

## New disclosure requirements for Not-For-Profit entities preparing SPFS

February 2020

For financial years ending on or after 30 June 2020 not-for-profit (NFP) entities preparing special purpose financial statements (SPFS) that are either:

1. Medium or large charities (ie, with annual revenue of \$250,000 or more) registered with the Australian Charities and Not-for-profits Commission (ACNC); or
2. Required to lodge financial statements with the Australian Securities and Investments Commission (ASIC) under the Corporations Act 2001 (eg certain companies limited by guarantee),

will need to include new disclosures in their financial statements regarding their compliance with the recognition and measurement (R&M) requirements of Australian Accounting Standards (AAS). Other NFP entities preparing SPFS are not affected by these changes.

### What are the disclosure requirements?

The changes, contained in AASB 2019-4, require disclosure of:

1. The basis on which the decision to prepare SPFS was made. For example, that there are no users of the financial statements who are not in a position to require the preparation of reports tailored to their information needs.
2. Compliance with the R&M requirements in AAS (other than in relation to consolidation and equity accounting)
  - for each material accounting policy applied and disclosed in the financial statements that does not comply with the R&M requirements in AAS, disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact; and
  - disclose whether or not the financial statements overall comply with all the R&M requirements in AAS or that such an assessment has not been made.

If there is one instance of a material accounting policy applied by a NFP entity which does not comply with the applicable R&M requirements in AAS or compliance has not been assessed, the NFP entity cannot claim that its financial statements overall comply with all the R&M requirements in AAS. However, non-compliance with the R&M requirements of AAS for an accounting policy that is not material to the entity could still claim that its financial statements overall complied with the R&M requirements in AAS.

For the purpose of these disclosures, R&M requirements exclude consolidation and the equity method of accounting as the application of AASB 10 and AASB 128 are the subject of the following separate disclosure.

3. Application of the consolidation and equity accounting requirements. In addition to the above, where the NFP entity has interests in other entities it is required to disclose either:
  - whether its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in accordance with AASB 10 or AASB 128. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those accounting standards, it shall disclose that fact, and the reasons why; or
  - that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures. This option is only available where the entity is not required by legislation to make such an assessment for the purpose of determining its financial reporting requirements (eg, to determine whether it is a small, medium or large entity under the Corporations Act or ACNC Act).

NFP entities do not have to provide quantitative information or reconciliations where their accounting policies do not comply with all the R&M requirements in AAS. More information and illustrative examples are included in AASB 2019-4.

### Next steps

The new disclosures are required for annual reporting periods ending on or after 30 June 2020.

If you are affected, you should familiarise yourself with the new requirements so you can consider how to make the disclosures in light of your current accounting policies and treatment of interests in other entities. You should also discuss the new disclosures with your auditors in advance of year-end to understand what analysis and supporting documentation they may need.

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