

## Financial Reporting Changes for Charities

November 2021

The financial reporting thresholds for charities reporting to the Australian Charities and Not-for-profits Commission (ACNC) have now been increased, providing relief to thousands of charities, whilst also requiring Key Management Personnel remuneration and related party disclosures.

### At a glance

- The size thresholds which require charities to lodge audited or reviewed financial reports to the ACNC have been significantly increased from the 2021-22 financial year.
- For the 2021-22 and subsequent financial years, large charities preparing special purpose financial reports will be required to include the Key Management Personnel (KMP) remuneration disclosures.
- For the 2022-23 and subsequent financial years, all medium and large charities preparing special purpose financial reports will be required to disclose other related party transactions in their annual financial statements.
- Those charities have a choice of applying the disclosures contained in either AASB 1060 Tier 2 Simplified Disclosures or AASB 124 *Related Party Disclosures*.

The *Australian Charities and Not-for-profits Commission Amendment (2021 Measures No. 3) Regulations 2021* has introduced the following important changes.

### Reporting thresholds

In response to a recommendation in the ACNC Legislation Review, the financial reporting thresholds for charities registered with the ACNC have increased as follows:

Charity size	Annual revenue	
	Existing threshold	New threshold
Small	Less than \$250,000	Less than \$500,000
Medium	\$250,000 to < \$1.0m	\$500,000 to < \$3.0m
Large	\$1.0m or more	\$3.0m or more

The changes apply for the 2021-22 and subsequent financial years, ie, for 30 June 2022 balance dates. Based on the rules relating to substituted accounting periods (s60-85(2) of the ACNC Act), for 31 December balance dates the change will first apply to the 31 December 2022 financial year.

### Related party disclosures

Medium and large charities preparing general purpose financial reports will apply either all accounting standards (Tier 1 GPFR) or AASB 1060 Simplified Disclosure Standard (Tier 2 GPFR). Both Tier 1 and Tier 2 general purpose financial reports include related party and key management personnel remuneration disclosures.



Charities preparing special purpose financial reports under the ACNC Act only had to comply with six specific accounting standards – AASB 101, AASB 107, AASB 108, AASB 1048, AASB 1054 and AASB 2019-4.

The new Regulation now prescribes AASB 124 *Related Party Disclosures* as an additional Australian Accounting Standard that must be applied by medium or large charities preparing special purpose financial statements. The Regulation also permits those charities a choice of applying the related party and KMP disclosure requirements of either AASB 124 or AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (Simplified Disclosures Standard).

### Remuneration disclosure

For the 2021-22 financial year and subsequently, if a large charity has two or more key management personnel and prepares a special purpose financial report, it will be required to include disclosure of remuneration paid or payable to its KMP determined in accordance with either AASB 124 or AASB 1060. For charities with a 31 December balance date, the change will apply to the 31 December 2022 and subsequent financial years.

The disclosures required by AASB 124 comprise the total of key management personnel compensation and the total for each of the following categories:

- (a) short-term employee benefits;
- (b) post-employment benefits;
- (c) other long-term benefits;
- (d) termination benefits; and
- (e) share-based payment.

Alternatively, AASB 1060 only requires disclosure of key management personnel compensation in total, without further dissection into separate categories of remuneration.

There is no requirement for small or medium charities to make these remuneration disclosures in their special purpose financial report.

### Related party transactions

Where a medium or large charity prepares a special purpose financial report, the other related party disclosures contained in either AASB 124 or AASB 1060 will need to be included for the 2022-23 and subsequent financial years. For charities with a 31 December balance date, the change will first apply to the 31 December 2023 financial year.

There are no substantive differences between the other related party disclosures required by AASB 124 and AASB 1060.

The Regulation contains no transition relief and the disclosure of comparative information relating to KMP remuneration and other related party disclosures will be required in the first year of adoption.

If you require assistance preparing for these changes, or for any further information, please contact your local Nexia Advisor.

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