



Not-for-Profit Private Sector Financial Reporting Framework

Project summary

The objective of the project is to clarify and simplify the Australian Financial Reporting Framework, in conjunction with government policy makers and regulators.

The aim of this project is to:

- (a) develop objective criteria to determine which entities should be required to prepare and lodge financial statements; and
- (b) identify the financial reporting requirements that would apply to the financial statements.

The Board agreed on the importance of consistent and appropriate external reporting for NFP private sector entities and will be working alongside regulators in the advancement of the project.

The AASB will continue charity outreach throughout 2019.

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Project priority: Medium

Issued documents

- Research Report No.5 *Financial Reporting Requirements Applicable to Charities*
- AASB Discussion Paper: *Improving Financial Reporting for Australian Charities*
- Appendices to Charity Discussion Paper

Project Status

- Consultation with a wide range of stakeholders.

Other

- [Consultation Paper](#) (ITC 39) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* (May 2018)

AASB outreach

- AASB Outreach: Australian Reporting Framework – Charities
- Roundtable sessions (NFP private)

Board deliberations

- AASB Action Alert Update and AASB Board papers

AASB communications

- Differential Reporting Project Update (January 2015)
- AASB Submission to ACNC Legislative Review

Latest project news

Date

News

21 February 2019

[AASB Action Alert \(Issue No: 196\)](#)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **7 February 2019**

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
February 2019	The Board noted that State and Territory consumer protection agencies are supportive of working with the Board and other not-for-profit (NFP) regulators on the issue of simplifying financial reporting in the NFP private sector.
November 2018	The Board welcomed ACNC Commissioner Dr Gary Johns to the meeting. The Board and Dr Johns agreed on the importance of consistent and appropriate external reporting for NFP private sector entities (including non-ACNC regulated entities). The Board will begin consulting with a wide range of stakeholders on the reporting framework options for the NFP private sector.
August 2018	<p>The impact of the AASB’s revised Conceptual Framework proposals on not-for-profit private sector entities</p> <p>The Board decided to issue a frequently asked question (FAQ) to help charities, companies limited by guarantee, incorporated associations, cooperatives and other not-for-profit private sector (NFP) entities understand the impact of the proposals in AASB’s Consultation Paper ITC 39.</p> <p>The FAQ will outline the Board’s expectation that it will, in consultation with the Australian Charities and Not-for-profits Commission’s (ACNC) and state and territory regulators, explore three tiers of reporting for NFP entities; each with consistent, comparable and transparent reporting requirements – dependent on recommendations from the recent ACNC legislative review. It will explain how special purpose financial statements (SPFS) are expected to be replaced for NFP entities with reporting requirements that are proportionate, fair and balance user needs with costs to preparers as outlined below:</p> <ul style="list-style-type: none">(a) Bottom tier – most likely be cash accounting, with a statement of resources and commitments (for ACNC NFP’s voluntary basis only, supporting completion of the Annual Information Statement);(b) Middle tier either Tier 2 General Purpose Financial Statements (GPFS) [full recognition and measurement with simplified disclosure] or a modified accrual framework [simplified recognition, measurement and disclosure]; and(c) Top tier –either Tier 1 [full recognition, measurement and disclosure] or Tier 2 GPFS framework (depending on where the middle tier lands). <p>The Board also decided to explore the possibility of putting NFP thresholds and requirements into the existing AASB 1053 Application of Tiers of Australian Accounting Standards. This would ensure that all NFPs required by legislation or otherwise to prepare financial statements in accordance with Australian Accounting Standards would prepare comparable, consistent and transparent financial statements using the Bottom, Middle or Top tiering requirements.</p> <p>The FAQ will also explain that the Board will perform extensive consultation on a broader range of proposals for NFPs compared to what was contained in ITC 39. In addition to looking at the three tiers of reporting, the Board will be looking at service performance reporting (also known as impact reporting), remuneration reporting, fundraising and related party disclosures. Transitional relief for NFP entities would also be explored at that time.</p>

The Board noted that NFP entities could still assist with the proposals in ITC 39 by providing feedback on whether they prefer the existing Tier 2 GPFS framework – Reduced Disclosure Requirements or the newly proposed Tier 2 GPFS framework – Specified Disclosure Requirements for the Top or Middle tiers. This will help to inform the AASB which option they should pursue in further consultation.

December 2017

The Board will provide the summary of the feedback from the outreach sessions held in November regarding the financial reporting framework for charities to the ACNC legislative review.

8.0 Cover Memo – Financial Reporting Framework

8.1 Staff Collation of Feedback from Outreach Sessions – Improving the financial reporting framework for Australian charities

The Board approved the project plan for considering the financial reporting framework for public sector entities, with minor amendments. The Board also supported a field work proposal from an academic research group as the research may help inform decisions about the reporting framework.

8.2 Project plan for the Financial Reporting Framework for public sector entities

8.3 Staff Paper – Research Project Facilitation

October 2017

The Board noted the Consultation Paper is to assist charities to provide input to the legislative review of the ACNC, commencing 3 December 2017. Accordingly regulators including the ACNC and relevant State regulators will be engaged to participate in the consultation process. The Board is particularly interested in consulting with users of charity financial statements.

7.0 Cover Memo Australian Financial Reporting Framework

7.1 AASB Research Report No X Financial Reporting Requirements for Charities – an Intranational and International Comparison [WORKING DRAFT]

August 2017

Australian Financial Reporting Framework – Draft Research Report on Charities

Staff provided a progress report on the AASB Research Report on financial reporting requirements for charities. The Board decided the research to date was sufficient as a basis for identifying (a) issues with the current reporting framework in Australia for charities and (b) the findings and implications from the research relevant to improving the reporting framework. Accordingly, the Board decided the Research Report (together with an executive summary) should be published as soon as possible. The Research Report will provide a context for the subsequent Consultation Paper on possible options for improving the financial reporting framework applicable to charities registered with the Australian Charities and Not-for-profits Commission (ACNC), an early draft of which was also discussed by the Board (see below).

Australian Financial Reporting Framework – Draft Consultation Paper on Charities

In relation to the Consultation Paper referred to above, the Board decided:

- (a) the Paper should clearly explain the basis for considering changing the current financial reporting framework for charities and the respective roles of the AASB and regulators in developing a revised framework;
- (b) to issue the Paper to enable adequate input into the legislative review of the ACNC, which is due to commence in December; and
- (c) key stakeholders should be engaged early in the process, with outreach planned jointly with the ACNC to discuss possible options for improving the framework.

The Board and the ACNC Commissioner, Susan Pascoe, agreed the ACNC should have significant input into the Paper.

4.0 Cover Memo Australian Financial Reporting Framework

4.1 WORKING DRAFT AASB Research Report No. X Financial Reporting Requirements for Charities – an Intranational and International Comparison

June 2017

The Board noted progress on the staff’s NFP benchmarking report “*Reporting Requirements for Not-for-Profit Entities – An International Comparison*” as well as a revised plan for the project. A consultative document will also be developed to facilitate discussions on reporting thresholds and requirements for not-for-profit entities.

6.0 Staff Paper: Not-for-profit private sector benchmarking report

May 2017

The Board considered an updated project plan. In particular, staff will work in conjunction with other key regulatory bodies and stakeholders to determine user needs for information and to consider the costs and benefits of the financial reporting requirements for all Australian entities. Extensive research work, including comparing the existing reporting requirements with other jurisdictions, and consultation activities are underway to better understand and assess the criteria for determining (a) which entities are required to prepare general purpose financial reports and (b) the reporting requirements applicable to entities.

7.1 Staff Paper: Australian Financial Reporting Framework

June 2016

Staff outlined the continuing development of benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will provide a basis for further consultation with regulators and other stakeholders.

7.0 Cover memo – Australian Financial Reporting Framework

7.2 Updated project plan

April 2016

Staff outlined the continuing work to develop benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will support further consultation with regulators and other stakeholders. No decisions were made.

February 2016

The Board supported the general view expressed at roundtables held in January that there is scope for improving the application of financial reporting requirements for not-for-profit entities in the private and public sectors. The roundtables discussed many aspects, including reporting thresholds and the possibility of adding a third tier of reporting requirements. Summaries of the roundtable discussions will be published on the AASB website. The Board noted the importance of ongoing consultation with a broad range of stakeholders as the project progresses. No decisions were made.

9.0 Memorandum – Financial Reporting Framework

[9.3](#) Extracts from the Final Report of the Royal Commission into Trade Union Governance and Corruption relating to financial reporting by trade unions

December 2015

The Board received an update on the project addressing the Australian financial reporting framework in terms of which entities should prepare and lodge general purpose financial statements and the content of such financial statements. No decisions were made.

[7.1](#) Staff Paper – Financial Reporting Framework

May 2015

The Board supported the project to reconsider the Australian financial reporting framework in terms of which entities should prepare financial statements and the content of those financial statements.

The Board noted the project plan, which raises the possibility of a third tier of reporting requirements for the not-for-profit sector.

[11.1](#) Memorandum – Financial Reporting Framework

[11.2](#) Project Plan