

NOT FOR PROFITS FINANCIAL REPORTING CHANGES 30 JUNE 2022

If you are a Charity or Not-for-Profit (NFP) there are a number of financial reporting changes that will impact your annual information statement (AIS) and financial reporting obligations at 30 June 2022.

The changes that you are facing as an NFP or charity this year-end are driven by the Australian Charities and Not-for-Profits Commission (ACNC) 'red tape reduction' project and also by a drive to increase transparency by Not-for-profits. There are also minor impacts from the Australian Accounting Standards Board's (AASB's) new Financial Reporting Framework. You need to consider and incorporate these changes in your upcoming financial reports and AISs.

Reporting Thresholds

To simplify the compliance costs of charities, ACNC has increased the benchmarks for each charity size for the 2022 AIS onwards. This will impact most charities from their 30 June 2022 year-end onwards. The change in the size thresholds will impact financial reporting and other obligations to the ACNC.

Charity size	Current revenue threshold	New revenue thresholds (2022 onwards)	minimum Reporting requirement
Small	< \$250k	< \$500k	AIS
Medium	\$250k - \$1m	\$500k - \$3m	AIS & reviewed financial report
Large	> \$1m	> \$3m	AIS & audited financial report

It is expected that there will be a significant increase in the number of charities that are now considered small and will not be required to produce financial statements, simplifying their reporting obligations.

Your charity's revenue for determining its size, is based on revenue and income recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not-for-Profit Entities*. This is just a subset of total income but includes all revenue from the sale of goods or services, the use of capital or assets as well as the contributions of assets to your charity.

Financial Reporting Framework

Not-for-Profits (NFPs) have had limited impacts from the change in the financial reporting framework being implemented by the Australian Accounting Standards Board (AASB) which is applicable 30 June 2022.

NFPs still apply the 'Reporting Entity' concept to determine whether you need to prepare General Purpose Financial Statements (GPFS) or Special Purpose Financial Statements (SPFS). Unless there has been a change in circumstances, this assessment should be consistent with prior years. NFPs who are preparing GPFS have a choice between preparing Tier 1 (full IFRS) and Tier 2 financial statement. Most NFPs preparing GPFS

have prepare Tier 2 *Reduced Disclosure Regime* (RDR) financial statements.

From 30 June 2022, NFPs preparing Tier 2 financial statements now must prepare *Simplified Disclosures* (SDS) financial statements under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* as RDR no longer exist. Further guidance on transitioning to the new SDS framework can be found in our [Guide to Transitioning to Simplified Disclosure Reporting](#).

AASB 1060 overall requires less disclosures than RDR, but there are also some aspects that will require additional disclosures including around provisioning and leasing. Accordingly, preparation of this year's financial statements may take additional effort as you implement the new disclosure requirements.

KMP Disclosures

From 2022 onwards, the ACNC is requiring all Large Charities that prepare SPFS to provide Key Management Personnel (KMP) remuneration disclosures. Charities preparing GPFS are already required to present related party disclosures under AASB 124 *Related Party Disclosures* or the equivalent requirements in AASB 1060.

KMP is defined in AASB 124 as *'those persons having authority and responsibility for planning, directing and controlling the activities of the entity...'* This will include and directors or trustees of the NFP, and other personnel such as the CEO and other senior management, but judgement will be required to determine who is captured by this definition.

As Charities often predominately staffed by volunteers, including their directors or trustees, the ACNC has determined for Large Charities preparing SPFS the disclosure is only required if the NFP has 2 or more remunerated KMP so you do not disclose the remuneration of an individual. Charities who are preparing

GPFS do not have this exemption and you will still be required to disclose your KMP remuneration even if there is only a single remunerated KMP to comply with the accounting standards.

Directors IDs

Under recently introduced requirements, all directors of companies governed by the *Corporations Act 2001* or the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* will be required to obtain a Directors ID. These IDs are 15-digit identifiers which the director will keep for life. It allows stakeholders to see other companies that a director is involved with as well as all historical directorships. Directors of any NFP that is established under either the *Corporations Act 2001* or the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* will also need to comply with this requirement. The deadlines for obtaining directors IDs are:

Corporations Act Directors:

Date of Directorship	Application Date
On or before 31 October 2021 (existing & new directors)	By 30 November 2022
1 November 2021 – 4 April 2022	Within 28 days of appointment
From 5 April 2022	Before appointment

Corporations (Aboriginal and Torres Strait Islander) Act Directors:

Date of Directorship	Application Date
On or before 31 October 2022 (existing & new directors)	By 30 November 2023
From 1 November 2022	Before appointment

Directors must apply themselves via the [Australian Business Registry Service](#), so that their identity can be verified.

Related Party Disclosures

From 2023 all charities will be required to include material related party transactions in the AIS. In addition, Large Charities that prepare SPFS will also need to include material related party transactions in their financial statement disclosures from 2023 onwards. Charities preparing GPFS are already required to present related party disclosures under AASB 124/ AASB 1060.

To simplify the transition for large charities preparing SPFS, the ACNC has decided that you do not need to provide comparative period related party information in the 2023 financial statements (the 2022 figures).

Whilst Related Parties is defined in AASB 124, which will be applicable to Medium and Large charities, the ACNC has provided a simplified definition for Small charities. For Small charities a related party is *a person or organisation that is connected to the charity and has significant influence over the charity*. This will include the charity's

- Responsible People and their close family members
- Senior management and their close family members
- Other organisations that can influence the charity's decision making.

What is considered a 'material' related party transactions will vary between charity and will depend on your charity's specific circumstances, and the amount and nature of the transaction.

To make the disclosure of this information easier, all Charities should consider identifying related parties now and then track and monitor related party transactions throughout the financial year. It will be challenging to instead try and identify related party transactions retrospectively at the end of the year.

Further information

Charities are facing a number of changes this year-end. If you need any assistance with transitioning to the new Simplified Disclosures financial statements or implementing any of the other changes required by the ACNC please contact your local Moore Australia Advisor.