Deloitte.

Tier 1 model financial statements

Appendix 3 – Not-for-profit illustrative disclosures

Financial reporting periods ending on or after 31 December 2020

Appendix 3 – Not-for-profit illustrative disclosures

About these disclosures

Purpose

Deloitte Touche Tohmatsu has designed Australian not-for-profit (NFP) specific illustrative disclosures to be used as a guide, in conjunction with the model financial reports, to assist the majority of NFP entities meet their general financial reporting requirements.

This set of illustrative disclosures is an addition to Appendix 2 – Australian-specific disclosures of the Tier 1 model financial statements (for financial reporting periods ending on or after 31 December 2020) to include NFP specific considerations.

New and revised Accounting Standards

Appendix 2 – Australian-specific disclosures of the Tier 1 model financial statements sets out:

- Amendments to Australian Accounting Standards that are mandatorily effective for the current period (i.e. for the year ending 31 December 2020)
- New and revised Australian Accounting standards that are not mandatorily effective (but allow early application) for the year ending 31 December 2020
- IASB Standards and IFRIC Interpretations for which equivalent Australian Accounting Standards and Interpretations have not yet been issued.

For NFP entities, the following pronouncement is mandatorily effective for the current period for NFP entities preparing special purpose financial statements:

- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements* (AASB 2019-4).

Illustrative disclosures for the above pronouncement are not included in this document as it does not impact 'Tier 1' financial statements. The impacts of the above changes are discussed in the Model special purpose financial statements (December 2020), available at www.deloitte.com/au/models. Entities should analyse the impact based on their specific facts and circumstances.

Other notes

To further assist NFP entities in complying with the disclosure requirements of the lease and revenue requirements contained in AASB 16 *Leases*, AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* that were applied in the previous financial reporting period (periods beginning 1 January 2019), this set of illustrative disclosures also covers certain accompanying notes to the financial statements, which include:

- Note 3 'Significant accounting policies' – which sets out the revenue recognition policy for the various revenue streams
- Note 4 'Critical accounting judgements' – which sets out the judgements involved in the assessment of 'sufficiently specific' performance obligations when accounting for revenue
- Note 31 'Leases' – which sets out the additional disclosures for concessionary leases accounted for under the cost model

This section contains illustrative disclosures that are suitable for use as a guide only and will not be appropriate for use by all NFP entities. Each NFP entity should consider its respective circumstances and amend the disclosures as necessary.

Index to the disclosures included in this appendix

Notes to the financial statements

Source

2. Adoption of new and revised Australian Accounting Standards

How to use this section in conjunction with the Tier 1 model financial statements

This set of illustrative disclosures is an addition to Note 2 in Appendix 2 – Australian-specific disclosures of the Tier 1 model financial statements (for financial reporting periods ending on or after 31 December 2020) to include NFP specific considerations.

The below Standards and Interpretations are required to be disclosed in the financial statements if they are deemed to be relevant for the NFP entity. Entities are also required to disclose NFP specific considerations (where applicable) as illustrated below.

Entities are required to disclose in their financial statements the potential impact of new and revised Accounting Standards that have been issued but are not yet effective. The disclosures reflect a cut-off date of 13 January 2021. The potential impact of any new or revised Standards and Interpretations issued by the AASB or IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

The impact of the application of the new and revised Accounting Standards is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

2.1 New and amended Accounting Standards that are effective for the current year

AASB 108.28
AASB 108.31

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

Pronouncements effective in the current period for NFP entities preparing special purpose financial statements

The following pronouncement is relevant for the annual reporting period of not-for-profit entities preparing special purpose financial statements:

- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*.

AASB 2019-4 introduces additional disclosures in special purpose financial statements on the compliance with recognition and measurement requirements and is mandatorily effective for the current period (i.e. for the year ending 31 December 2020) for NFP entities.

Illustrative disclosures for the above pronouncement are not included in the information that follows as it does not impact 'Tier 1' financial statements. The impacts of the above changes are discussed in the Model special purpose financial statements (December 2020), available at www.deloitte.com/au/models.

Source

2. Adoption of new and revised Australian Accounting Standards (continued)

2.1 New and amended Accounting Standards that are effective for the current year (continued)

Other pronouncements to consider

The following new Standards are not applicable for the Group but are relevant for the period:

AASB 1059 *Service Concession Arrangements: Grantors*
This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.

AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*
This Standard amends AASB 16 and AASB 1059 to amend transitional relief relating to service concession arrangements.

AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*
This Standard amends AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to provide optional relief for governments that prepare whole of government general purpose financial statements and General Government Sector (GGS) financial statements from disclosing GFS measures of key fiscal aggregates and GAAP/GFS Reconciliations.

2.2 New and revised Australian Accounting Standards on issue but not yet effective

AASB 108.30, 31

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

AASB 108.31(a), (c), (d)

Standard/amendment	Effective for annual reporting periods beginning on or after
[Describe]	

Source

2. Adoption of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards on issue but not yet effective

Changes to the differential reporting framework

The following Standard is not included in the above list, as it does not impact 'Tier 1' financial statements:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The impacts of the above changes are discussed in the Australian financial reporting guide, available at www.deloitte.com/au/models.

AASB 108.30 requires entities to give known or reasonably estimable information relevant to assessing the possible impact that application of any new or revised Accounting Standard will have on the entity's financial statements in the period of initial application.

Entities should analyse the impact of these amendments on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

It has been assumed for the purposes of these illustrative financial statements that the application of many of the above new or revised Accounting Standards, and amendments to the Accounting Standards, will not have a material impact to the amounts recognised or disclosures in these illustrative financial statements. Entities should analyse the impact of these new or revised Accounting Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Source

3. Significant accounting policies

This set of illustrative disclosures is an addition to Note 3 of the Tier 1 model financial statements (for financial reporting periods ending on or after 31 December 2020) to include NFP specific considerations.

Note 3 of the Tier 1 model financial statements sets out examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.

The illustrative accounting policies disclosures below should be tailored to be specific to the entity.

Revenue recognition

AASB 108.28
AASB 108.31
AASB 1058.8-10

The Group recognises income from its main revenue/income streams, as listed below:

- Government grants
- Donations and bequests
- Capital grants

Government grants, donations and bequests

When the Group receives government grants, donations and bequests that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives) , it performs an assessment to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not 'enforceable' or the performance obligations are not 'sufficiently specific'), the transaction is accounted for under AASB 1058 where the Group:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards (e.g. AASB 9, AASB 16, AASB 116 and AASB 138)
- Considers whether any other financial statement elements should be recognised ('related amounts') in accordance with the relevant applicable Australian Accounting Standard including:
  - contributions by owners (AASB 1004)
  - a lease liability (AASB 16)
  - revenue, or a contract liability arising from a contract with a customer (AASB 15)
  - a financial instrument (AASB 9)
  - a provision (AASB 137)

AASB 1058.15-17

- Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

Capital grants – Buildings

For capital grants received under an enforceable agreement where it includes a transfer to enable the Group to acquire or construct a recognisable non-financial asset to identified specifications which will be controlled by the Group when completed, the Group recognises a liability for the excess of the fair value of the transfer over any related amounts recognised and recognises income as it satisfies its obligations under the transfer.

As the capital grants received by the Group are primarily for the construction of buildings, the Group recognises income as the buildings are constructed (when it satisfies its obligations).

Source

3. Significant accounting policies (continued)

Unrecognised revenue

AASB 1058.19

Volunteer services

The Group regularly receives volunteer services as part of its operations. Under AASB 1058, private sector not-for-profit entities have a policy option to account for donated services at fair value if the fair value can be reliably measured.

AASB 102.Aus10.1-Aus10.2

While the Group has assessed that the fair value of its volunteer services can be reliably measured, it has decided to adopt the policy option not to recognise volunteer services. Accordingly, no amounts are recognised in the financial statements for volunteer services.

Donated inventories

As part of its operations, the Group receives donations of goods which may then be used in its activities. AASB 102 requires the donated inventories to be measured at current replacement cost and any related amounts to be accounted for under AASB 1058.

The Group has decided to make use of the practical expedient under AASB 102 and apply the materiality assessment at the individual item level (instead of the portfolio level) when recognising donated inventories. Based on an assessment, the Group has noted that it only receives individually immaterial donations of inventory and accordingly will not be required to recognise such donated inventories. Accordingly, no amounts are recognised in the financial statements for donated inventories.

4. Critical accounting judgements and key sources of estimation uncertainty

This set of illustrative disclosures is an addition to Note 4 of the Tier 1 model financial statements (for financial reporting periods ending on or after 31 December 2020) to include NFP specific considerations.

The following are examples of the types of disclosures that might be required in this area. The nature of these disclosures is very specific to an individual Group's particular circumstances.

Revenue recognition

To determine if a grant contract should be accounted for under AASB 1058 or AASB 15, the Group has to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations. When assessing if the performance obligations are 'sufficiently specific', the Group has applied significant judgement in this regard by performing a detailed analysis of the terms and conditions contained in the grant contracts, review of accompanying documentation (e.g. activity work plans) and holding discussions with relevant parties.

Income recognition from grants received by the Group has been appropriately accounted for under AASB 1058 or AASB 15 based on the assessment performed.

[Expand as necessary to highlight any specific areas that were assessed and the judgements made]

Source

31. Leases (Group as a lessee)

This set of illustrative disclosures is an addition to Note 31 of the Tier 1 model financial statements (for financial reporting periods ending on or after 31 December 2020) to include NFP specific considerations.

The following are examples of the types of disclosures that might be required in this area. The nature of these disclosures is very specific to an individual Group's particular circumstances.

Concessionary leases

AASB 16.Aus59.1-2

The Group leases a building from the State Government with significantly below-market terms and conditions principally to enable it to further its objectives.

The Group is dependent on this lease to further its objectives as it utilises the building to run its operations to deliver its services. The Group is restricted on the use of the building as agreed with the State Government and may not utilise it for other purposes including sub-leasing to other entities. The lease term is for 10 years and the lease payments are CU____ per annum, payable annually.

As outlined in the Group's accounting policy in note 3, the Group has elected to measure this lease at cost.

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