



KEY FACTS: *Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements (AASB 1054 as amended by 2019-4)*

What changed for not-for-profit (NFP) entities?

- Disclosures in special purpose financial statements (SPFS) which provide clarity regarding compliance with the recognition and measurement (R&M) requirements in Australian Accounting Standards (AAS).
- Implementation guidance and illustrative examples to help preparers understand the disclosures, which are not expected to be onerous.
- No change is required to existing accounting policies.

Why additional disclosures?

- The quality of disclosures in a significant number of SPFS is not sufficient to enable a user to determine what additional information they might need.
 - Research indicates that for 44% of medium and large charities lodging SPFS with the Australian Charities and Not-for-Profits Commission (ACNC) it was unclear whether or not they complied with the R&M requirements in AAS.
- The additional disclosures provide more transparency for SPFS available on public record.

Which entities are affected by the disclosures?

Charities registered with the ACNC:

- ✓ that are medium or large charities preparing SPFS that are required to comply with ACNC reporting requirements for such financial statements.

Not-for-profit entities not registered with the ACNC:

- ✓ lodging SPFS with ASIC under the *Corporations Act 2001* (e.g. companies limited by guarantee).

Which entities are NOT affected by the disclosures?

Charities registered with the ACNC:

- ✗ that are small charities.
- ✗ of any size preparing SPFS that are not required to comply with ACNC reporting requirements due to transitional reporting arrangements.

Other entities:

- ✗ not-for-profit entities required by Federal or State/Territory legislation to prepare financial statements in accordance with AAS or accounting standards (e.g. incorporated associations, co-operatives and charitable fundraising organisations), that are preparing SPFS and not specifically required to comply with AASB 1054.
- ✗ not-for-profit public sector entities.
- ✗ not-for-profit entities not specified above and not-for-profit entities not required to comply with AASB 1054 by legislation or otherwise.
- ✗ for-profit private and for-profit public sector entities preparing SPFS.

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Last updated: **October 2023**

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What do they need to disclose?

- The basis on which the decision to prepare SPFS was made.

Compliance with the R&M requirements in AAS (except for consolidation and equity accounting)

- For each material accounting policy applied and disclosed in the SPFS that does not comply with the R&M requirements in AAS (except for consolidation and equity accounting), disclose an indication of where it does not comply, or disclose that an assessment of compliance has not been made; and
- Whether or not, the SPFS overall comply with the R&M requirements in AAS (except for consolidation and equity accounting), or state that such an assessment has not been made.

Application of the consolidation and equity accounting requirements

- If the NFP entity has determined that its interests in other entities give rise to interests in subsidiaries, associates or joint ventures it shall disclose whether or not it has consolidated or equity accounted for those interests in a manner consistent with the requirements in AASB 10 and AASB 128. If it has not, it shall disclose that fact and the reasons why; or
- If the NFP entity has not made this assessment and **was not** required by legislation to do so, it shall instead disclose that no assessment has been made.

Assessing the impact of any future transition from SPFS:

- In light of the Board's current broader not-for-profit (private sector) financial reporting framework project, understanding the extent of alignment between existing accounting policies and the R&M requirements in AAS will help NFP entities assess the impact of any future transition from SPFS to any potential new reporting requirements.

Timeline:

- The new disclosures are applicable to annual reporting periods ending on or after **30 June 2020**.

Consider and plan for any audit implications:

- Auditors are required to assess whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework. The financial reporting framework includes the additional disclosure requirements in AASB 1054. Discuss with your auditor early, including what analysis and supporting documentation they require.