

9 September 2019

Ms Kris Peach  
Chair and CEO  
Australian Accounting Standards Board

Via website: <http://www.aasb.gov.au/comment>

Dear Ms Peach

### **ED291 - Not-for-Profit Entity Definition and Guidance**

Our comments and recommendations regarding ED291 are provided in this submission.

Saward Dawson operates in Melbourne, Australia. Our clients come from a range of industries and include large private businesses, small to medium enterprises, and a significant number of private sector not-for-profit entities. We are focused on enhancing the relevance, reliability and understandability of financial reporting for users.

In summary we hold the following views:

1. We broadly support the intention to update the definition of Not-for-Profit.
2. We believe that 'community' and 'social benefit' must be defined or clear examples provided.
3. We believe that two of the following two indicators should become the primary indicators of determination of not-for-profit status:
  - (i) Stated Objectives
  - (ii) Nature of Equity Instruments

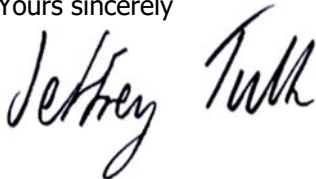
These indicators are objective and easily obtained in most cases and are unlikely to change over reporting periods. We also believe that utilising such indicators as the primary indicators would result in the vast majority of charities and other entities currently widely recognised as not-for-profit entities being able to quickly and appropriately assess their status.

4. We believe the other indicators are subjective and often change in mix and emphasis over time. Accordingly we believe they should only be considered in circumstances where the primary indicators suggested above are uncertain. In our view, including these indicators on apparent equal weighting with those we believe should be primary creates unnecessary uncertainty and subjectivity.

5. In providing guidance, we recommend that a clearly stated presumption exists that registered charities, state based incorporated associations, companies limited by guarantee, entities exempt from income tax and entities subject to the principle of mutuality are Not-for-Profit. We believe that this should be the case in all but exceptional circumstances and therefore will ensure alignment of financial reporting with the definitions applied by regulators and the ATO.
6. By utilising the suggested primary indicators and presumption outlined in Part 5, we believe that the vast majority of sporting clubs and education providers to children (as utilised in the examples) would quickly and appropriately be able to assess their status as not-for-profit.
7. Should the AASB not accept our recommendation per item 5, we strongly believe example(s) for membership bodies should be included.

Please do not hesitate to contact us should you wish to discuss further any matters arising from this submission.

Yours sincerely

A handwritten signature in black ink that reads "Jeffrey Tulk". The signature is written in a cursive, flowing style.

Jeffrey Tulk  
Partner