINABILITY REPORTING EXPOSURE DRAFT ED SR1 AUSTRALIAN SUSTAINABILITY REPORTING STANDARDS – DISCLOSURE OF CLIMATE-RELATED FINANCIAL INFORMATION	
	<i>from page</i>
Introduction	4
[Draft] ASRS 1 <i>General Requirements for Disclosure of Climate-related Financial Information</i>	15
[Draft] ASRS 2 <i>Climate-related Financial Disclosures</i>	46
[Draft] ASRS 101 <i>References in Australian Sustainability Reporting Standards</i>	78
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Australian Treasury – Mandatory Climate Related Disclosures



Dec '22



Jun '23

EXPOSURE DRAFT

EXPOSURE DRAFT

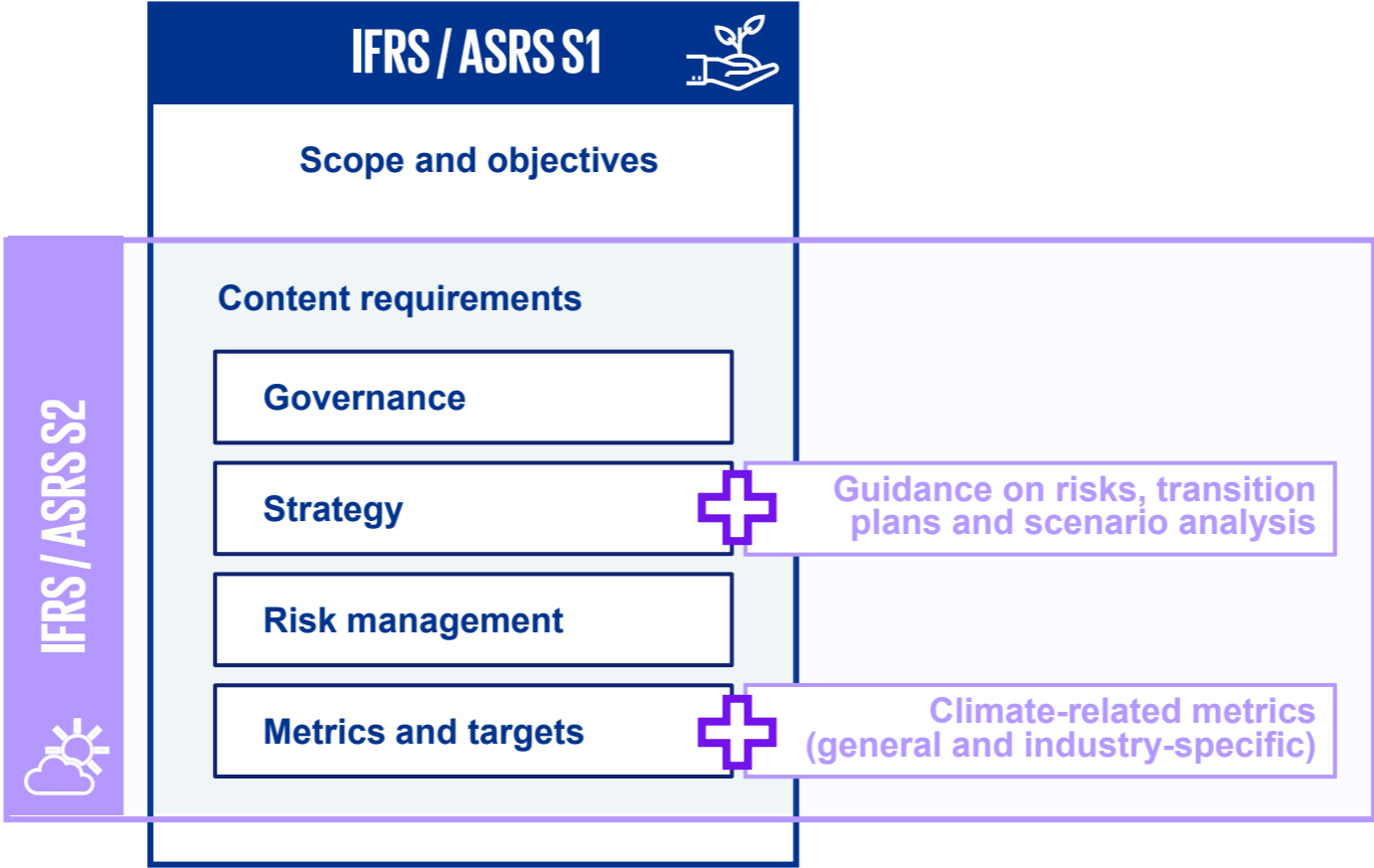
Inserts for
**Treasury Laws Amendment Bill 2024:
Climate-related financial disclosure**

Jan '24

Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024

27 March '24

Two intersecting standards



[Draft] Australian Sustainability Reporting Standards (ASRS)

ASRS 1 & ASRS 2

- Based on ISSB™ Standards – IFRS S1 & IFRS S2
- **Materiality:** financial materiality

Key differences

- **Scope: Climate focus**
- **Application:** For-profit and not-for-profit
- **Industry-specific metrics:** Use ANZSIC instead of GIC. No SASB standards reference
- **GHG emissions conversion and measurement:** Prioritise NGER Scheme legislation over GHG Protocol
- **Scenario analysis:** One of two possible future states must be consistent with *Climate Change Act 2022* temperature goal
- **Scope 2 GHG emissions:** Both location and market-based

Transition reliefs

- No comparatives in first year
- Three-year relief period applied for market-based emission sources.
- Scope 3 in second year
- Directors/ declaration

Governance

- Who's tasked with governance?
- Skills and competencies
- How often informed
- Remit of oversight (targets, risks, opportunities)
- Delegation of responsibilities

Strategy

- Climate risks, impact on business model, value chain, strategy, cash flows and financial position
- Resilience of strategy
- Quantitative and qualitative progress of plans
- How climate-related targets will be resourced and achieved
- Climate-related transition plans (key assumptions and dependencies)
- Planned adoption of new technologies
- Adaptation and mitigation efforts (use of offsets)

Risk Management

- Process for identification and prioritisation
- Assessment of likelihood and impacts
- Assumptions
- Monitoring and management

Metrics and Targets

- Greenhouse gas emissions – Scope 1,2 and 3
- Transition risks
- Physical risks
- Climate-related opportunities
- Capital deployment
- Internal carbon price, where used
- Remuneration

Treasury Bill

Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024

Key requirements

The Bill is the culmination of a series of consultations and proposes amendments to the *Corporations Act 2001* and the *Australian Securities and Investment Commission Act 2001* covering the following:



Reporting entities: Those with Corporations Act Chapter 2M reporting obligations meeting prescribed thresholds



Phasing: Timing of first reporting based on size or level of emissions.



Reporting content: As required by Australian Sustainability Reporting Standards (ASRS).



Reporting framework: Within a sustainability report in the annual report and lodged in accordance with annual reporting requirements



Assurance requirements: Phased approach ending with reasonable assurance of all climate disclosures made from 1 July 2030 onwards



Liability framework: Modified liability approach for both directors and auditors to disclosures of Scope 3 emissions, scenario analysis, transition plans and climate-related forward-looking statements.

2022-2023-2024

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

**Treasury Laws Amendment (Financial
Market Infrastructure and Other
Measures) Bill 2024**

No. , 2024

(Treasury)

**A Bill for an Act to amend the law relating to
corporations, and for related purposes**

Note:

Subject to Parliamentary processes

Australian Treasury Proposal | Reporting and Assurance Requirements

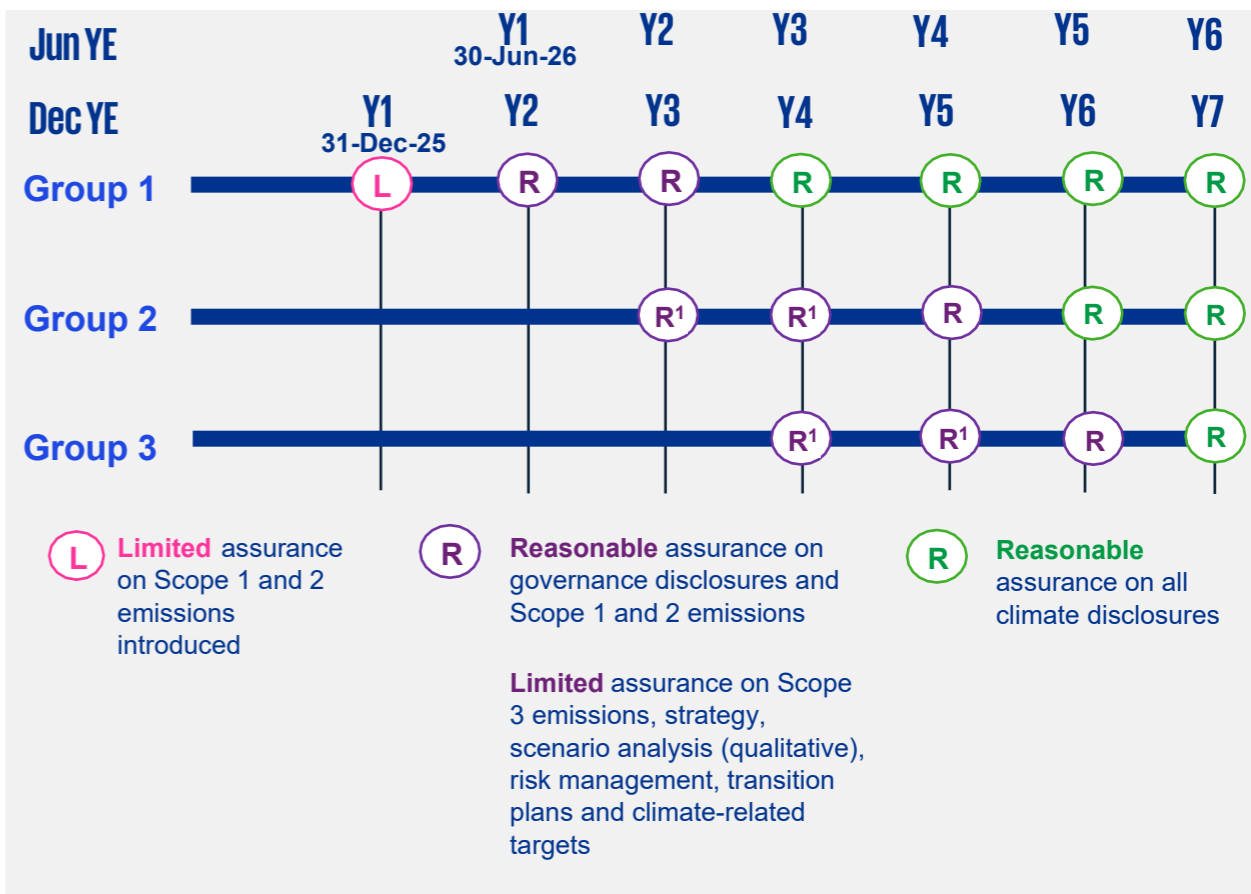
Proposed phasing in reporting requirements

	Required to lodge financial reports under Chapter 2M of the <i>Corporations Act 2001</i> and falls within one (or more) of the following three categories (sustainability reporting thresholds)			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners (Registered schemes, Registrable superannuation entities and retail CCIVs)
	Meet two of three reporting thresholds:				
	Consolidated gross revenue (For the financial year)	Consolidated assets (At the end of the financial year)	Employees		
Group 1 First annual reporting periods beginning on or after 1 January 2025	\$500 million or more	\$1 billion or more	> 500	Above NGER publication threshold	Scoped out of Group 1
Group 2 First annual reporting periods beginning on or after 1 July 2026	\$200 million or more	\$500 million or more	> 250	All other NGER reporters	\$5 billion or more assets under management
Group 3* First annual reporting periods beginning on or after 1 July 2027	\$50 million or more	\$25 million or more	> 100	N/A	Refer to Group 3 thresholds

* Group 3 entities if they have no material financial risks or opportunities relating to climate



Proposed model for phasing in assurance requirements



Three questions

1

Are you captured by mandatory climate reporting ?

- **If so – when**
- **If not – have you thought about your exposure to climate risk anyway**

2

Are your key stakeholders captured by mandatory reporting

- **If so –are they likely to need information from you?**

3

Are your key stakeholders interested in your broader ESG performance ?

Tax & regulatory update



Regulatory updates

1 DGR Register Reform

- Responsibility for 4 DGR categories has been transferred to the ATO from portfolio agencies from 1 January 2024:
 - Register of Cultural Organisations
 - Register of Environmental Organisations
 - Register of Harm Prevention Charities
 - Overseas Aid Gift Deductibility Scheme

2 Proposed DGR status for Community Foundations

- Proposed new general DGR category for community charity funds.
- Legislation still to be passed.

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3 Productivity Commission Inquiry into Philanthropy

- Final report to be handed to the Federal Government on 10 May 2024.
- Draft report issued 30 November 2023.
- Aims to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further – specifically to double it by 2030

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4 ATO review of specifically listed DGRs

- The ATO has commenced a review of the 234 organisations listed in the tax law as DGRs.

5 Reporting requirements for self-assessing exempt entities

- From 1 July 2023, non-charity NFPs with active ABNs will be required to lodge an annual self-review return to access an income tax exemption

Updates from ACNC



Commissioner's Interpretation Statements (CIS) on Withholding or removing commercially sensitive information from the ACNC charity register. Comments invited.



ACNC publishing registration decision summaries – part of ACNC Secrecy Reforms project



2024-2025 Compliance focus – misuse of complex corporate structures and cyber security challenges

ATO Focus areas

Operating for purpose



Self-assessing income tax exemption – new reporting requirements



Structuring and transparency



Private and Public Ancillary Funds meeting the requirements of the Guidelines



Rising debt levels in not-for-profits



GST reporting by Not-for-Profit entities



Financial reporting update



New standards and amendments effective for 30 June 2024

AASB 17 *Insurance Contracts*



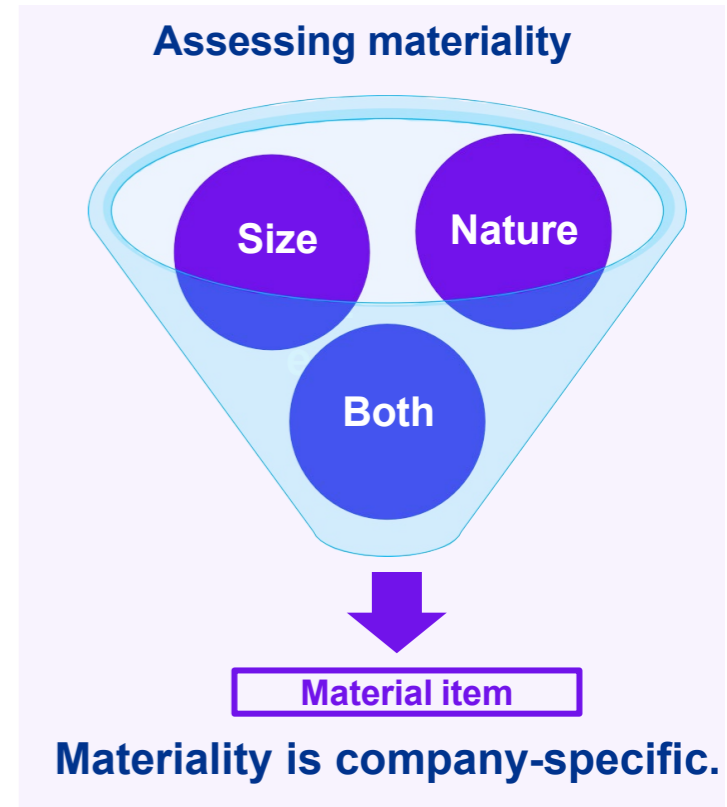
Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

(AASB 2021-2 & AASB 2021-6 [Tier 2])



Amendments to AAS – Disclosure of Accounting Policies

Information is **material** if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's financial information.



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1

Is the transaction, other event or condition material?

2

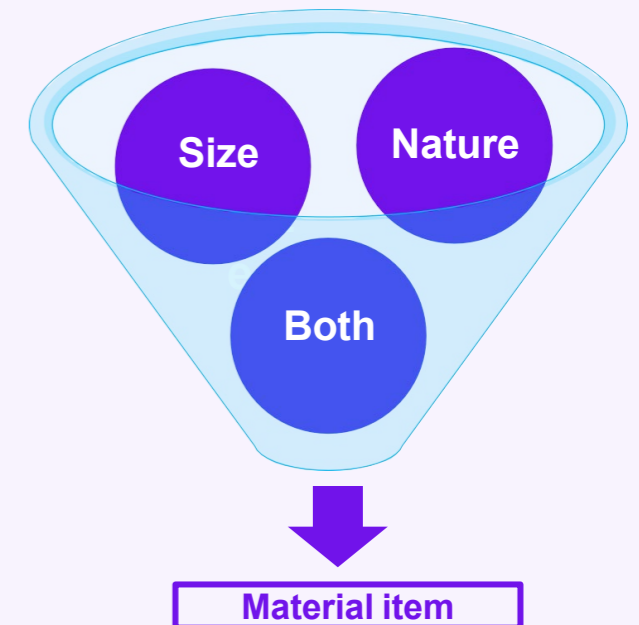
Is the related accounting policy information itself material?

3

Determine what accounting policy information to disclose

More relevant and less cluttered

Assessing materiality



Materiality is company-specific.

Amendments to AAS – Disclosure of Accounting Policies

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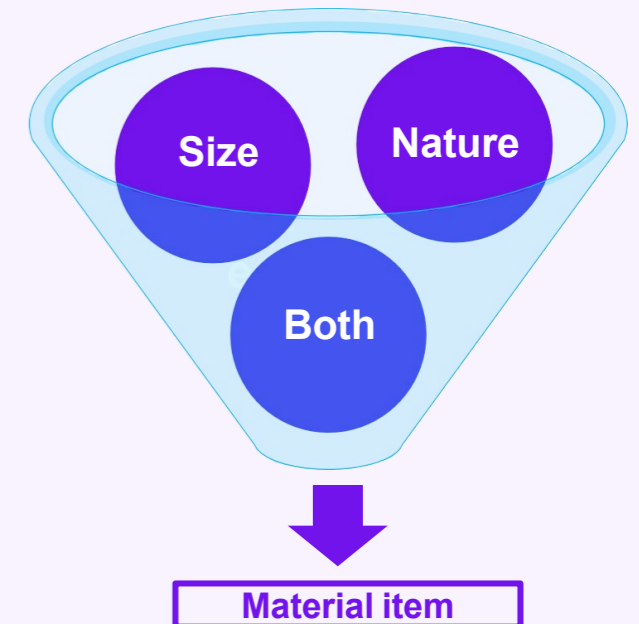
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Amendments to AAS –
Definition of
Accounting Estimates

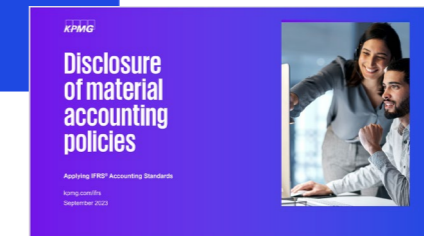
New standards and amendments effective for 30 June 2024

AASB 17 *Insurance Contracts*



Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

(AASB 2021-2 & AASB 2021-6 [Tier 2])



Recent IFRIC agenda decisions

Insurance premiums receivable from an intermediary (AASB 9 and 17)

Homes and home loans provided to employees (AASB 9 and 119)

Guarantee over a derivative contract (AASB 9)

Merger between a parent and its subsidiary in separate financial statements (AASB 127)

Payments contingent on continued employment during handover periods (AASB 3)

Climate-related commitments (AASB 137)

Refer to 30 Jun 2024 for-profit webinar

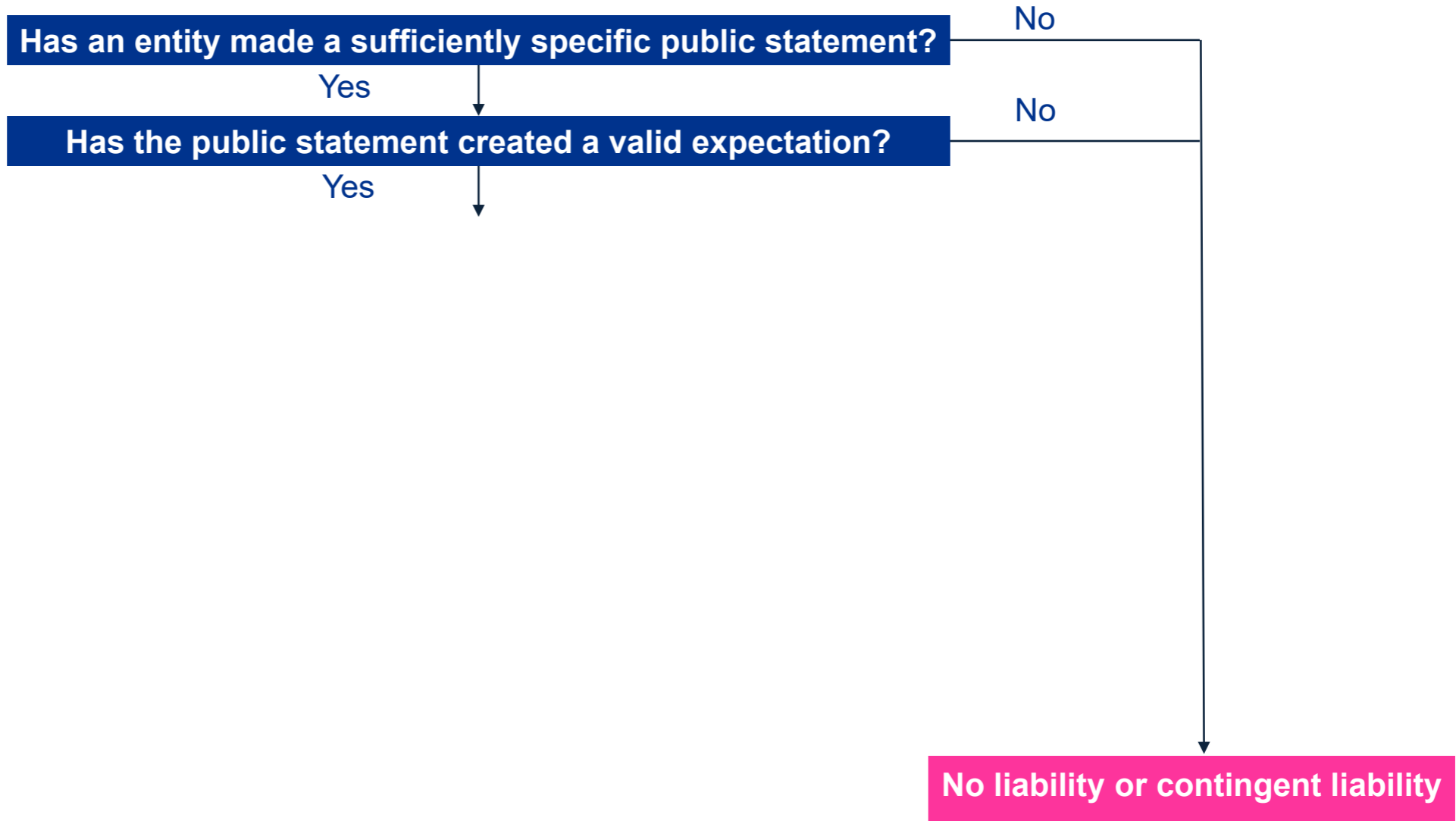
Likely frequency across entities:

High Medium Low

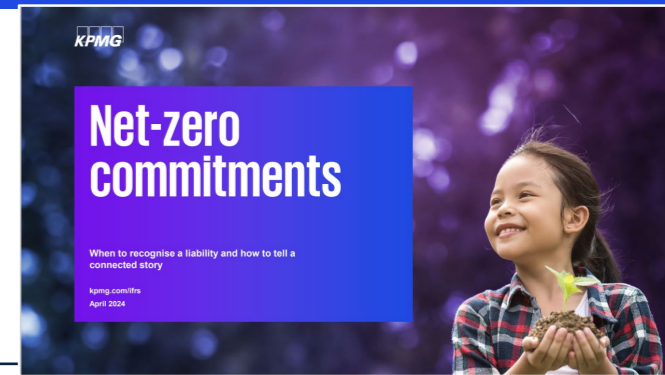
IFRIC agenda decisions – climate-related commitments

Test 1

Constructive
Obligation



IFRIC agenda decisions – climate-related commitments

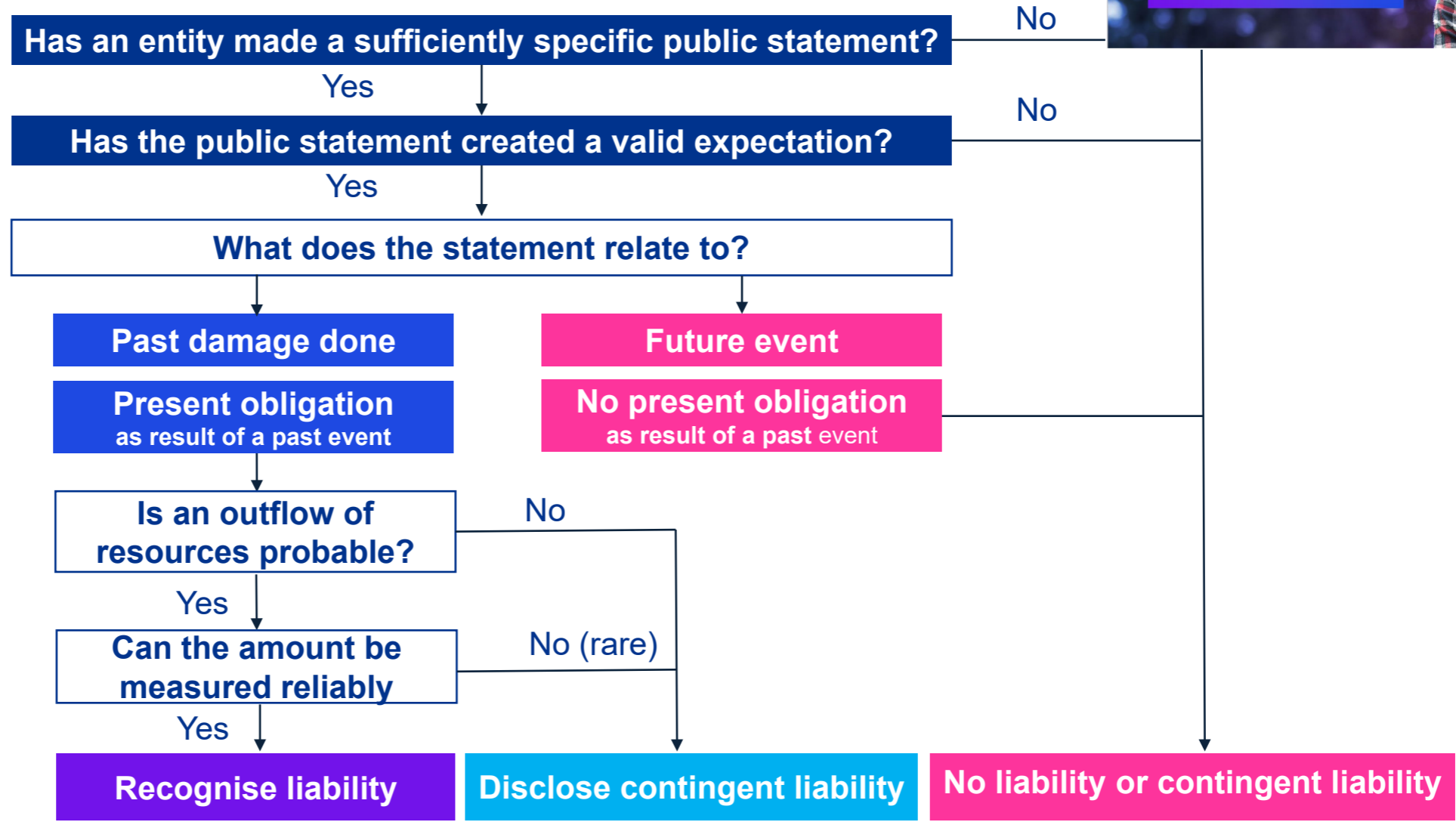


Test 1

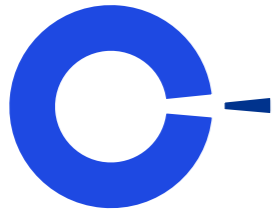
Constructive
Obligation

Test 2

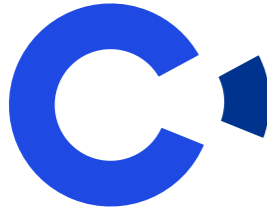
Recognition criteria



ACNC AIS review findings



3% had not made disclosure on related party transactions



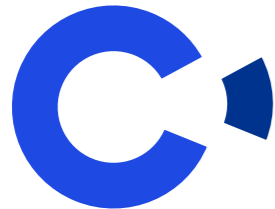
14% had not made disclosure on key management personnel compensation

**** The review is based on a sample of 250 AIS and AFR submitted for the 2021 reporting period. The findings were published in August 2023.***

ACNC AIS review findings



3% had not made disclosure on related party transactions



14% had not made disclosure on key management personnel compensation



Recurring issues – Insufficient disclosure

Whether the entity was a for-profit or not-for-profit entity

Accounting estimates and judgements

Fees paid to the auditor/reviewer of the financial statements.

**** The review is based on a sample of 250 AIS and AFR submitted for the 2021 reporting period. The findings were published in August 2023.***

Hot topic Portable long service leave (PLSL)



Hot topic Portable long service leave (PLSL)



***Eligible employer**



Primary obligation of LSL



***Eligible employees**

**Refer to applicable legislation on eligibility of portable LSL*

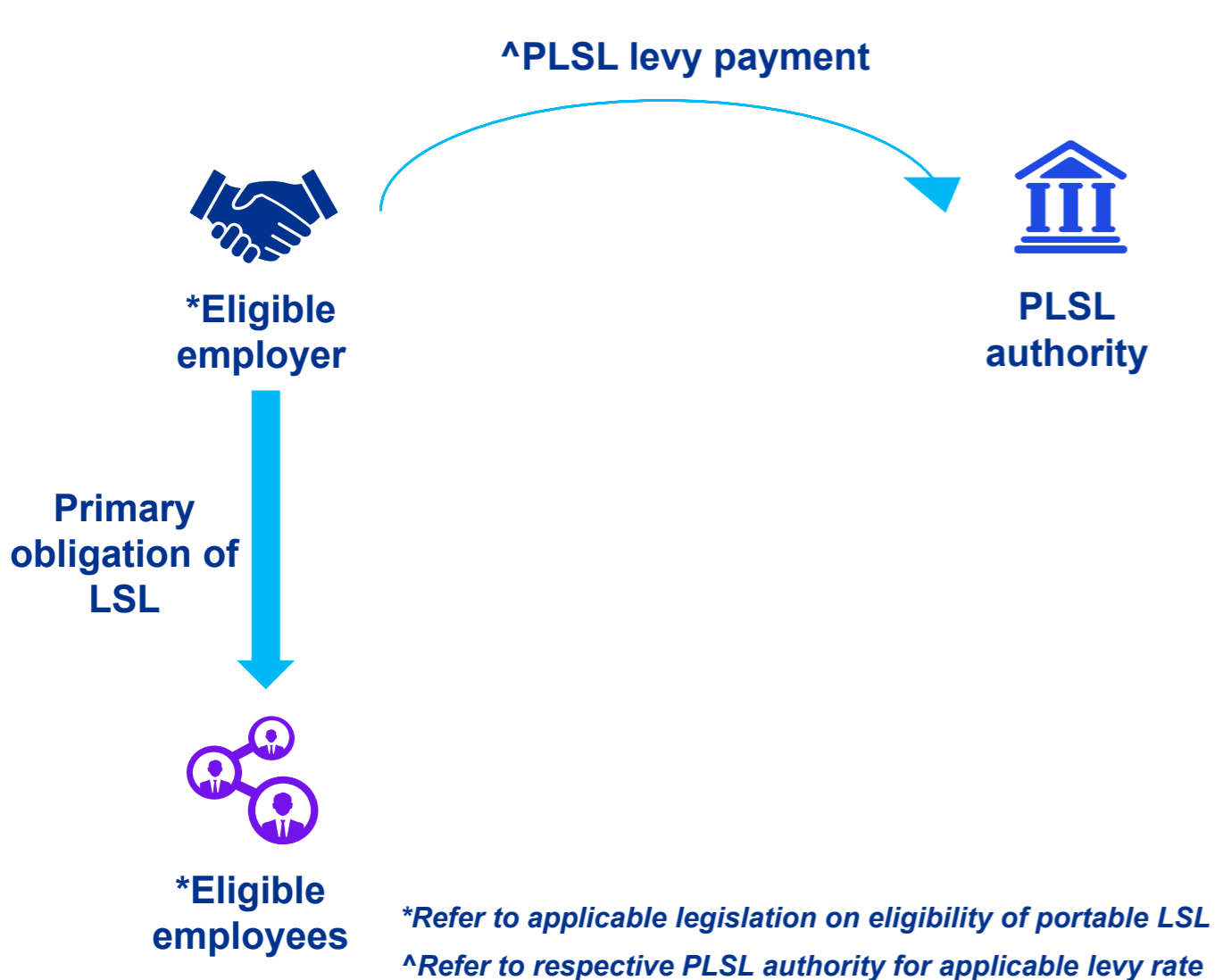
^Refer to respective PLSL authority for applicable levy rate

Scenario

- Employees of Charity Community are entitled to long service leave under state-specific legislation.
- Charity Community and its employees are eligible for PLSL scheme.
- Levy payments is 1.65% of the ordinary wage of the eligible employees to PLSL authority.

1. Recognise Employer's primary LSL obligation as a provision based on employees' standard entitlement

Hot topic Portable long service leave (PLSL)



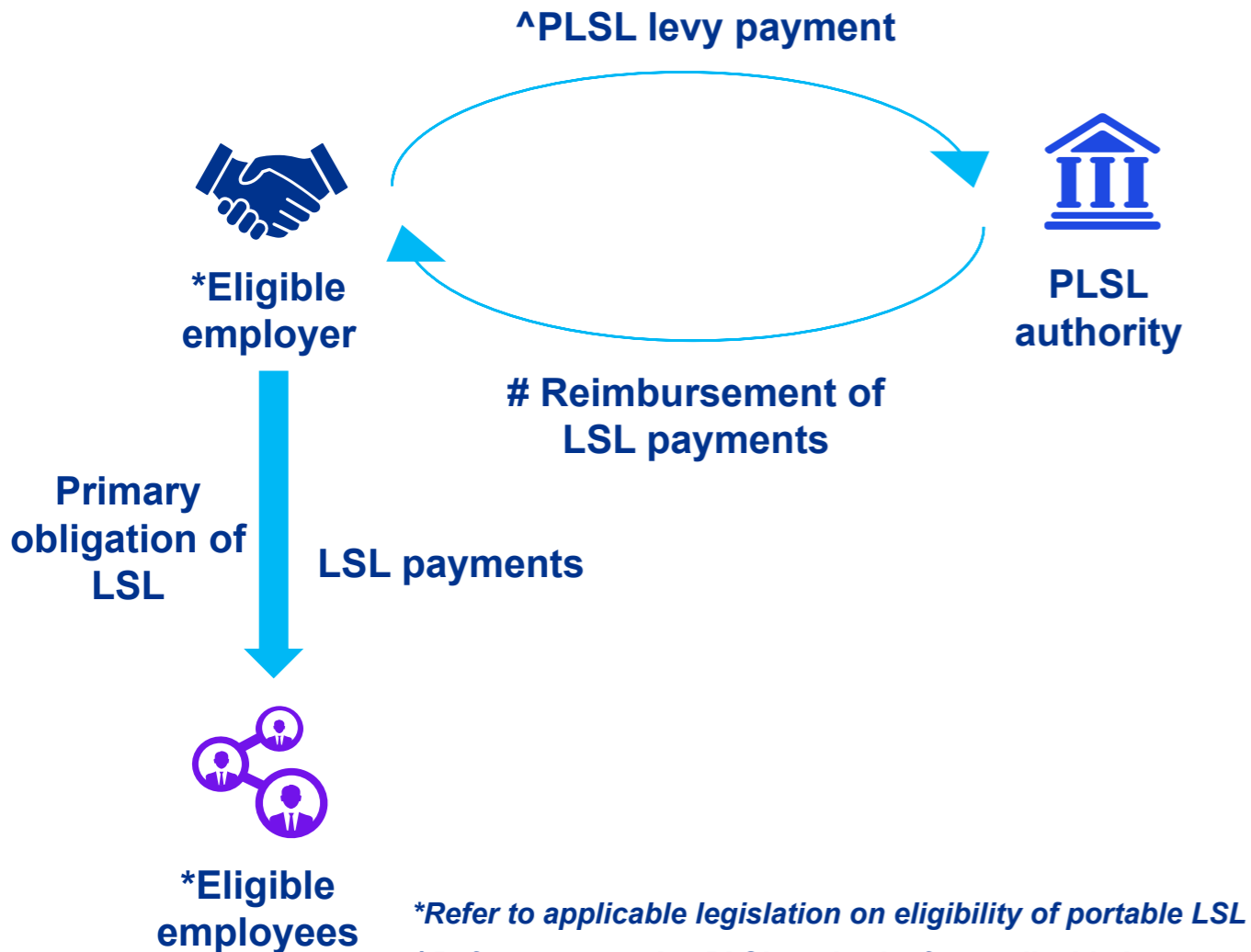
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1. Recognise Employer's primary LSL obligation as a provision based on employees' standard entitlement

2. Recognise PLSL levy payment to PLSL authority and a reimbursement asset

Hot topic Portable long service leave (PLSL)



**Refer to applicable legislation on eligibility of portable LSL*

^Refer to respective PLSL authority for applicable levy rate

Based on the legislation and facts and circumstances

Scenario

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1. Recognise Employer's primary LSL obligation as a provision based on employees' standard entitlement

2. Recognise PLSL levy payment to PLSL authority and a reimbursement asset

3. Recognise LSL paid to eligible employees

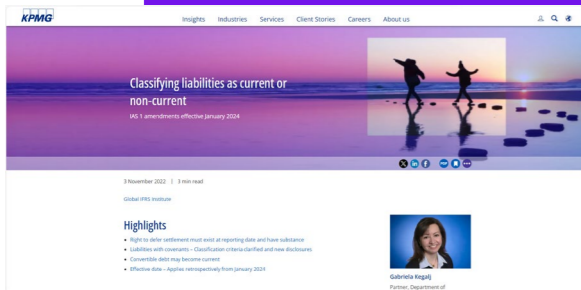
4. Recognise LSL reimbursement received from PLSL authority

Difference between the reimbursement received and levies paid recognised in P&L

New standards and amendments applicable for future years

Effective 1 January 2025

Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (AASB 2020-1)



Effective 1 January 2027

IFRS 18 *Presentation and Disclosure in Financial Statements*



Refer to 30 Jun 2023 for-profit webinar

IFRS/ AASB 18 *Presentation and Disclosure in Financial Statements*

New required categories and sub-totals in Statement of Profit or Loss

Three new categories for Statement of Profit or Loss:

- Operating
- Investing
- Financing

Two new required subtotals:

- Operating profit
- Profit before financing and income taxes

Example Statement of Profit or Loss

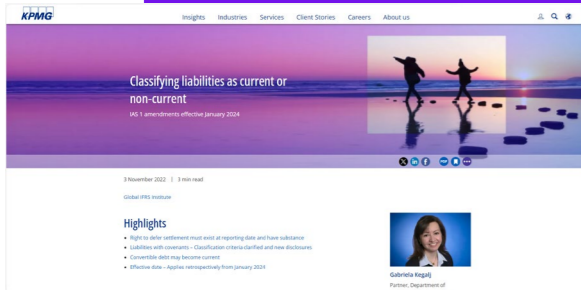
Revenue	
COGS	
Gross profit	Operating
Other operating income	
Operating expenses	
Operating profit	
Share of profit or loss of EAI	Investing
Other investment income	
Profit before financing and income taxes	
Interest expenses	Financing
Profit before income taxes	
Income tax expenses	
Profit	



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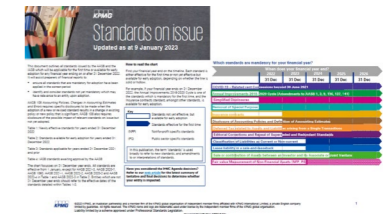
Effective 1 January 2027

IFRS 18 *Presentation and Disclosure in Financial Statements*

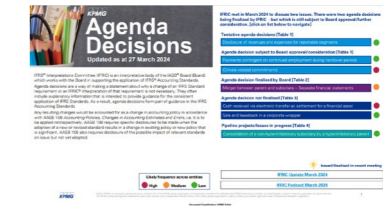


Useful KPMG resources

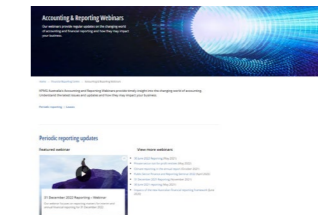
Standards on Issue



IFRIC Agenda decision summary



31 Dec 2023 reporting webinar



AASB Developments



Post implementation review – ITC 50

Income of Not-for-Profit entities

- AASB discussing feedback.
- Next steps: Consider staff recommendations.
- Feedback statement expected later this year.



Post implementation review – ITC 51

Various Not-for-Profit topics*

- AASB not reviewed feedback as yet.
- AASB to consider late 2024/ early 2025.



Discussion paper – Tier 3

Removal of SPFS – Tier 3 reporting requirements

- Simplified recognition and measurement requirements.
- Developing Exposure Draft expected to be released in late 2024.



Service Performance Reporting

- Project plan is discussed and supported by the AASB Board in March 2024 meeting.
- Timetable not confirmed

* SPFS refers to Special Purpose Financial Statements





Questions?

Key takeaways

Consider how the new governance principles can improve the governance in your organisation.

Be alert to developments in ESG.

Understand the impact of new and amended Australian Accounting Standards and IFRIC agenda decisions.

Understand your responsibilities under portable long service leave schemes and its accounting impact.

Stay up-to-date with AASB and ACNC developments.



Thank you





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