

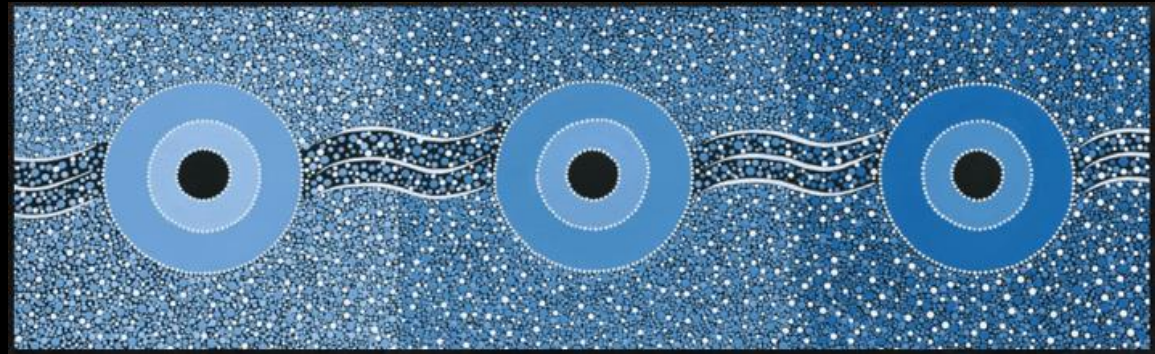
Client financial reporting update
– Not for profit session

Bringing the pieces together

May 2022

Acknowledgement of Country

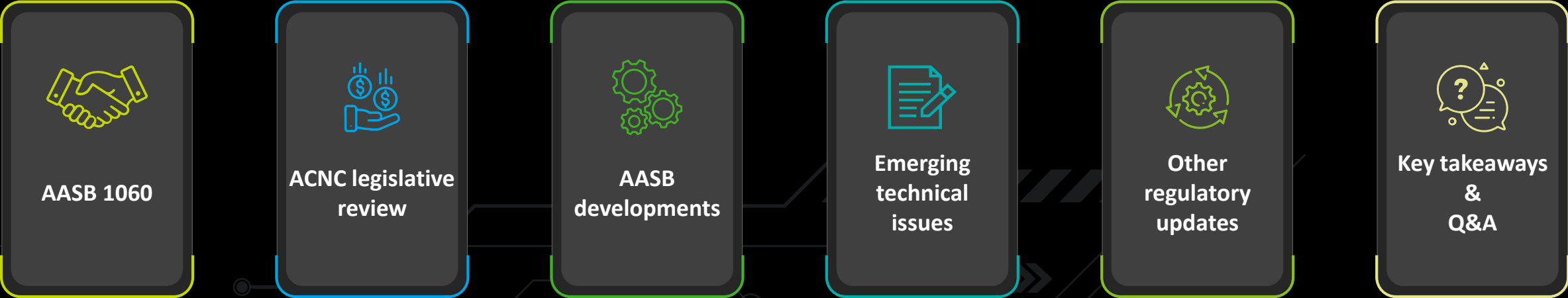
“We acknowledge the traditional custodians of the land on which this event takes place, and their continuing connection to the land and community



We pay respect to them and their culture, and the elders past, present and emerging”

Artwork: Nyiirun Gathay Yayn.Giliyn (“Walking Together”) by Birrbay artist Angela Marr-Grogan

Agenda and facilitators



Moana Overton
Partner
Accounting Technical



Isabelle Lefevre
Partner
NFP Audit Lead



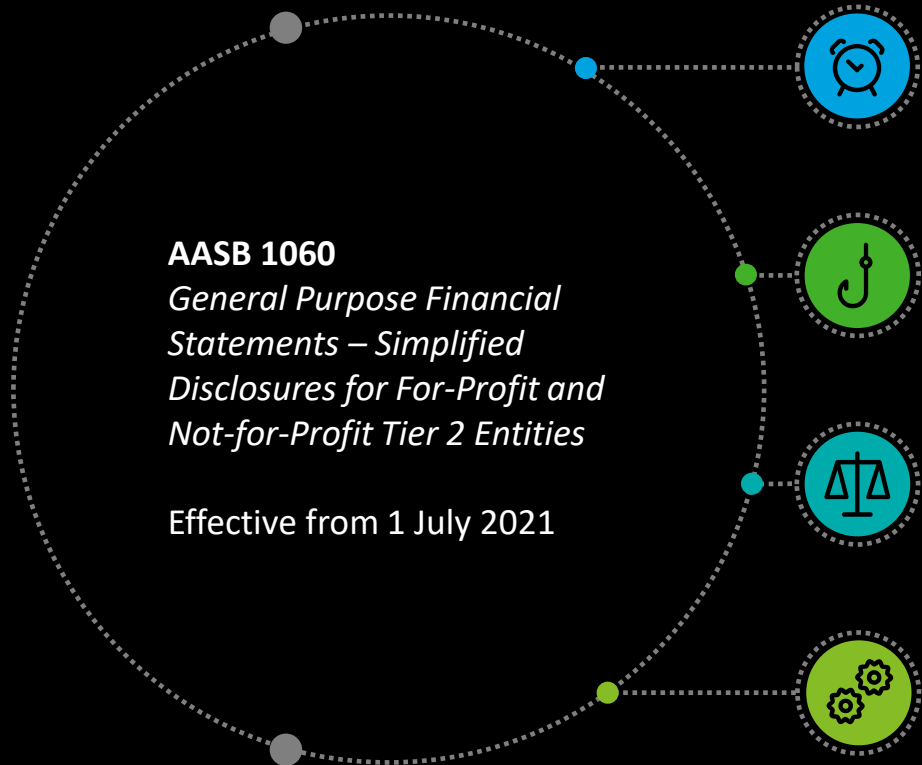
Maybelle Chia
Director
Accounting Technical




Mel Yates
Director
ACNC

NFP CFRU May 2022: Bringing the pieces together

Simplified Disclosures framework – AASB 1060



 Does not apply to NFP entities currently preparing SPFS

Act now

- Date of transition has passed! (1 July 2021)
Mandatory for June 22 reporting season for entities previously preparing Reduced Disclosure Requirements (RDR)

Who does it impact?

- Tier 2 entities previously preparing Reduced Disclosure Requirements (RDR)

Transition requirements are complex

- Understand the transition requirements and the key differences between the frameworks

Communicate and plan

- Put processes in place to achieve transition within reporting deadlines
- Reach out to your Deloitte contact

Helpful resources and links



- AASB 1060 Webinar: www.deloitte.com/au/cfru
- Clarity publications: www.deloitte.com/au/clarity
- Model financial statements: www.deloitte.com/au/models
- Disclosure checklist: www.deloitte.com/au/models

Panel discussion



ACNC legislative review – Cutting red tape for charities

Comparatives

Will not be required in the first year of adoption

Key management personnel 'KMP' disclosures (SPFS impact only)

Effective: 2022 AIS reporting period onwards [June 2022/Dec 2022 year ends]

Large charities will be required to report KMP remuneration unless the charity:

- Has only one KMP who is remunerated and
- Does not have KMP services provided by a 'separate management entity'

New financial reporting thresholds

Effective: 2022 AIS reporting period onwards [June 2022/Dec 2022 yearends]

Charity size

Revenue thresholds

	Current thresholds	Revised thresholds
Small	Less than \$250,000	Less than \$500,000
Medium	\$250,000 or more and less than \$1 million	\$500,000 or more and less than \$3 million
Large	\$1 million or more	\$3 million or more

Related party transaction disclosures (SPFS impact only)

Effective: 2023 AIS reporting period onwards [June 2023/Dec 2023 year ends]

Related party transaction disclosures (AASB 124) required for all medium and large charities

- Choice: Full disclosures or AASB 1060 version of the disclosures (note: special reporting rules in AASB 1054 will apply)

ACNC legislative review – New reporting requirements



Example:

- Year ending 30 June 2022 a large sized charity has:
 - Five board members received \$12,000 each
 - One board member separately received \$2,700 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

Is this all KMP?

- Five board members who each received \$12,000 - **YES**
- One board member separately also received \$2,700 for providing formal legal advice – **NO** (related party transaction)
- One General Manager received salary and superannuation of \$75,000 - **YES**
- One General Manager received salary, superannuation and fringe benefits of \$90,000 – **YES**
- $KMP = (5 \times \$12,000) + \$75,000 + \$90,000 = \$225,000$



KMP Disclosures:

- SPFS - either AASB 124 or AASB 1060:
 - Total remuneration paid to key management personnel was \$225,000
- No comparatives and breakdown of KMP sub-categories required [discretion]*
- GPFS - SD in accordance with AASB 1060:

	2022	2021
Total Key Management Personnel remuneration	\$225,000	\$xxx,000
- Comparatives required (assumed figure) and no breakdown of KMP sub-categories required*
- GPFS in accordance with AASB 124:
 - Comparatives required and breakdown of KMP sub-categories required*

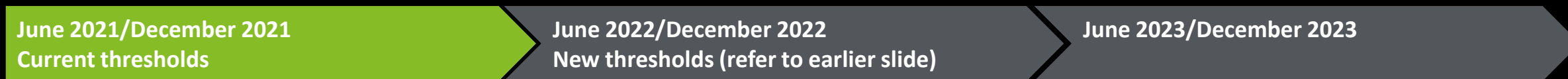
Useful resources:



- Case study and multiple scenarios to assist [Key management personnel remuneration | ACNC](#)
- Example and how your charity can manage this requirement [Related party transactions | ACNC](#)
- AIS due dates [Annual Information Statement due dates | ACNC](#)

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Overview – Upcoming changes for 2022 & 2023



Tier 1 GPFS

Tier 2 GPFS – RDR

SPFS

Minimum 5 standards (ACNC regulation)

AASB 101 <i>Presentation of Financial Statements</i>
AASB 107 <i>Statement of Cash Flows</i>
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
AASB 1048 <i>Interpretation of Standards</i>
AASB 1054 <i>Australian Additional Disclosures</i>

Tier 1 GPFS – No change

Tier 2 GPFS – SD (AASB 1060) + comparatives *new*

SPFS

Minimum 5 standards (ACNC regulation)

AASB 101 <i>Presentation of Financial Statements</i>
AASB 107 <i>Statement of Cash Flows</i>
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
AASB 1048 <i>Interpretation of Standards</i>
AASB 1054 <i>Australian Additional Disclosures</i>

+ KMP compensation disclosures *new*:

- KMP disclosure exemption:
 - All medium charities
 - Large charities with:
 - ✓ Only one KMP who is remunerated and
 - ✓ Does not have KMP services provided by a ‘separate management entity’
- No comparatives required for first year adoption of KMP compensation disclosures in SPFS

Tier 1 GPFS – No change

Tier 2 GPFS SD (AASB 1060) – No change

SPFS

Minimum 6 standards (ACNC regulation)

Standards	Option 1	Option 2
AASB 101 <i>Presentation of Financial Statements</i>	Full	AASB 1060
AASB 107 <i>Statement of Cash Flows</i>	Full	AASB 1060
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Full	AASB 1060
AASB 1048 <i>Interpretation of Standards</i>	Full	AASB 1060
AASB 1054 <i>Australian Additional Disclosures</i>	Full	Specified^ (refer below)
AASB 124 <i>Related Party Disclosures</i> *new*	Full	AASB 1060

^ AASB 1054 paragraphs 1-6, 9, 9A, 9B and 17

+ Related party transaction disclosures *new*:

- AASB 124 (excluding KMP): Mandatory for all medium & large entities
- No comparatives required for first year adoption of related party disclosures in SPFS
- KMP disclosure exemption: All medium charities and certain large charities

Panel discussion



AASB developments

NFP private sector financial reporting framework – Removal of SPFS & new Tier 3



Differential reporting tiers

- Tier 1 and Tier 2 – Available for those preparing GPFS
- Development of Tier 3 reporting (e.g. entities currently preparing SPFS)



Discussion paper

- Removal of option for NFP private sector entities to prepare SPFS
- Not to specify application threshold for the tiers



Tier 3 – Consolidation

- Controlled entities – Choice:
- Consolidated financial statements per AASB 10
 - Separate financial statements (disclosure of ‘significant relationships’)



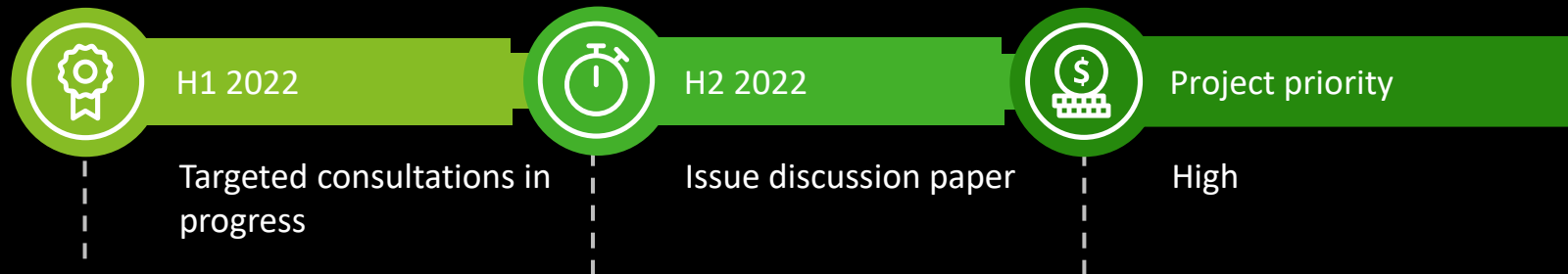
Tier 3 – Leases

- Leases (other than concessionary leases):
- Recognise lease expense/income on a straight-line basis over lease term
 - Disclosure of lease commitments



Tier 3 primary financials

- Statement of financial position
- Statement of profit or loss and other comprehensive income
- Statement of cash flows (with disclosure reliefs)
- Consider if statement of changes in equity is required



Panel discussion



AASB developments

AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15



Concessionary leases

Accounting policy choice in AASB 16 *Leases* to initially measure a class of concessionary right-of-use assets at cost or fair value:

- NFP private sector lessees – Retain the accounting policy choice on an ongoing basis
- NFP public sector lessees – Defer consideration of the accounting policy choice pending Board decision on any additional guidance for measuring the fair value of ROU assets under concessionary leases

Income recognition – Amendments to illustrative examples:

Proposed amendments in AASB ED 318 (January 2022)	Board decision (April 2022)
New Example 7A in AASB 15 – Addresses the accounting for upfront fees received	✓ Included in amending Standard
Amendment of Example 3 in AASB 1058 – Clarifies the analysis regarding the recognition of a financial liability	✗ Board decided not to proceed with amendments



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Issue 1: Upfront Fees



For upfront fees (where AASB 15 applies), the 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



Example

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 2 years.

Accounting:

- Contract is in the scope of AASB 15
- Non-refundable upfront fee does not relate to an activity that represents a separate performance obligation (it relates to internal administrative activities). In substance the upfront fee is an advance payment for future services
- Upfront fee is recognised as revenue as the future services are provided over the two-year contract period

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Issue 2: Transfer of goods/services vs. cash

Considerations:

- Is there a transfer of specific goods or services required under the terms?
- 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)?



Issue 1: Transfer of services

If in the scope of AASB 15:

DR Cash	\$X	
CR Contract liability		\$X
DR Contract liability	\$X	
CR Revenue		\$X



Issue 2: Transfer of cash

If in the scope of AASB 9:

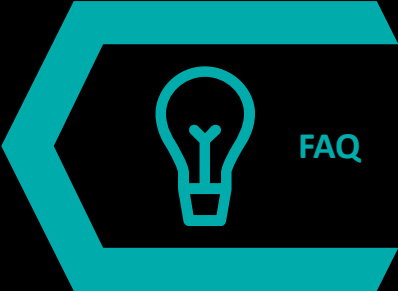
DR Cash	\$X	
CR Financial liability		\$X

Considerations:

- Measurement of financial liability (day 1 gain/loss)
- Role of entity as principal vs. agent (decision making)

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Issue 3: Principal vs. Agent considerations



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

Example A – Principal

Fact pattern:

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

Accounting:

DR	Cash	\$100	
CR	Contract Liability		\$100
<i>On receipt of cash from grantor</i>			
DR	Expense	\$100	
CR	Cash		\$100
DR	Contract Liability	\$100	
CR	Revenue		\$100

On payment to sub-contractor for delivery of services



Example B – Agent

Fact pattern:

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

Accounting:

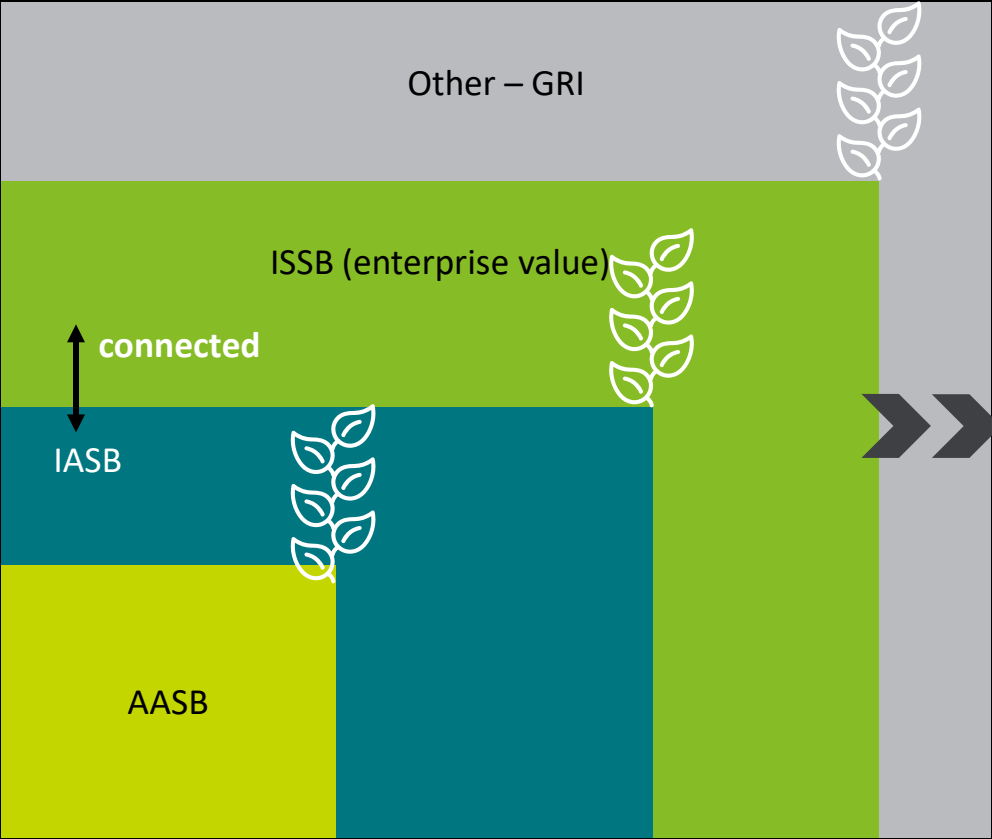
DR	Cash	\$105	
CR	Financial Liability		\$100
CR	Contract Liability		\$5
<i>On receipt of cash from grantor</i>			
DR	Financial Liability	\$100	
CR	Cash		\$100
DR	Contract Liability	\$5	
CR	Revenue		\$5

On disbursement of cash to recipients (delivery of promised services)



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Sustainability reporting: Focus on climate change



ED 321 issued for feedback on ISSB drafts; comments due 15 July 2022

- Governance
- Strategy
- Risk management
- Metrics & targets



Includes industry based disclosures



S1 General Requirements for Disclosure of Sustainability-related Financial Information
 Baseline sustainability-related financial disclosures

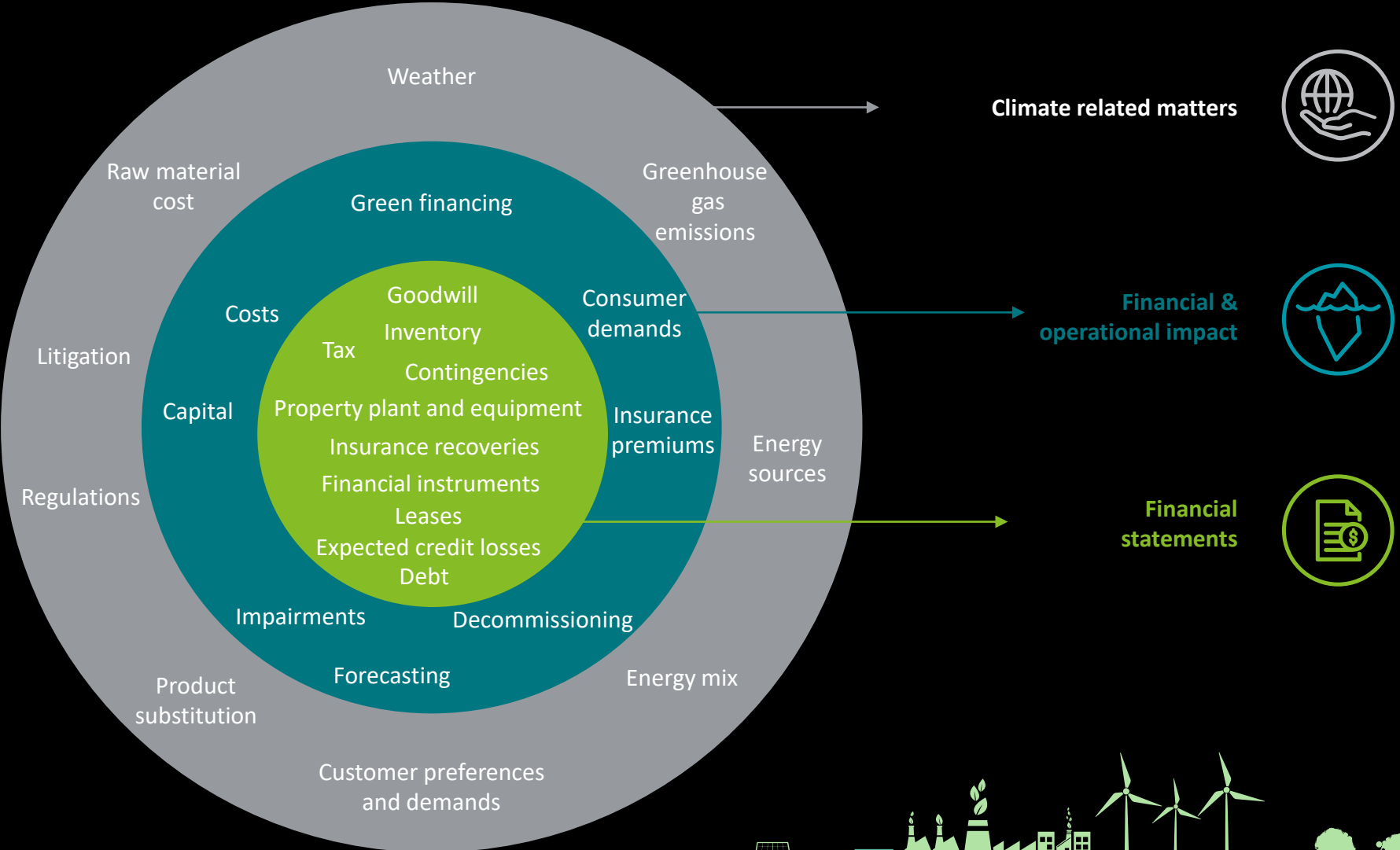


S2 Climate-related disclosures
 Disclosures to allow investor assessment of climate related risks

Comments due by 29 July 2022

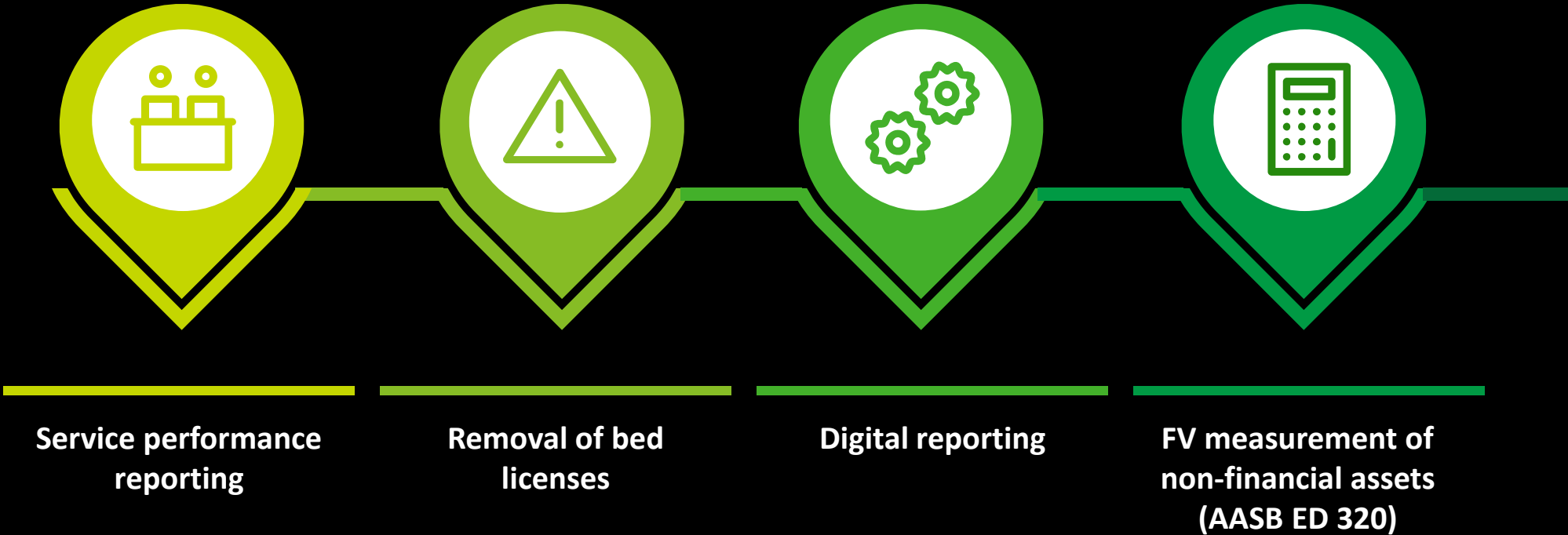
CFRU May 2022: Bringing the pieces together

Sustainability reporting: Focus on climate change



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Emerging technical issues – Other future considerations



Panel discussion



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Other regulatory items

- Required for charities structured as public companies limited by guarantee with annual consolidated revenue of \$1 million
- Recommended by ACNC for all charities



Date person became a director	Deadline to apply for a Director ID*
On or before 31 October 2021	By 30 November 2022
Between 1 November 2021 and 4 April 2022	Within 28 days of appointment
From 5 April 2022	Before appointment

How ACNC ensures that charities meet their obligations – Past enforceable undertakings:

- Improvement of governance processes
- Rectification of significant governance failings



Obligations to inform ACNC of any material errors identified after submission:

- Within 60 days for small charities
- Within 28 days for large & medium charities

Panel discussion





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