



Model Tier 2 Simplified Disclosures financial statements

Appendix – Not-for-profit illustrative disclosures

Reporting periods ending on or after
31 December 2020

Appendix – 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 Model Tier 2 'Simplified Disclosures' – comprehensive example (reporting periods ending on or after 31 December 2020) to include NFP specific considerations. It has been designed by Deloitte Touche Tohmatsu to assist in the preparation of **general purpose financial statements** of a **not-for-profit private sector entity** in accordance with:

- Australian Accounting Standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (as amended)
- The recognition and measurement requirements of all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB)
- Provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, insofar as they relate to the primary financial statements and notes to the financial statements.

The versions of the above pronouncements referred to in this publication are those on issue at 31 March 2021.

About these illustrative disclosures

Comprehensive example

This document contains additional NFP specific considerations to illustrate an example general purpose financial statements prepared by a private sector NFP entity transitioning from Tier 2 – Reduced Disclosure Requirements to Australian Accounting Standards – Simplified Disclosures on the basis the entity:

- Previously prepared general purpose financial statements under Tier 2 – Reduced Disclosure Requirements
- Is applying Australian Accounting Standards – Simplified Disclosures for the first time before the mandatory application date
- Has not applied any reliefs on transition as the optional reliefs for early adopters in Appendix E of AASB 1053 *Application of Tiers of Australian Accounting Standards* are only applicable to for-profit entities.

To illustrate the disclosures on income of NFP entities as required by paragraphs 226-237 of AASB 1060, this publication includes examples of common revenue streams of not-for-profit private sector entities. Please note that these not-for-profit revenue streams will not tie to the consolidated statement of profit or loss and other comprehensive income in Model Tier 2 'Simplified Disclosures' – comprehensive example as Tier 2 Comprehensive Pty Limited is a for-profit entity.

This example includes the disclosures required by AASB 1060, either in illustrative or narrative form, in so far as those disclosures relate to **private sector not-for-profit entities**. Entities with other circumstances should ensure they comply with the relevant disclosures and transition requirements of AASB 1053 and AASB 1060.

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.

Public sector entities

Disclosure guidance specific to public sector entities has been highlighted in this document by being shaded using light green colouring as illustrated here.

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Notes to the consolidated financial statements

Source

2. Changes in accounting policies and changes in estimates

Overview of requirements on transition to AASB 1060

Early adoption

AASB 1060.B1(a)

The directors have elected to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* prior to its mandatory effective date (annual reporting periods beginning on or after 1 July 2021).

As a result of the early application of AASB 1060, these financial statements have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures.

Previous reporting framework and transition adjustments

AASB 1060.210(a)

The entity previously prepared general purpose financial statements under Tier 2 – Reduced Disclosure Requirements. There were no transition adjustments other than a few disclosure changes on the adoption of Australian Accounting Standards – Simplified Disclosures. As the entity is a not-for-profit entity, there are no reliefs available on early adoption.

Proposals for transitional relief between Tier 2 frameworks for NFP entities

ED 306

In June 2020, the AASB issued Exposure Draft 306 *Transition Between Tier 2 Frameworks for Not-for-Profit Entities* (available at www.aasb.gov.au).

ED 306 proposes limited comparative information relief for NFP entities adopting AASB 1060 early by transitioning from Tier 2 – Reduced Disclosure Requirements to Tier 2 – Simplified Disclosures.

Currently, such not-for-profit entities cannot access the same comparative information relief that is available to for-profit private sector entities in those circumstances.

ED 306 therefore proposes limited relief for not-for-profit entities that adopt AASB 1060 early, that is, for reporting periods beginning before 1 July 2021, from having to present comparative information in the notes to the financial statements if the entity did not previously disclose the comparable information in its most recent previous Tier 2 general purpose financial statements.

The proposals in ED 306 were open for comment until 15 January 2021.

At its February 2021 meeting, the AASB decided it will proceed with the proposals in ED 306 with only minimal changes.

The amendments will provide NFP entities adopting AASB 1060 early with relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements.

An amending Standard is expected to be issued in Q1 of 2021 but has not been issued as at 31 March 2021.

Source

3. Judgements and key sources of estimation uncertainty

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the performance and financial position of the entity.

Judgements made in applying accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

AASB 1060.96

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]

4. Revenue

AASB 1060.229

Government grant

AASB 1060.229

Donations and bequests

AASB 1060.229

Capital grants

Total

31/12/2020
\$'000

31/12/2019
\$'000

	31/12/2020 \$'000	31/12/2019 \$'000
Government grant		
Donations and bequests		
Capital grants		
Total		

Capital grants

The entity has recognised the following liabilities arising from capital grants received to construct an asset to be controlled by the entity:

AASB 1060.233

Included in contract liabilities from contracts with customers are capital grants received as follows:

Balance as at 1 January

Additional grants received during the year

Revenue recognised in profit or loss

Refunds during the year

Balance as at 31 December

31/12/2020
\$'000

31/12/2019
\$'000

	31/12/2020 \$'000	31/12/2019 \$'000
Balance as at 1 January		
Additional grants received during the year		
Revenue recognised in profit or loss		
Refunds during the year		
Balance as at 31 December		

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

Source

23. Lease liabilities**Concessionary leases**

AASB 1060.151

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 45, the Group has elected to measure this lease at cost.

45. Significant accounting policies

AASB 1060.95

The following are 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 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.

Where the consideration to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives, 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).

Source

45. Significant accounting policies (continued)**Revenue recognition (continued)*****Government grants, donations, and bequests (continued)***

In cases where the consideration is solely performance obligations under an enforceable contract and sufficiently specific to enable determination as to when the obligations are satisfied, the transaction is accounted for under AASB 15.

AASB 1058.15-17

Capital grants - Buildings

For capital grants received under an enforceable agreement where the grant 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 then recognises income, in respect of the amount attributable to the capital grant, 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 obligation).

Unrecognised revenue***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.

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.

Inventories

AASB 1060.124

Not-for-profit entities shall disclose the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used.

Source

46. Disclosure requirements for public sector entities

The following are disclosure requirements specific to public sector entities as required under AASB 1060. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements.

Borrowing costs

AASB 1060.163

A not-for-profit public sector entity shall disclose the accounting policy it has adopted for borrowing costs.

AASB123.Aus8.1

A not-for-profit public sector entity may elect to recognise borrowing costs as an expense in the period in which they are incurred regardless of how the borrowings are applied.

Reconciliations

AASB 1060.213

AASB 1.Aus3.2

In rare circumstances where a not-for-profit public sector entity may experience extreme difficulties in complying with the requirements of certain Australian Accounting Standards due to information deficiencies that have caused the entity to state non-compliance with previous GAAP, the disclosure specified in paragraph 3 of AASB 1 for the application of AASB 1 are taken to be satisfied provided the entity:

- Discloses in its first Australian-Accounting-Standards-Simplified-Disclosures financial statements:
 - An explanation of information deficiencies and its strategy for rectifying those deficiencies
 - The Australian Accounting Standards that have not been complied with
- Makes an explicit and unreserved statement of compliance with other Australian Accounting Standards for which there are no information deficiencies.

Contributions

AASB 1060.215

A government department shall disclose liabilities that were assumed during the reporting period by the government or other entity.

Restructure of administrative arrangements

AASB 1060.216-218

When activities are transferred as a consequence of a restructure of administrative arrangements, a government controlled not-for-profit transferee entity shall disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and items of income recognised by the transferor during the reporting period. If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

For each material transfer, the assets and liabilities transferred as a consequence of a restructure of administrative arrangements during the reporting period shall be disclosed by class, and the counterparty transferor/transferee entity shall be identified. With respect to transfers that are individually immaterial, the assets and liabilities transferred shall be disclosed on an aggregate basis.

Administrative items

AASB 1060.219-220

A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department:

- Administered income, showing separately each major class of income
- Administered expenses, showing separately each major class of expense
- Administered assets, showing separately each major class of asset
- Administered liabilities, showing separately each major class of liability.

Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department's complete set of financial statements.

Source

46. Disclosure requirements for public sector entities (continued)**Land under roads**

AASB 1060.221

An entity which applied AASB 1051 *Land Under Roads* shall disclose its accounting policy for land under roads acquired before the end of the first reporting period ending on or after 31 December 2007, in each reporting period to which AASB 1051 is applied.

Budgetary reporting

AASB 1060.222

Where an entity applies AASB 1055 *Budgetary Reporting* and its budgeted:

- Statement of financial position
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity, or
- Statement of cash flows

reflecting controlled items is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:

- The original budgeted financial statement presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement prepared in accordance with Australian Accounting Standards
- Explanation of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.

AASB 1060.223

Where an entity within the General Government Sector (GGS)'s budgeted financial information reflecting major classes of administered income and expenses, or major classes of administered assets and liabilities, is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:

- That original budgeted financial information presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted for the corresponding information about administered items disclosed in accordance with AASB 1050 *Administered Items*
- Explanations of major variances between the actual amounts disclosed in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.

AASB 1060.224

Comparative budgetary information in respect of the previous period need not be disclosed.

AASB 1060.225

When disclosing budgetary information under paragraphs 222–224, an entity shall comply with the requirements in AASB 1055 *Budgetary Reporting*.

Source

46. Disclosure requirements for public sector entities (continued)**Non-contractual income arising from statutory requirements**

AASB 1060.230

An entity shall disclose income arising from statutory requirements (such as taxes, rates and fines) recognised during the period, disaggregated into categories that reflect how the nature and amount of income (and the resultant cash flows) are affected by economic factors.

AASB 1060.231

An entity shall consider disclosing information about assets and liabilities recognised at the reporting date in accordance with AASB 1058 *Income of Not-for-Profit Entities*, including the amounts of:

- Receivables that are not a financial asset as defined in AASB 132 (e.g. income tax receivable from a taxpayer)
 - Interest income recognised in relation to such receivables during the period
 - Impairment losses recognised in relation to such receivables during the period
- Financial liabilities relating to prepaid taxes or rates for which the taxable event has yet to occur, and the future period(s) to which those taxes or rates relate.

AASB 1060.232

Other information that may be appropriate for an entity to disclose includes, for each class of taxation income that the entity cannot measure reliably during the period in which the taxable event occurs (see paragraphs B28–B31 of AASB 1058):

- Information about the nature of the tax
- The reason(s) why that income cannot be measured reliably
- When that uncertainty might be resolved.

Compliance with parliamentary appropriations and other related authorities for expenditure

AASB 1060.239

An entity shall disclose:

- A summary of the recurrent, capital or other major categories of amounts authorised for expenditure (including parliamentary appropriations), disclosing separately:
 - The original amounts appropriated
 - The total of any supplementary amounts appropriated and amounts authorised other than by way of appropriation (e.g. by the Treasurer, other Minister or other legislative authority)
- The expenditures in respect of each of the items disclosed in (a) above
- The reasons for any material variances between the amounts appropriated or otherwise authorised and the resulting associated expenditures, and any financial consequences for the entity of unauthorised expenditure.

AASB 1060.240

For the purposes of resource allocation decisions, including assessments of accountability, AASB 1058 requires that users of financial statements of government departments and other public sector entities that obtain part or all of their spending authority for the period from a parliamentary appropriation be provided with information about the amounts appropriated or otherwise authorised for the entity's use, and whether the entity's expenditures were as authorised.

Source

46. Disclosure requirements for public sector entities (continued)

Compliance with parliamentary appropriations and other related authorities for expenditure (continued)

This information may be based on acquittal processes applied by an entity. When spending limits imposed by parliamentary appropriation or other authorisation have not been complied with, information regarding the amount of, and reasons for, the non-compliance is relevant for assessing the performance of management, the likely consequences of non-compliance, and the ability of the entity to continue to provide services at a similar or different level in the future.

AASB 1060.241

Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations for each activity or output, is sufficient for most users of such an entity's financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. To develop effective disclosures, entities also subject to AASB 1055 might consider the variance disclosure requirements in that Standard at the same time.

Service concession arrangements: grantors that are public sector entities

AASB 1060.242

The objective of the disclosure requirements is for a public sector grantor to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements. To achieve this, an entity shall consider disclosing qualitative and quantitative information about its service concession arrangements, including the following:

- A description of the arrangements
- Significant terms of the arrangements that may affect the amount, timing and uncertainty of future cash flows (e.g. the period of the arrangement, re-pricing dates and the basis upon which re-pricing or renegotiation is determined)
- The nature and extent (e.g. quantity, time period, or amount, as appropriate) of:
 - Rights to receive specified services from the operator
 - The carrying amount of service concession assets as at the end of the reporting period, including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period
 - Rights to receive specified assets at the end of an arrangement
 - Renewal and termination options
 - Other rights and obligations (e.g. major overhaul of service concession assets)
 - Obligations to provide the operator with access to service concession assets or other revenue-generating assets
- Changes in arrangements occurring during the reporting period.

AASB 1060.243

The above disclosures provided by an entity are provided individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature, in addition to disclosures required by the sections of AASB 1060 covering Property, Plant and Equipment and Investment Property at Cost and Intangible Assets other than Goodwill. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with these sections or may be included in more than one class of assets disclosed in accordance with these sections.

For example, for the purposes of the section covering Property, Plant and Equipment and Investment Property at Cost, a toll bridge may be included in the same class as other bridges, and for the purposes of paragraph 242 of AASB 1060 may be included with service concession assets reported in aggregate as toll roads.



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