



## Not-for-Profit Financial Reporting Framework Project

### Agenda Paper 8.3

Preliminary findings from research on common transactions of not-for-profit private sector entities (charities)

### AASB M194 Board meeting 2023

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# Overview of draft research report on common transactions of NFP Private Sector Entities: Charities

<b>Purpose</b>	To identify the common transactions of NFP entities that have total revenue of \$0.5 - \$3 million
<b>Sample</b>	260 medium-sized charities (total revenue of \$0.5 - \$3 million) registered with the Australian Charities and Not-for-Profits Commission (ACNC)
<b>Analyses</b>	2020/2021 financial reports: <ul style="list-style-type: none"><li>• line items in the balance sheet</li><li>• income items in the income statement</li><li>• line items in other comprehensive income</li><li>• three expense items: bad debts, lease expenses, and impairment loss</li></ul>



## Preliminary findings

Types of financial statements	Number	Percentage
GPFS	16	6.15%
GPFS Tier 2- RDR	41	15.77%
SPFS	203	78.08%
<b>Total</b>	<b>260</b>	<b>100.00%</b>

Types of R&M compliance disclosures	Number	Percentage
Stated compliance with R&M	82	40.39%
Stated not compliance with R&M	5	2.46%
Stated not assessed	1	0.49%
<b>Total: R&amp;M compliance disclosures</b>	<b>88</b>	<b>43.35%</b>
No R&M compliance disclosures	115	56.65%
<b>Total: Prepared SPFS</b>	<b>203</b>	<b>100.00%</b>



# Preliminary findings

Items	Number	Percentage
<b>Revenue</b>		
Interest income	205	78.85%
Donation income	186	71.54%
Goods or services	181	69.62%
Grants	177	68.08%
Government subsidy	117	45.00%
Membership income	64	24.62%
Rental income	46	17.69%
Gain (loss) on sale of non-current assets	20	7.69%
Dividend income	19	7.31%
Change in fair value of financial assets through profit and loss	12	4.62%
Rebate	5	1.92%
Profit on disposal of investment	3	1.15%
Other types of incomes	25	9.62%
Total other income	66	25.38%
Total revenue	9	3.46%

\* Uncommon items are highlighted in green



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## Preliminary findings

Items	Number	Percentage
<b>Expenses</b>		
Lease expenses	64	24.62%
Bad debts	14	5.38%
Impairment loss	1	0.38%
<b>Other comprehensive income</b>		
Change in fair value of financial assets through other comprehensive income	11	4.23%
Gain (loss) on sale of investment	4	1.54%
Other types of comprehensive income	3	1.15%
Revaluation of PPE	1	0.38%
Prior period adjustments	1	0.38%



# Preliminary findings

Items	Number	Percentage
<b>Assets</b>		
Cash and cash equivalents	260	100.00%
Trade and other receivables (including accrued revenues)	237	91.15%
Fixed assets	221	85.00%
Prepayments	110	42.31%
Right of use assets	51	19.62%
Inventories	27	10.38%
Loan receivable (debt/bond)	25	9.62%
Tax assets	23	8.85%
Term deposits	22	8.46%
Equity investments	18	6.92%
Managed funds	17	6.54%
Intangibles assets	13	5.00%
Other types of assets	7	2.69%
Financial assets held at amortised cost	5	1.92%
Financial assets at fair value through profit or loss	4	1.54%
Financial assets at fair value through other comprehensive income	4	1.54%
Investment property	3	1.15%
Lease receivables	2	0.77%



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# Preliminary findings

Items	Number	Percentage
<b>Liabilities</b>		
Trade and other payables (including accrued expenses)	247	95.00%
Revenues received in advance	112	43.08%
Lease Liability	60	23.08%
Tax payable	52	20.00%
Borrowings	44	16.92%
Provisions	22	8.46%
Long service leave provisions	137	52.69%
Annual leave provisions	124	47.69%
Sick leave provisions	9	3.46%
Personal leave provisions	6	2.31%
Other types of provision for employee benefits	27	10.38%
Total employee benefits provisions	39	15.00%
Other types of liabilities	8	3.08%
<b>Equity</b>		
Retained earnings	254	97.69%
Members' funds	27	10.38%
Asset revaluation reserve	14	5.38%
Unrealised gain (loss) reserve	6	2.31%
Other types of reserves	55	21.15%



## Preliminary findings

Methods used to show changes in equity	Number	Percentage
Statement of changes in equity	211	81.15%
Statement of income and retained earnings	2	0.77%
Changes in equity not reported	47	18.08%
<b>Total</b>	<b>260</b>	<b>100.00%</b>

Methods used to show cash flow movements	Number	Percentage
Direct and indirect methods	147	56.54%
Direct method only	66	25.38%
Indirect method only	9	3.46%
<b>Total: cash flow statement</b>	<b>222</b>	<b>85.38%</b>
No cash flow statement	38	14.62%
<b>Total</b>	<b>260</b>	<b>100.00%</b>





## Summary

### Findings

The uncommon items ( $\leq 5\%$  of occurrence) are :

- Change in fair value of financial assets through profit and loss
- Rebate
- Profit on disposal of investment
- Impairment loss
- Change in fair value of financial assets through other comprehensive income
- Gain(loss) on sale of investment
- Revaluation of PPE
- Prior period adjustments
- Other types of comprehensive income
- Intangible assets
- Lease receivables
- Investment property
- Other types of assets
- Sick leave provisions
- Personal leave provisions
- Other types of liabilities
- Unrealised gain or loss reserve

### Limitations

- Investigated ACNC-registered charities
- Used the total revenue figures of ACNC 2020 AIS to determine entity size
- Focus on the balance sheet approach
- Materiality consideration
- Based on one year data

### Next steps

- Complete the research report

## Question 1 to the Board

Do Board members have any questions or comments on the preliminary findings of the research?

