Not-for-profit 2022 financial reporting update

The June 2022 reporting season may present significant challenges

Recent accounting developments and regulatory updates in the not-for-profit (NFP) sector may present significant challenges for the June 2022 reporting period. The key matters to consider for this current reporting season are:

- **Post-implementation issues on income recognition** – The Australian Accounting Standards Board (AASB) has issued a new amending standard as part of narrow-scope amendments to income of NFP entities. AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15* (AASB 2022-3) is effective for periods beginning 1 July 2022 and covers concessionary leases and a further example on income recognition: In addition, this publication also explores other post-implementation issues including the distinction between an obligation to transfer goods or services versus cash (recognition of financial liability). and principal versus agent considerations
- **Adoption of new AASB simplified disclosures framework** – Tier 2 NFP entities currently preparing Reduced Disclosure Requirements (RDR) financial reports are required to adopt AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) from 1 July 2021
- **Amendments to *Australian Charities and Not-for-profits Commissions Regulation 2013*** – The key amendments include increased financial reporting thresholds and new disclosures relating to related party transactions and key management personnel (KMP) compensation required for certain ACNC-registered charities
- **Sustainability reporting** – Climate change is one of the key emerging issues and NFP entities should take note of the recent developments in this space from a global perspective to assess impacts on its climate risk disclosures
- **Aged care** – Aged care providers that have applied for funding under COVID-19 government relief packages should consider the appropriate timing of income recognition and other related amounts in cases where the approval has not been obtained by year end. Aged care providers should also consider Australian Securities and Investments Commission's (ASIC) guidance on how the discontinuation of the current licencing regime may affect the recognition and measurement of bed licence intangible assets in the lead up to 1 July 2024
- **Other regulatory obligations** – NFP entities should also take note of the whistle-blower requirements for certain ACNC entities, director's registrations requirements and ongoing obligations to inform the Australian Charities and Not-for-profits Commission (ACNC) of any material errors identified after submission.

Introduction

The June 2022 reporting season is expected to place demands on financial reporting processes for many NFP entities with the first-time application of the amended ACNC reporting regulations and new AASB Simplified Disclosures framework. This publication highlights changes to the reporting requirements, changes to the guidance on applying AASB 15, together with other current and forthcoming accounting and regulatory issues in the NFP sector.

Income requirements - AASB 2022-3 and other post implementation issues

Overview

A number of post-implementation issues have been identified as a consequence of the adoption of AASB 15 and AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058). These include the recognition of up-front fees, the recognition of financial liabilities, and principal versus agent considerations.

This section discusses the various implementation issues around income recognition:

- AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15
    - Concessionary leases
    - Upfront fees example in AASB 15
- Obligation to transfer goods or services versus cash (recognition of financial liability)
- Principal versus agent considerations.

Further information

See our Clarity in financial reporting publication, *Not-for-profit 2021 financial reporting update* (available at www.deloitte.com/au/clarity) for a detailed explanation of other commonly identified implementation issues relating to income recognition for NFP entities including:

- Termination for convenience clauses
- Concessionary loans
- Initial recognition of the right to receive an asset where the related asset has not yet been received.

For a detailed explanation and assessment of the definition of 'significantly specific' and 'enforceable contract', see our Clarity in financial reporting publication, *Not-for-profit financial reporting for June 2020* (available at www.deloitte.com/not-for-profit financial reporting for June 2020).

AASB 2022-3

In January 2022, the AASB issued an exposure draft AASB ED 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases*. In May 2022, the AASB issued the final amending standard AASB 2022-3 which is effective from 1 July 2022.

The two key amendments in AASB 2022-3 are:

- The retention of the accounting policy choice in AASB 16 for concessionary leases
- An amendment to include a new illustrative example (example 7A) in AASB 15 to address the accounting for upfront fees received.

Concessionary leases

As documented in the basis of conclusions accompanying AASB 2022-3, the AASB has made the following decisions around concessionary leases:

- NFP private sector lessees – The AASB has decided to retain the accounting policy choice in AASB 16 for the right-of-use assets of concessionary leases to initially be measured at cost or fair value on an ongoing basis, where this will be a permanent option with no plans to reconsider in future.
- NFP public sector lessees – The AASB has decided to defer consideration of the accounting policy choice until the Board decides on any additional guidance for measuring the fair value of right-of-use assets under concessionary leases.

Upfront fees

AASB 2022-3 amends AASB 15 to add a new example 7A which provides an in-depth analysis on the accounting for upfront fees for NFP entities. For NFP entities, some common examples of upfront fees include:

- Joining fees at clubs and membership bodies
- Enrolment fees at schools
- Other establishment or set-up fees where the fee is paid near contract inception and the customer can renew the contract each year without paying an additional fee.

For upfront fees where AASB 15 applies, the NFP entity needs to assess whether the fee relates to the transfer of a promised good or service and if it constitutes a separate performance obligation. Otherwise, the upfront fee represents an advance payment for future goods or services and would be recognised as revenue when those future goods or services are provided. Below is an example of an upfront fee transaction.

Example 1. Accounting for upfront fees

Fact pattern

An organisation offers enrolment to prospective clients for the services it provides. Upon accepting an offer of enrolment, the prospective client must pay a non-refundable upfront fee. This fee guarantees future service for the client to commence in the agreed-upon year and for the period of the contract, being two years.

Accounting considerations

1. **Is the contract within the scope of AASB 15?**

   In this example, the organisation assessed that the contract is enforceable and contains sufficiently specific performance obligations and is in the scope of AASB 15.

2. **What are the performance obligations in the contract and how is it related to non-refundable upfront fees?**

   In making this assessment, the organisation has considered the guidance in AASB 15 on identifying performance obligations and accounting for non-refundable fees.

   The organisation notes that while the non-refundable fee might cover internal administrative activities that enables it to provide future services to the customer, these activities do not transfer a promised good or service that is separate from future services and therefore do not satisfy a separate performance obligation.

   In substance, the upfront fee is an advance payment for future services.

3. **How is the revenue for the upfront fee recognised?**

   Upfront fee is recognised as revenue as the future services are provided over the two year contract period.

The revenue recognition period will extend beyond the initial contractual period if the entity grants the customer the option to renew the contract and that option provides the customer with a material right.

Where there are contracts with upfront fees in the scope of AASB 15, the revenue recognition of the upfront fee depends on whether the payment of the fee relates to a transfer of distinct goods or services to the customer that meets the definition of a performance obligation. In many cases, even though a non-refundable upfront fee relates to the activity that an entity is required to undertake to fulfil the contract, that activity may be an administrative task that does not necessarily result in the transfer of a promised good or service to the customer separate from the provision of future services and therefore is not a separate performance obligation.

Thinking it through – Questions to consider

- Do you receive any upfront fees?
- For contracts which includes upfront fees, are these contracts in the scope of AASB 15?
- Does the payment of the fee relate to a transfer of distinct goods or services to the customer that meets the definition of a performance obligation?
- In cases where the non-refundable upfront fee relates to the activity that an entity is required to undertake to fulfil the contract, is that activity an administrative task that does not necessarily result in the transfer of a promised good or service to the customer?

Obligation to transfer goods or services versus cash (recognition of financial liability)

When it comes to income recognition for a NFP entity (e.g., accounting for grants received), one of the key considerations is whether a transfer of specific goods or services is required under the terms of the contract. In some cases, there is no transfer of goods or services, the obligation is satisfied by transferring cash to another party rather than through the provision of goods or services.

In cases where the contract requires a transfer of goods or services, the NFP entity is required to assess if this relates to an enforceable contract with sufficiently specific performance obligations to be accounted for under AASB 15. In circumstances where no transfer of goods or services are required, the key assessment is whether this gives rise to any 'related amounts' and how it will be accounted for under the respective accounting standard. If the transaction relates to a transfer of cash only (e.g., where the obligation is to provide cash scholarships to specified recipients), this may give rise to a financial liability required to be accounted for under AASB 9 *Financial Instruments* as a related amount.

A contract with the obligation to transfer cash rather than the provision of goods or services is also one of the more complex post implementation issues that the AASB has been trying to address. The AASB had initially proposed to amend Example 3A in AASB 1058 which clarifies the analysis regarding the recognition of a financial liability for cash scholarships as part of their narrow scope amendments project. However, following the consideration of subsequent stakeholder feedback received, the AASB has decided to not amend the example, and in the meantime, to instead consider the example as part of the forthcoming post-implementation review project of AASB 1058.

To assist entities in accounting for an obligation to transfer goods or services versus an obligation to transfer cash, the following two examples illustrates the accounting considerations for each scenario.

Below is a "transfer of goods or services" example:

Example 2a. Obligation to transfer goods or services

Fact pattern

Assuming there is transfer of good/services – below are alternative fact patterns to illustrate different sectors:

- **Disability sector:** A entity has received grant funding and is required to provide disability support services to specified recipients under the terms of the grant
- **Education sector:** A school has received a donation and per written agreement is required to in return, provide free tuition for a specified period for selected recipients (tuition scholarships).

Accounting considerations

In both scenarios, as there is a transfer of services, assuming that the NFP entity has assessed that the contracts fall in the scope of AASB 15, as it is an enforceable contract with sufficiently specific performance obligations, the entity/school will record the following entries:

On receipt of cash:

	Dr	Cr
Financial asset (cash)	$XXX	
Contract liability		$XXX

On provision of services:

	Dr	Cr
Contract liability	$XXX	
Revenue		$XXX

Below is a "transfer of cash" example:

Example 2b. Obligation to transfer cash (not goods or services)

Fact pattern

Assuming there is no transfer of good/services and instead the obligation is to transfer cash – below are alternative fact patterns to illustrate different sectors:

- **NFP sector:** A entity has received grant funding and is required to disburse grants to other entities under the terms of the grant
- **Education sector:** A school has received a donation and per written agreement is required to provide cash scholarships to the specific students.

Accounting considerations

Assuming the NFP entity/school has assessed that there is a related amount which is a financial liability under AASB 9 (e.g., there is contractual obligation to provide cash), the NFP entity/school would record the following entry:

On receipt of cash:

	Dr	Cr
Financial asset (cash)	$XXX	
Financial liability		$XXX

When accounting for such transactions, it is important to consider the following issues:

- Measurement of financial liability – In this example given the grantor can demand for the cash to be repaid immediately, this is akin to an on-demand liability. Accordingly, there is no day one gain/loss as the value of the financial liability equates to the value of cash received
- Role of entity/school as principal vs. agent – The NFP entity/school described in the example demonstrates some indicators of being an agent as it has no discretion on how the funds are disbursed. Accordingly, this will impact subsequent accounting which will be explored further in the following section.

Thinking it through – Questions to consider

- Is there a transfer of specific goods or services required under the terms of the contractual arrangement?
- If there is a transfer of goods or services, is it in the scope of AASB 15 (enforceable contract with sufficiently specific performance obligations)?
- If there is no transfer of goods or services required (e.g., obligation is to transfer cash rather than the provision of goods or services), is it in the scope of AASB 9 (e.g., financial liability)?
- If it falls within the scope of AASB 9, how would the financial liability be measured, and will there be a day one gain/ loss (the difference between cash and the financial liability)?
- What is the role of the entity in the arrangement – Is the entity acting as a principal or as an agent? This will have an impact on both initial and subsequent accounting journals – further details in the following section.

Principal versus agent considerations

When another party is also involved in providing goods or services to a customer, the entity should determine whether the nature of its promise in the arrangement is a performance obligation:

- To provide the specified goods or services itself – Principal
- To arrange for those goods or services to be provided by the other party – Agent.

Nature of transaction	Accounting
Principal	Gross revenue recognition
Agent	Net revenue recognition (e.g. commission or fee)

When it comes to income recognition, is important to understand the performance obligations in relation to the goods and services rendered and the cash received to consider the substance of the arrangement and the role the entity plays in the transaction.

Below is an example of a transaction whether the entity is acting as a principal.

Example 3a. Principal

Fact pattern

Entity A signs an enforceable contract with a grantor for consideration of $100 to deliver an array of disability support services to specified individuals. It engages the use of sub-contractors but remains the party responsible to the grantor for delivering the promised services.

Accounting considerations

Entity A has assessed that the contract is in the scope of AASB 15 and it is acting as a principal. As a result, it will record the following entries:

On receipt of cash:

	Dr	Cr
Financial asset (cash)	$100	
Contract liability		$100

On provision of services:

	Dr	Cr
Expense	$100	
Cash		$100
Contract liability	$100	
Revenue		$100

Below is an example of a transaction whether the entity is acting as an agent.

Example 3b. Agent

Fact pattern

Entity B signs an enforceable contract for consideration of $105 with a grantor to disburse $100 funds to specified recipients (other entities) and charges a $5 service fee (calculated as 5% of funds disbursed). Per the contract, Entity B takes on the role of grant administrator for the grantor with no decision-making power on recipient selection.

Accounting considerations

Entity B has assessed that the contract is in the scope of AASB 15 and it is acting as an agent. As a result, it will record the following entries:

On receipt of cash:

	Dr	Cr
Financial asset (cash)	$105	
Contract liability		$5
Financial liability		$100

On payment to the sub-contractor for delivery of services:

	Dr	Cr
Financial liability	$100	
Cash		$100
Contract liability	$5	
Revenue		$5

Thinking it through – Questions to consider

- What are the terms of the contractual arrangement?
- Is another party involved in the provision of goods/service? If so, consider the following:
  - What is the nature of the entity's performance obligations in the arrangement? Is the entity's performance obligation to provide the specified goods or services itself (principal) or to arrange for those goods or services to be provided by the other party (agent)?
  - Who makes the key decisions relating to the arrangement?
  - Who is the party responsible for the provision of goods or services?
  - Who controls the goods or services before they are transferred to the end customer?

Further information

For more information on these topics refer to the March 2022 AASB webinar.

AASB 1060

Tier 2 NFP entities

- AASB 1060 introduces a new stand-alone disclosure standard (Tier 2 'Simplified Disclosure' Standard) which replaces the existing 'Reduced Disclosure Requirements' (commonly known as RDR). AASB 1060 is mandatory for Tier 2 for-profit and NFP entities and is effective for periods beginning 1 July 2021.
- NFP private sector and public sector entities applying AASB 1060 would likely be transitioning from Tier 2 RDR general purpose financial statements (GPFS) to Tier 2 Simplified Disclosures GPFS. Generally, Tier 2 Simplified Disclosures GPFS have fewer disclosures when compared to the existing RDR.
- Given the date of transition has passed, it is important for NFP entities impacted by this to act now and have a plan ready on how the transition should be achieved.

NFP entities preparing special purpose financial statements

A key thing to note is AASB 1060 does not apply to entities that prepare Tier 1 GPFS or entities that are eligible to prepare special purpose financial statements (SPFS) (which includes all NFP entities). Accordingly, for the NFP sector, only those NFP Tier 2 entities currently preparing RDR are affected by the changes introduced by AASB 1060.

NFP entities who currently prepare SPFS can continue to do so until the AASB removes the ability of NFP entities to prepare SPFS which will be addressed as part of its NFP private financial reporting framework project. As this is an active AASB project with the discussion paper expected to be issued in the second half of 2022, realistically it is expected that SPFS for NFP entities will fall away by the earliest 2024.

Further information

We have produced NFP specific disclosures in the Deloitte Tier 2 Simplified Disclosures model financial statements illustrating the disclosures for NFP entities preparing Tier 2 GPFS in accordance with AASB 1060. These model financial statements are available at www.deloitte.com/au/models. Other helpful materials which can also be found on the Deloitte website are AASB 1060 disclosure checklist, Simplified Disclosures framework webcast and AASB 1060 clarity publications.

ACNC legislative review

For ACNC-registered charities, the recent amendments to the *Australian Charities and Not-for-profits Commission Regulation 2013* introduces many key changes for the 2022 and 2023 financial years. The key amendments are discussed below:

New ACNC reporting thresholds

The revised ACNC financial reporting thresholds will be effective for the 2021-22 financial year onwards in the 2022 and later Annual Information Statement(AIS) periods. The table below provides a comparison between the current thresholds and the new thresholds:

Charity size	Revenue threshold	
	Current threshold	**Revised threshold**
Small	Less than $250,000	Less than $500,000
Medium	$250,000 or less than $1 million	$500,000 or less than $3 million
Large	$1 million or more	$3 million more

New disclosure requirements for ACNC charities

Key management personnel compensation disclosures – certain large charities only

For the 2021-2022 financial year onwards in the 2022 and later AIS periods, large charities preparing SPFS will now be required to report KMP remuneration paid unless the charity has only one KMP who is remunerated and does not have KMP services provided by a 'separate management entity'. For charities that are impacted, the June 2022 reporting season will be the first year this new disclosure requirement will be applicable.

The ACNC Commissioner has exercised discretion that allows charities that prepare SPFS and apply AASB 124 *Related Party Disclosures* (AASB 124) to only disclose the total amount of KMP remuneration (i.e. sub-categories of KMP remuneration disclosures are not mandatory). Charities must as a minimum disclose key management personnel remuneration in total. Comparatives are also not required for the first year of disclosure in 2022 and charities only need to report one period of KMP in total.

Example 4. New KMP disclosures reporting requirements

Fact pattern

For the year ending 30 June 2022, a large charity currently has:

- Five board members who each received $12,000
- One board member received $2,800 for providing formal legal advice
- One general manager received salary and superannuation of $75,000
- One general manager received salary, superannuation and fringe benefits of $90 000

For the details above, assume each of these individuals meet the definition of a KMP in accordance with AASB 124 on the basis they are board members and senior executives.

Accounting considerations

1. **Do these amounts all meet the definition of KMP compensation?**

    - Five board members who each received $12,000 - **Yes**
    - One board member separately received $2,800 for providing formal legal advice - **No**
    - One general manager received salary and superannuation of $75,000 - **Yes**
    - One general manager received salary, superannuation and fringe benefits of $90 000 – **Yes**

2. **What is the total KMP remuneration?**

Total KMP remuneration = (5 x $12, 000) + $75,000 + $90,000 = $225,000

3. **What are the KMP disclosures for the year ended 30 June 2022?**

Scenario 1: GPFS in accordance with AASB 124

- Comparatives required and breakdown of KMP sub-categories required
- Total remuneration paid to KMP was $225,000

	2022	**2021**
Short- term employee benefits	$210,000	$205,500
Post-employment benefits	$15,000	$14,500
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total KMP remuneration	$225,000	$220,000

Scenario 2: GPFS in accordance with AASB 1060

- Comparatives required and no breakdown of KMP sub-categories required
- Total remuneration paid to KMP was $225,000

	2022	**2021**
Total KMP remuneration	$225,000	$220,000

Scenario 3: SPFS – Requirements under the ACNC legislative review amendments

- Charity to apply either AASB 124 or AASB 1060
- No comparatives and breakdown of KMP sub-categories required
- Total remuneration paid to KMP was $225,000

	2022
Total KMP remuneration	$225,000

Related party transaction disclosures – large and medium charities

For the 2022-2023 financial year onwards, all medium and large charities preparing SPFS will be required to report related party transactions in their 2023 and later AIS to the ACNC. This is aimed to increase transparency of transactions with related individuals or organisations that pose a higher risk of conflict of interest.

Under the new amendments for 2022-2023 financial year end onwards, charities preparing SPFS will need to comply with an additional AASB standard – AASB 124 in addition to the current five minimum standards required under the ACNC regulation as illustrated in the table below. A choice is provided to either adopt full disclosure requirements for all six minimum standards (including AASB 124) or Simplified Disclosure requirements in AASB 1060 for the six minimum standards as outlined in the table below. Similar to KMP disclosures, the ACNC Commissioner has exercised discretion that comparatives are not required for the first year of adoption of related party transaction disclosure in SPFS.

Standards		Option 1	Option 2
AASB 101 *Presentation of Financial Statements*	Existing	Full	AASB 1060
AASB 107 *Statement of Cash Flows*	Existing	Full	AASB 1060
AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	Existing	Full	AASB 1060
AASB 1048 *Interpretations of Standards*	Existing	Full	AASB 1060
AASB 1054 *Australian Additional Disclosures*	Existing	Full	Specified^
AASB 124 *Related Party Disclosures*	***New***	Full	AASB 1060

^ AASB 1054 paragraphs 1-6 *(Objective, Application, and Definitions)*, 9, 9A, 9B *(General Purpose or Special Purpose Financial Statements and Information about special purpose financial statements)* and 17 *(IFRS Standard Not Yet Issued in Australia)*.

Further information

For further details refer to our *May 2022 Client financial reporting update – Not for profit session* available at www.deloitte.com/may-2022-client-financial-reporting-update.

ACNC has also published some guidance around these additional ACNC legislative requirements to assist charities. Refer to the links below for additional details:

- Case study and multiple scenarios: Key management personnel remuneration
- Example and how charities can manage this requirement: Related party transactions
- AIS due dates: Annual Information Statement due dates

Sustainability reporting and climate-related disclosures

Sustainability reporting and climate related disclosures has been one of the key emerging issues. Following the establishment of the International Sustainability Standards Board (ISSB) during 2021, in March 2022 the ISSB published two exposure drafts, namely IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Further, in May 2022 the ISSB announced the steps it intends to take to establish a comprehensive global baseline of sustainability disclosures. The IFRS Foundation has outline how integrated reporting will be incorporated into the work of the IASB and ISSB. The speed of these global developments highlights the urgency of calls from the global investor community, regulators and standard setters for climate related reporting.

In Australia, the AASB has issued ED 321 *Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures* requesting feedback on the potential implications of the ISSB proposals and implementation in an Australian environment. Comments on AASB ED 321 closed on 15 July 2022 and the AASB will consider feedback on the ED at its subsequent meetings.

The AASB has noted that sustainability-related reporting for for-profit entities is significantly different to NFP entities and accordingly will require further outreach and research to determine the relevance of such reporting for NFP entities. We expect that mandatory disclosure of climate-related risk will be adopted by Australia in the future and that implementation may be challenging for impacted entities. Though timing on an Australian framework for NFP entities is currently uncertain, it is important to consider and plan to execute on the entity's intentions regarding the reporting of sustainability related disclosures. NFP entities should continue to monitor the ISSB's and AASB's developments.

Further information

For further details refer to our *May 2022 Client financial reporting update – Not for profit session* available at www.deloitte.com/may-2022-client-financial-reporting-update.

Aged care sector considerations

Accounting for the government relief packages

To support aged care providers that have been significantly affected by the economic impacts of COVID-19, the Australian Government has provided a range of financial support including the *COVID-19 Aged Care Support Program* which provides reimbursement for eligible expenditure incurred by approved aged care providers.

For the June 2022 reporting period, there has been delays in the approval of submitted grant claims under the *COVID-19 Aged Care Support Program* which has resulted in entities having lodged claims, but the approval has not been obtained by the end of the reporting period.

Under the *COVID-19 Aged Care Support Program*, there are certain guidelines to be followed, including the eligibility criteria for provider and expenditures as well as the application of a program funding cap (total grant program funding cap and a formula-based cap for each eligible entity). Each eligible entity can apply for a portion of the total grant funding (which is capped) over the specified grant period and in cases where there is insufficient funding, the grant will not be approved.

When accounting for such grants it is important to consider the grant eligibility criteria, the grant approval process and the impact of the capping restrictions on the timing of income recognition and other related amounts. For an entity to recognise a receivable, there should be a right to receive cash where the other party has little, if any, discretion to avoid the transfer of cash. Given that the entity only has the right to claim a portion of the combined pool where it has no visibility to the available fund pool and the grantor has the discretion to decline grant claims on the basis of insufficient funds, the criteria to recognise a receivable may not be met until the approval is obtained.

Removal of aged care bed licenses

In view of the announcement in the Federal Budget for 2021–22 and the decision by the Australian Government that bed licences will be discontinued from 1 July 2024, ASIC has released guidance for aged care providers to consider how the discontinuation of the current licencing regime may affect any bed licence intangible assets appearing on their statement of financial position in the lead up to 1 July 2024, in particular it is recommended that entities consider:

- Changes in the amortisation period
- Impairment of the licences
- Revaluations of licences
- Other assets
- Disclosure of judgements and uncertainties.

ASIC noted that while the discontinuation of the bed licences may result in a provider reporting an accounting loss, the cash flows of the business and ability to continue as a going concern may not be affected.

Other regulatory obligations

Some reminders on other NFP-specific regulatory obligations include:

- **Whistleblower requirements** – Charities structured as public companies limited by guarantee with annual consolidated revenue of $1million or more have a legal requirement to have a whistleblower policy, however the ACNC recommends that all charities should consider having a publicly available whistleblower policy even if not legally required to have one
- **Director's registrations** – Anyone who is a director of an entity that is a company or Aboriginal and Torres Strait Islander corporation will need to apply for a director identification number (director ID). A director ID is a unique 15-digit identifier that a director will apply for once and keep forever. The timing requirement to apply for the director ID depends on when the person became a director for the first time, and under which act the person was appointed.
- **Material errors** – Entities registered with the ACNC have obligations to inform the ACNC of any material errors identified in the AIS or financial statements after submission. Small entities are required to inform the ACNC within 60 days of identifying the error and large and medium entities must inform the ACNC within 28 days of identifying the error.

Conclusion

The constant developments in the regulatory environment and accounting standards continue to provide challenges in financial reporting for NFP entities. With Tier 2 NFP entities mandatorily applying AASB 1060 for the first-time for June 2022 reporting periods and ACNC-registered entities preparing SPFS complying with new key management personnel disclosures, this June 2022 reporting season is expected to be a challenging reporting season for many NFP entities. We recommend that entities develop a comprehensive plan for addressing these challenges, the post-implementation issues arising from the income recognition requirements in AASB 1058 and AASB 15, as well as other matters arising from changing regulatory requirements identified in this publication.

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