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Enhancing not-for-profit annual and financial reporting

CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

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Foreword

Charities and not-for-profits are a vital part of our society and economy. They give us shelter, food, education, healthcare and a voice. They enhance our communities with culture, the arts and sport and contribute to Australia's national identity. The community expects them to be just as accountable, if not more so, than for-profit organisations as many donate time and money to charitable activities and purposes.

At the Australian Charities and Not-for-profits Commission (ACNC) we are passionate about helping not-for-profits to be well governed and transparent in how they operate. A key part of the ACNC's work is to provide guidance and resources for charities to help them thrive. This is especially important when they are increasingly competing with for-profit entities in a challenging market.

With this in mind, the ACNC is pleased to support the release of Chartered Accountants Australia and New Zealand's *Enhancing not-for-profit annual and financial reporting guide*. The guide is a valuable financial reporting guidance tool for not-for-profits.

The guidance in this publication is clear and helpful. Resources like this one empower not-for-profits to exceed their reporting requirements and demonstrate that Australia's not-for-profit sector is not only far-reaching but also innovative and accountable.

Through the release of this new Guide, Chartered Accountants Australia and New Zealand is playing an important role in helping not-for-profits to keep up with regulatory requirements and apply best practice reporting techniques.

Clarity and transparency in financial reporting is central to the ACNC's mission, and part of our work to support this transparency is through use of the National Standard Chart of Accounts (NSCOA). NSCOA is a data entry tool and data dictionary for not-for-profits to use in their accounting. NSCOA creates consistency in the way different organisations record and report financial information, which can reduce the time and cost spent preparing financial statements. All state and territory governments, as well as the Commonwealth Government, accept information using the NSCOA terms.

Enhancing not-for-profit annual and financial reporting is a shining example of how the contribution of professional bodies enriches the not-for-profit sector and complements the work of the ACNC – to maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency; support and sustain a robust, vibrant, independent and innovative not-for-profit sector; and promote the reduction of unnecessary regulatory obligations on the sector.

Susan Pascoe AM
Commissioner
Australian Charities and Not-for- profits Commission

1

Overview

Introduction

Chartered Accountants Australia and New Zealand publishes *The Essential Tool for Transparent Reporting* every two to three years. In this fifth edition of *Enhancing Not-for-Profit Annual and Financial Reporting,* Chartered Accountants continues its support for the not-for-profit (NFP) sector by providing a tool that will assist NFPs in their efforts to attain best practice in their annual and financial reports.

Over the last three to four years, the sector has seen some significant regulatory changes that impact the nature and extent of NFP financial reporting. The changes in this edition include:

- the introduction of the Australian Charities and Not-for-profits Commission (ACNC) from 3 December 2012, impacting reporting obligations for charities from 1 July 2013
- changes to the financial reporting and audit requirements of incorporated associations legislation and regulations in some states and territories, including the anticipated introduction of the new *Associations Incorporation Act 2015* (WA) from 1 July 2016
- the introduction of the new-format audit report for financial years ending on or after 15 December 2016.

These events have been reflected in the guidance provided in this publication to the extent possible.

In suggesting the best practice in NFP reporting, Chartered Accountants and the authors have considered:

- recommendations from the 2013 PwC Transparency Awards
- the evolving concept of integrated reporting
- the Chartered Accountants' and authors' experience gained on NFP reporting practices
- advice received from the Chartered Accountants Charities and Not-for-Profit Advisory Committee.

The PwC Transparency Awards have now ceased. However, the recommendations made in the last awards for 2013 still remain applicable today.

Enhancing Not-for-Profit Annual and Financial Reporting comprises four sections.

- Overall recommendations for the enhancement of NFP annual and financial reporting.
- Guidance when producing an annual report.
- Guidance when producing a financial report.
- Background information including an overview of legislation and resources.

Future developments

Accounting standards

The Australian Accounting Standards Board (AASB) is working on changes to several accounting standards for NFP sector entities. The revised contributions standard and guidance on the amended revenue standard will likely be released in quarter 4 on 2016. These proposals will replace AASB 1004 *Contributions* and revise AASB 118 *Revenue*. It is anticipated that these standards and guidance will be applicable from 1 January 2018.

An exposure draft was issued in 2015 on service performance reporting for NFPs. The comment period for these proposals closed in 2016. Any new standard resulting from these proposals is unlikely to be applicable until 2019 at the earliest.

The AASB also has a research project in progress exploring the Australian Reporting Framework. This involves consideration of tiers of reporting as well as the current reporting entity framework. It is intended that this project will cover the for-profit and not-for-profit sectors (including the public sector).

Charities

One of the objects of the ACNC is to promote the reduction of unnecessary regulation and obligations on the sector. To achieve this object, the ACNC is working with state and territory governments (as well as individual federal, state and territory government agencies) to develop a 'report-once, use often' reporting framework for charities.

In a joint media release dated 4 March 2016, the Minister for Social Services Christian Porter and the Minister for Small Business and Assistant Treasurer Kelly O'Dwyer indicated: "The Government will continue to work with the ACNC, states and territories and the sector to identify areas where we can reduce the burden of red tape for charities and not-for-profit organisations."

As at the date of writing this publication, both the Tasmanian and South Australian Governments have passed Bills in both houses to remove the duplication of reporting between state and Commonwealth legislation by charities registered with the ACNC. The new South Australian legislation is likely to be effective from 1 January 2017, and the Tasmanian legislation is likely to be effective from 1 October 2016. Further, the Tasmanian legislation also aligns the reporting and auditing thresholds under its Act with that of the ACNC and some other states and territories. Further developments are expected in this area in coming years.

Co-operatives

A uniform set of national laws for co-operatives is being progressively introduced by states and territories. New South Wales is the lead jurisdiction for this national project.

This Co-operatives National Law (CNL) is being implemented in a stages process, where each state or territory commences its CNL when its legislation (for example, enabling laws and local regulations) and supporting arrangements are in place. Jurisdictions that have commenced their CNL laws at the date of this publication are New South Wales and Victoria (effective from 3 March 2014), South Australia (effective from 22 May 2015), Northern Territory (effective from 1 July 2015) and Tasmania (effective from 1 September 2015).

2

Overall recommendations

2.1 Recommendations to enhance NFP annual reporting

The following recommendations are designed to enhance the quality of annual reporting by NFPs. The annual report is often published as a separate document to the financial report. The recommendations are based on information gathered in the review of submissions to the 2013 PwC Transparency Awards summarised in the Awards' Jury Report, which can be downloaded from **pwc.com.au/corporate-responsibility/transparency-awards/findings.html**

Presentation and volume of information	Some NFPs can improve the visual appearance of their annual reports by making better use of summaries, bullet points, graphs, photographs, contents pages, tables and websites. Annual reports, websites and other publicly available resource material should be unique and representative of the vision, mission and values of each organisation. Organisations are encouraged to be aware of the risk of reducing the value of the information if design and layout is overemphasised and if narrative is particularly dense or voluminous. NFPs need to continue to use and further develop web-based reporting. Transparent reporting is largely about knowing which audience the reporting is targeting and tailoring the report to this audience. Greater use could be made of websites for the provision of detailed information, and annual reports could contain links or QR codes to websites.
Strategy and performance	Provide a summary to assist the review of a NFP's performance for the year as well as how the current year's strategy links to the longer-term strategy of the organisation. NFPs should demonstrate the measurability of their goals and each year present their progress against these goals within the strategic timeframe. Comparing against targets or budgets would also be a useful measure. Include a summary of future plans to achieve targets, especially when progress has fallen short of the original plan. Make the strategic plan or, at a minimum, the strategic goals for the period available on the website. A link or QR code to the website could be included in the annual report.
Outputs, outcomes and impacts	NFPs should enhance the effectiveness of their annual reports by portraying (in a disaggregated way) what the NFP has done (its outputs), what it has achieved (its outcomes) and what difference it has made (its impacts). The inclusion of measures of output, outcome and impact will improve completeness of reporting by demonstrating to the annual report's readers what the NFP funding achieves rather than how it is spent. Outcomes and/or impacts can also be demonstrated through case studies and testimonials. Many NFPs run programmes and mount activities that are designed to deliver outputs and achieve outcomes over the long term. Information regarding trends and movement in quantitative data and explanations of year-to-year movements would be enhanced by the inclusion of long-term trend data. Organisations should always ensure that any metrics provided are able to clearly link to the overarching strategy of the organisation and within the broader sector in which they operate.
Sustainability and future funding	NFPs should consider providing more detail about the sustainability of the different types of funding received by organisations. This could include: • analysis of key movements (including reason for movements) • factors affecting key drivers • actions going forward. It is important to disclose the financial implications of key events that have favourably or adversely affected the organisation throughout the year along with detail of management's plans to address these. Disclosure about funding both now and in the future should not be limited to current year data only. It is important that stakeholders can assess the future viability of the organisation and the extent to which the organisation relies on certain revenue streams, particularly government funding.

	Disclosing how an organisation contributes to the improvement of economic, environmental and social conditions and developments at a local, regional and global level can add significant value to stakeholders.
Balanced reporting and risk management	Truly transparent reporting involves reporting of all facets of the operations and includes balanced disclosure of both positive and negative impacts and performance. Areas to improve include: • reporting on internal and external factors that have impacted performance • providing explanations for negative trends and movements between years (including where KPIs, outputs, outcomes and impacts are also presented). Reporting of risks is of critical importance to stakeholders and should be specific to the organisation (rather than generic) identifying areas of potential weaknesses and associated risks. It should be clearly reported how the organisation plans to address and mitigate the impact of these weaknesses and risks. It is important for organisations to demonstrate their readiness for future challenges and how they will use management and controls to identify and address issues. Risk management disclosures could be enhanced through the inclusion of: • detail about the processes to identify, monitor and mitigate risks • consideration and disclosure of the controls in place to mitigate risks • detail of the risk identified in the current year and how these were addressed • inclusion of details of all business risks, not purely financial-related risks.
Remuneration and performance	In order to build further trust about the expenditure of the organisation, consideration should be given to providing: • further disclosure on the remuneration of key management personnel (board members, the CEO or equivalent and other key decision makers within the organisation) beyond the minimum required by the relevant accounting standard • details as to the approval processes of such remuneration • disclosure on how performance is monitored for both management and the board.
Employees/volunteers	Consider making certain internal material covering employees and volunteers publicly available either in the annual report or on the organisation's website.
Sources of funds	NFPs should provide greater detail in terms of actual fundraising against targets with supporting commentary. Provide information specifically on where a donor's funds went, dollar for dollar, how this compared to target/budget and a self-assessment of performance.
Investments	Provide clearer reporting of the investment policy and how this is aligned to the overarching strategic plan/priority statement. Further disclosures to include information about: • management of investments • investment targets • investment performance.
Financial performance and position	NFPs should include an explanatory narrative when disclosing key financial ratios with comparatives (or against targets). This narrative should aim to support and explain key movements/changes compared with the prior year and against budget or targets.

2.2 Recommendations to enhance NFP financial reporting

The following recommendations are designed to enhance the quality of financial reporting by NFPs. These recommendations are based on observations of NFP financial reports, the ACNC recommendations in their publication Lessons on reporting to the Australian Charities and Not-for-profits Commission and, where relevant, the Australian Securities & Investments Commission (ASIC) findings from the 30 June 2015 financial reports.

Adoption of reduced disclosure regime	NFPs seeking to reduce the complexity of their general purpose financial reports should consider adoption of AASB 1053 *Application of Tiers of Australian Accounting Standards* and apply the reduced disclosure regime available to NFPs.
Asset values and impairment	NFPs must ensure the carrying value of assets is not greater than its recoverable amount. Recoverable amount can be determined using the higher of fair value or value in use. NFPs should ensure they annually review impairment indicators in order to determine whether a recoverable amount calculation is necessary. If necessary, a recoverable amount calculation should be undertaken and documented following the requirements of AASB 136 *Impairment of Assets*.
Available-for-sale investments and the new AASB 9 Financial Instruments	NFPs should consider whether they want to adopt the new AASB 9 before its official application date to years starting on or after 1 January 2018. The new standard changes the accounting for investments that aren't held for trading. If these investments meet certain conditions, the movements in fair value (both upwards and downwards) are accounted for through other comprehensive income and not the profit or loss. This would protect NFPs from significant market downturns impacting the profit or loss. All aspects and changes required under AASB 9 should be considered prior to making a decision to early adopt.
Basis of Accounting and Special purpose financial reports	A basis of accounting note is required to be included in the financial report. This should disclose the reporting framework under which the financial report has been prepared. For special purpose financial reports, it is expected that this disclosure will show the extent to which the accounting standards have been adopted in the preparation of the financial report. The ACNC Regulation requires that special purpose financial statements comply with six minimum accounting standards being AASB 101, 107, 108, 1031, 1048, 1054. Charities preparing general purpose financial statements need to comply with all applicable accounting standards. Common errors identified indicate that special purpose financial statements do not disclose compliance with above standards, nor do they disclose reporting framework (e.g. refer to ACNC Act).
Classification of liabilities – current or non-current?	A review of terms and conditions of liabilities, especially borrowings, should be undertaken to ensure correct classification of those liabilities. AASB 101 *Presentation of Financial Statements* requires a current classification when "the liability does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date". Any of the following scenarios may mean the unconditional right to defer settlement does not exist: • An annual review clause in the banking agreement. • Current facilities expiring within 12 months of the end of the financial year. • Breach of any terms/covenants.
Economic dependence	Any NFP in receipt of grants should consider the impact on their financial performance and position if the grants were not received. If the NFP's financial performance and/or financial position would be adversely affected, the appropriate economic dependence disclosures should be made by way of a note to the financial statements.

Estimates and accounting policy judgements	NFPs need to improve the quality and completeness of disclosures in relation to estimation uncertainty and significant judgements made when applying accounting standards. A generic note is not recommended – the estimates and judgements should be specific to the entity. The disclosure requirements are principles based and should include all information necessary for stakeholders to understand the estimates and judgements made and their effect. This may include key assumptions, reasons for judgements, alternative treatments and appropriate quantification.
Expense disclosure	NFPs should ensure their expenses are disclosed by nature OR function and that large amounts are not disclosed as 'Other'. Cost of sales is an example of an expense classified by function whereas employee benefits and depreciation are expenses classified as nature.
Going concern	NFPs may need to consider whether any future changes in structure such as mergers or amalgamations may mean the entity in question is no longer a going concern.
Goods and services for no consideration	NFPs (in particular, charitable NFPs) should consider the nature and extent of non-reciprocal transfers they are involved in that result in the receipt of goods and services for no consideration. If these transfers are material, an appropriate accounting policy should be developed and appropriate disclosures made in the NFP's financial report describing these transactions. Where these transactions involve goods, it is likely they will be required to be measured at fair value at acquisition date with corresponding revenue booked.
Inventories for distribution	NFPs should consider the extent to which they are in receipt of inventories for distribution at nil or nominal cost and, if material, develop an appropriate accounting policy and make appropriate disclosures in the NFP's financial report.
Investments	NFPs with material investments need to consider the valuation and disclosure requirements of the financial instruments standards. In particular, the requirement to disclose the organisation's sensitivity to market price risks associated with these assets should be noted. NFPs choosing to adopt AASB 1053 and prepare reduced disclosure financial statements are not required to comply with a number of the requirements of AASB 7 *Financial Instruments: Disclosures*, particularly those relating to the nature and extent of risks arising from financial instruments. NFPs with significant investment portfolios contemplating adoption of AASB 1053 should consider whether exclusion of any of the exempted disclosures from the financial report may detract from the quality of their financial report.
Leases	AASB 16 *Leases* has now been released with an effective date of 1 January 2019. This standard removes the distinction between operating and finance leases and requires all leases to be recorded in the balance sheet (statement of financial position). There are two exceptions to this principle, being short-term leases and leases of low-value assets. NFP entities should consider early the effect of bringing operating lease liabilities onto the balance sheet and the associated impact on funding or bank covenants.
Mergers and acquisitions	Australian Accounting Standards do not recognise mergers and require one entity to be designated as the acquirer and account for the transaction as a business combination. NFPs considering mergers should ensure that they are aware of the accounting implications of the transaction as part of the negotiations of terms.
Minimum standards	For those entities reporting under the *Australian Charities and Not-for-profits Commission Act 2012* and the *Corporations Act 2001*, six minimum standards are required to be complied with. These standards identify the format of the financial report, the financial statements to be included, accounting policies, cash flow requirements and certain note disclosures. • Errors identified in review of AIS and FR information include charities incorrectly classifying their size. Perhaps a comment noting that reporting obligations to ACNC dependent on appropriate classification of revenue. • Include a note indicating that responsible entity declarations, audit report or review and all relevant financial statements (AASB 101) should be included.

Recognition of grant revenue and deferred revenue	When considering the application of accounting standards, NFPs should take the opportunity to: • differentiate between reciprocal and non-reciprocal grants and adopt appropriate revenue recognition and deferred revenue policies for each • revisit the wording of their current revenue recognition policy notes and ensure they clearly explain the conditions that must be satisfied before grant revenue is recognised in profit or loss • revisit the wording of any deferred/unspent revenue/grant policy to ensure it reflects the correct accounting treatment.
Related-party disclosures	When general purpose financial reports are prepared, compliance is required with AASB 124 *Related Party Disclosures*. At a minimum, key management personnel remuneration must be disclosed in total where the organisation pays salaries or wages. In regards to related-party transactions, a generic note will not meet the requirement of the standard. For related-party transactions, the nature, amount and balances outstanding by related-party category are required to be disclosed.
Report type – special purpose financial report or general purpose financial report	NFPs that currently prepare a special purpose financial report for presentation to stakeholders should consider whether such a report meets stakeholders' needs with regard to: • the number, diversity and location of stakeholders • the level of direct involvement by stakeholders in the day-to-day management of the NFP • the community impact of NFP activities • the extent to which the NFP is reliant on government or philanthropic grants and donations.
Revenue recognition and contributions	AASB 15 *Revenue from Contracts with Customers* has introduced a five-step process for revenue recognition effective from 1 January 2018. The AASB are in the process of incorporating NFP guidance in this standard and replacing AASB 1004 *Contributions*. This standard and guidance is expected to be released in quarter 4 of 2016. NFPs should review the requirements of this standard to understand the implications for their current revenue (including contributions) recognition policies and contracts under which they operate.

Guidance when producing an annual report

3

The recommendations contained in this section are based on information gathered in the review of submissions to the 2013 PwC Transparency Awards. We take these recommendations and provide guidance on the content of an NFP's annual report (together with the NFP's other publicly available information and website). The section begins with a checklist designed to assist an NFP to assess whether its annual report (and other publicly available information) reflects best reporting practice. The annual report is often published as a separate document to the financial report.

We have expanded the checklist to cover other publicly available information, including websites. Best practice annual reporting for NFPs has seen a reduction in the content of the actual annual report, instead providing more detailed information on the NFP's website, where it can be updated and revised more frequently as needed. While it is therefore recommended that the information in the checklist is made publicly and easily available to stakeholders, it need not be included in the annual report itself.

The checklist is followed by examples of output and outcome measures. NFPs can use these suggestions to develop their own measures. Finally, we provide some information on integrated reporting, GRI reporting principles and the AASB's Exposure Draft on Reporting Service Performance Information.

3.1 The checklist

The checklist on the following pages is designed to assist a NFP to assess whether its annual report (and other stakeholder information) meets good reporting practices. The checklist reflects the review of submissions to the 2013 PwC Transparency Awards, all of the annual reporting guidance noted in this publication and certain legislative requirements. As noted in the recommendations, NFPs need to improve the clarity and structure of annual reports. This can be achieved through making better use of summaries, bullet points, graphs, pictures, contents pages, tables and websites to ensure the information presented is more visually appealing. The information provided to stakeholders also needs to be readily understood and meaningful.

The checklist comprises a series of 'tick the box' questions followed by some examples of governance statements that could be included in a NFP's annual report or on its website. We recommend printing out a copy of the checklist and completing it. When reviewing each of the questions, consider whether the recommended disclosures are relevant to your organisation and whether your organisation's annual report (together with your other publicly available information and website) would be enhanced by the inclusion of information recommended in the questions. You may find it helpful to indicate where the information is disclosed on the checklist, such as the annual report, website or other publicly available information. This may aid with the updating and maintenance of the information. Please note that the checklist does not cover financial reporting requirements.

1. Do we explain what we are trying to achieve?

This section of the checklist asks a series of questions to ensure the annual report or other publicly available information explains what the NFP is trying to achieve (business strategy, mission and vision).

		Yes	No	N/A
1.1	**Mission statement** Do we:			
	a) Disclose our mission statement (a succinct statement to explain and justify our core purpose and explaining why we exist including a statement indicating that we are a NFP)?	☐	☐	☐
	b) Provide information such as statistics, trends or research data about the broader sector or environment in which our organisation operates?	☐	☐	☐
1.2	**Objectives/purpose** Do we:			
	a) Include a summary of our objectives/purpose as listed in our constitution or governing document?	☐	☐	☐
	b) Include a list of the specific objectives we set for the current reporting period?	☐	☐	☐
1.3	**Strategy/priorities** Do we:			
	a) Clearly outline our vision and goals?	☐	☐	☐
	b) Explain our approach to the development of our strategic plan/priority statements, including how we engage with stakeholders in developing it?	☐	☐	☐
	c) Include clear, measurable, quantified strategic/priority targets and progress reporting against those targets? Note that how this is done will depend on the individual organisation and its activities. Consider providing evidence and reporting of how the governing body is monitoring both quantitative and qualitative data on an ongoing basis to assess the organisation's performance.	☐	☐	☐
	d) Provide a summary of our strategy/priorities and goals, both qualitative and quantitative, and does it track our current progress against these goals (by reference to targets, milestones and/or budgets)?	☐	☐	☐
	e) Outline how the current year's strategy/priorities links into the longer-term strategy of our organisation?	☐	☐	☐
	f) Disclose future strategic plans/priority statements or insight into revisions to existing plans to achieve targets (where appropriate), especially where progress has fallen short of any original plans?	☐	☐	☐
	g) Make the strategic plan/priority statements or, at a minimum, the strategic/priority goals for the period available via a link to our website?	☐	☐	☐
1.4	**Activities** Do we:			
	a) Explain the significant activities that we undertook to achieve our objectives? *What programmes did you run, what projects did you undertake, what services did you provide, what grants did you make?*	☐	☐	☐
	b) Explain the outcomes we expected from our activities? *Does the annual report explain the impacts on or the consequences for the community resulting from the existence of your organisation?*	☐	☐	☐
	c) Reflect on our performance during the period covered by the annual report? *For example, if you did not achieve expected outcomes, you could explain why this occurred, what action was taken to address the situation and the lessons learned and any revisions to your strategic plan?*	☐	☐	☐

		Yes	No	N/A
1.5	**Future plans**			
	Do we explain our plans for the future? Do we explain our long-term aims, the objectives we have set for next year and the activities we have planned to achieve these objectives?	☐	☐	☐
1.6	**Risk management** Do we explain how we identify and manage the major risks we face in realising our strategy/priorities, meeting our objectives and achieving our plans for the future? Do we include:			
	a) An acknowledgement of the board or governing body's responsibility for risk management? *For example, this could be acknowledged in the governance statement.*	☐	☐	☐
	b) An outline of the processes used to identify, monitor and mitigate the risks it faces?	☐	☐	☐
	c) Disclosure of the controls in place to mitigate risks?	☐	☐	☐
	d) Details of the risks identified in the current year and how these were addressed? *Note that this disclosure covers all risks and not just those of a financial nature.*	☐	☐	☐

2. Who are we and how are we governed?

This section of the checklist asks a series of questions to assess whether the annual report or other publicly available information explains the structure of the NFP and how it is governed.

		Yes	No	N/A
2.1	**Who are we?** Do we include:			
	a) The name of our organisation, including any trading names?	☐	☐	☐
	b) Our Australian Company Number (ACN) or Australian Business Number (ABN)?	☐	☐	☐
	c) Details of any other registrations necessary to carry out our activities (for example, registrations under fundraising legislation)?	☐	☐	☐
	d) Explanation of the regulatory and legislative environment in which our organisation operates?	☐	☐	☐
	e) The address(es) of our office(s)?	☐	☐	☐
	f) An explanation of how we are constituted (for example, a company limited by guarantee, incorporated association, Royal Charter or Act of Parliament)?	☐	☐	☐
	g) An explanation of our relationship with related international bodies, including the funding received from or provided to those bodies and the control we have over the expenditure of those funds?	☐	☐	☐
	h) An explanation of the corporate structure of our organisation through the use of a diagram or narrative?	☐	☐	☐
	i) An explanation of any strategic alliances to achieve our organisation's objectives (such as joint ventures, affiliations with other organisations or relationships with overseas/parent organisations)? Do we provide information regarding these? Is the nature of these relationships clearly outlined?	☐	☐	☐

		Yes	No	N/A
2.2	**Who are our board members?** Do we include the following information regarding our board members:			
	a) Their names?	☐	☐	☐
	b) Their qualifications, skills and experience?	☐	☐	☐
	c) The length of their involvement with our organisation?	☐	☐	☐
	d) Their special responsibilities (for example, fundraising or audit committee)?	☐	☐	☐
2.3	**Who manages us on a day-to-day basis?** Do we disclose the following regarding our chief executive officer and other senior management team members?			
	a) Their names?	☐	☐	☐
	b) Their qualifications, skills and experience?	☐	☐	☐
	c) Their length of service with the organisation?	☐	☐	☐
	d) Remuneration arrangements, including any incentive arrangements? *This should include the approval processes for determining remuneration. Consider providing more than the minimum disclosures regarding remuneration amounts.*	☐	☐	☐
	e) KPIs and performance against these?	☐	☐	☐
	f) The performance assessment process for key management personnel?	☐	☐	☐
	g) Succession planning for key executives?	☐	☐	☐
2.4	**Who else is involved in our organisation?** Do we disclose the names and addresses of other relevant organisations or individuals such as our:			
	a) Bankers?	☐	☐	☐
	b) Solicitors?	☐	☐	☐
	c) Auditors?	☐	☐	☐
	d) Investment advisers?	☐	☐	☐
2.5	**Do we explain how we are governed?** Do we include the following, either in a governance statement or elsewhere in the report:			
	a) The role of our board?	☐	☐	☐
	b) The structure and processes of our board? *Consider processes for election and re-election of board members, limitations on the term of board membership and pathways to board membership.*	☐	☐	☐
	c) How we educate our board members on induction as well as an ongoing basis?	☐	☐	☐
	d) The composition of our board?	☐	☐	☐

	Yes	No	N/A
e) Our board committees and their functions?	☐	☐	☐
f) How we assess the performance of the board and how frequently this occurs?	☐	☐	☐
g) Our ethical standards?	☐	☐	☐
h) How we deal with conflicts of interest and an explanation of any codes of conduct the organisation subscribes to?	☐	☐	☐
i) How we ensure compliance with relevant legislation and regulation?	☐	☐	☐
j) Information detailing compensation arrangements, including remuneration (if any) for the governing body? *This should include the approval processes for determining remuneration (if applicable). Consider providing more than the minimum disclosures regarding remuneration amounts (if applicable).*	☐	☐	☐
Examples of governance statements can be found in section 3.2.			

3. Our stakeholders

This section of the checklist asks a series of questions to assess whether the annual report or other publicly available information adequately identifies the NFP's stakeholders and explains how the NFP has responded to their expectations and interests.

		Yes	No	N/A
3.1	**Who are our stakeholders?** Do we identify our major stakeholder groups? Consider:			
	a) Donors or sponsors	☐	☐	☐
	b) Volunteers	☐	☐	☐
	c) Employees	☐	☐	☐
	d) The beneficiaries of our programmes	☐	☐	☐
	e) Participants in our sport	☐	☐	☐
	f) Affiliated sporting bodies	☐	☐	☐
	g) The business community	☐	☐	☐
	h) The broader community	☐	☐	☐
	i) State and federal governments as funders	☐	☐	☐
	j) State and federal governments as regulators	☐	☐	☐
	k) Partners, including strategic partners	☐	☐	☐
	l) Suppliers	☐	☐	☐
	m) The media	☐	☐	☐
Consider whether the annual report or other publicly available information would be enhanced by the inclusion of a 'stakeholder map' to provide an overview of your stakeholder groups and the relationships and interactions between those groups.				

		Yes	No	N/A
3.2	**Stakeholder engagement (including the government, donors, the business community and general public)** Do we explain our approach to stakeholder engagement? Consider:			
	a) Donors and sponsors Do we explain:			
	• How we contact our donors?	☐	☐	☐
	• If we have any policies regarding acceptability of sponsors or major donors?	☐	☐	☐
	• How many donors were contacted?	☐	☐	☐
	• How frequently we contact our donors and the manner in which we communicate?	☐	☐	☐
	• The number of enquiries we receive from potential donors and the mode of enquiry (telephone, email, website, blog)?	☐	☐	☐
	• How we communicate with donors about the choice of projects and the results of expenditure on those projects?	☐	☐	☐
	• How we deal with donor complaints?	☐	☐	☐
	b) The beneficiaries of our programmes, including how we receive and deal with feedback on our programmes? *(For example, if the organisation is engaged in the provision of support for sufferers of a disease, do you explain how you liaise with sufferers or their carers regarding the manner in which that care is delivered?)*	☐	☐	☐
	c) The broader community *(For example, if you survey your community or conduct focus groups to engage the community, have you included the results of the survey or outcomes of the focus group and how you have recognised those results or outcomes in your strategy? If you have a community advisory board or panel, do you explain the role of the group, its membership and its contribution to your strategy and activities?)*	☐	☐	☐
	d) The business community Do we explain:			
	• Acknowledgement of corporate donors?	☐	☐	☐
	• The nature and extent of projects involving the business community?	☐	☐	☐
	• Mutual benefits achieved for both parties?	☐	☐	☐
	e) State and federal governments as funders Do we explain:			
	• Our processes for securing government funding?	☐	☐	☐
	• The extent of our reliance on government funding especially where government funding is material to our organisation's continuity?	☐	☐	☐
	• Our economic dependency on government funding by way of a note to the financial statements (if applicable)?	☐	☐	☐
	• Our potential commitments arising from the receipt and use of government funds?	☐	☐	☐
	• The KPIs or other conditions specified in government funding agreements and the extent to which they were met during the reporting period?	☐	☐	☐

		Yes	No	N/A
	f) State and federal governments as regulators Do we explain:			
	• The regulatory environment in which we operate?	☐	☐	☐
	• How compliance with legislation is monitored by management?	☐	☐	☐
	• How we ensure the regulatory environment does not disadvantage us or the community we serve (for example, through advocacy and lobbying activities)?	☐	☐	☐
	g) Partners, including strategic partners *Do we explain what strategic partnerships or alliances we have entered into?*	☐	☐	☐
	h) Suppliers *Do we explain how we engage with our suppliers (for example, payment terms and any conditions we impose on our suppliers such as being ethical employers or environmentally conscious)?*	☐	☐	☐
	i) The media Do we explain our interactions with the media and the impact of this? *For example, how many times have you been quoted in the press, appeared on television or used other forms of media (such as websites or blogs)?*	☐	☐	☐
3.3	**Social media**			
	a) Do we inform our stakeholders how they can contact us through social media such as Facebook, Twitter or our blog(s)?	☐	☐	☐
	b) Do we outline the degree to which social media has been used to engage with stakeholders and the impact of social media?	☐	☐	☐

4. Our employees

This section of the checklist asks a series of questions to assess whether the annual report or other publicly available information adequately explains how the NFP has engaged with its employees and how it responds to their expectations and interests.

		Yes	No	N/A
4.1	**Employment policies?** Do we explain our employment policies? Consider:			
	a) An explanation of our organisation's employment policies regarding equal employment opportunities and affirmative action	☐	☐	☐
	b) Flexible work arrangements	☐	☐	☐
	c) Benefits provided to employees	☐	☐	☐
	d) Training provided and professional development supported	☐	☐	☐
	e) Occupational health and safety (OH&S) policies	☐	☐	☐
4.2	**Employee data** Do we include the following data, including explanations of trends and how they are being addressed if applicable, relating to our employees? Consider:	☐	☐	☐
	a) The number of employees and their deployment across the organisation	☐	☐	☐
	b) Total number and rate of employee turnover by age group, gender and region	☐	☐	☐
	c) Measures of employee engagement or satisfaction	☐	☐	☐

		Yes	No	N/A
	d) Information in respect of employee retention (such as retention rate or initiatives to improve)	☐	☐	☐
	e) Rates of injury, occupational diseases, lost days and number of work-related fatalities	☐	☐	☐
	f) Rates of unplanned absenteeism	☐	☐	☐
	g) Average hours of training per year per employee, by employee category	☐	☐	☐
	h) Our organisation's OH&S performance	☐	☐	☐
4.3	**Recognising our employees** Do we disclose how we recognise our employees and their achievements? Consider:			
	a) Length of service	☐	☐	☐
	b) A description of our organisation's approach to the professional development of our employees (such as training or professional development)	☐	☐	☐
	c) Disclosing information about how our organisation assesses employee satisfaction	☐	☐	☐
	d) Providing a description of how our organisation recognises employees' contribution and achievements (for example, through public recognition or provision of awards)	☐	☐	☐

5. Our volunteers

This section of the checklist asks a series of questions to assess whether the annual report or other publicly available information adequately explains how the NFP has engaged with its volunteers and how it responds to their expectations and interests.

		Yes	No	N/A
5.1	**Volunteer policies** Do we explain our policies regarding the involvement of volunteers? Consider:			
	a) Screening policies and processes	☐	☐	☐
	b) Volunteer activities	☐	☐	☐
	c) Volunteer induction processes and ongoing training	☐	☐	☐
	d) National standards regarding the use of volunteers	☐	☐	☐
	e) OH&S policy for volunteers	☐	☐	☐
5.2	**Volunteer data** Do we include the following data, including explanations of trends, relating to our volunteers? Consider:	☐	☐	☐
	a) The number of volunteers and their deployment across the organisation	☐	☐	☐
	b) A measure of volunteer contribution, expressed in hours, staff equivalents or by assigning a dollar value to their contribution	☐	☐	☐
	c) Measures of volunteer engagement or satisfaction and the outcome of any surveys of volunteers to determine their level of satisfaction with the organisation	☐	☐	☐

		Yes	No	N/A
5.3	**Recognising our volunteers** Should we disclose how we recognise our volunteers' achievements? Consider:			
	a) Length of service	☐	☐	☐
	b) Outstanding client service or engagement with stakeholders	☐	☐	☐
	c) Publications, including contributions to peer-reviewed publications	☐	☐	☐
	d) External awards received	☐	☐	☐

6. Reporting performance and achievements

This section of the checklist asks a series of questions to assess whether the annual report or other publicly available information explains the results of the NFP's performance and its achievements during the year covered by the report.

		Yes	No	N/A
6.1	**How have we met our objectives?** Do we explain our actual performance against the objectives detailed in last year's report? Have we outlined:			
	a) The output indicators we use to measure our performance and disclose actual and planned performance and explained any significant variances? *Output indicators are measures of the goods or services produced or provided by the organisation. Section 3.3 provides some examples. Each organisation needs to define its own output measures.*	☐	☐	☐
	b) The outcome indicators we use to measure our performance and disclose actual and planned performance and explained any significant variances? *Outcomes are the impacts on or the consequences for the community resulting from the organisation's activities. Section 3.3 provides some examples. Each organisation needs to define its own output measures. The following question will assist you in this task: "How will the participant's or community's knowledge, attitude, value, skill, behaviour, condition or status change as a result of our activity?"*	☐	☐	☐
	c) Examples of case studies and testimonials to illustrate our outcomes and impact?	☐	☐	☐
	d) Graphs, tables and photographs where necessary to summarise and highlight our performance and achievements?	☐	☐	☐
	e) Matters we are able to control and those that are outside our control? *Consider a commentary on relationships with employees, users or beneficiaries of services, significant funders or occupational health and safety and training. Other commentary might include factors affecting fundraising and government policy that affects or may in future affect the organisation's operations.*	☐	☐	☐
	f) The challenges faced and how they were identified and addressed, any lessons from them and the future outlook?	☐	☐	☐
6.2	**Have we explained our source of fundraising, our reliance on fundraising and the results of our fundraising?** Do we include and explain:	☐	☐	☐
	a) Our revenue model and our approach to fundraising, including how this is evolving to observed changes in donations and fundraising?	☐	☐	☐
	b) The extent to which we are reliant on specific sources of fundraising to meet our objectives (for example, ongoing philanthropic grants, corporate or public donations, sponsorships)?	☐	☐	☐
	c) Actual fundraising against fundraising targets (with supporting commentary)? *Consider separate disclosure of fundraising through public appeals, regular giving programmes, legacies and bequests, philanthropic grants*	☐	☐	☐

		Yes	No	N/A
	d) Explanation of our policy for managing and protecting funds raised that are surplus to our needs?	☐	☐	☐
	e) The costs of our fundraising efforts, including a clear definition of what is included in fundraising costs?	☐	☐	☐
	f) The costs of our fundraising efforts as a percentage of funds raised?	☐	☐	☐
	g) A commentary on our investment in fundraising? *Where the NFP has incurred significant expenditure relating to future fundraising, comment should be included. Commentary should include an explanation of the impact on the current year's return from fundraising and future years' fundraising income. Commentary should also include a self-assessment on performance.*	☐	☐	☐
	h) Our treatment of and accounting for in-kind donations, such as time, goods and professional services?	☐	☐	☐
	i) Information about the policies for public fundraising, application of funds raised (how each dollar of funding is spent) and how this compared to target/budget?	☐	☐	☐
6.3	**Do we show how efficiently we have used our resources and investments?** *6.3.1 Do we include and explain the following information regarding the use of our funds?*			
	a) The ratio of funds spent on our primary purpose(s) to total expenditure?	☐	☐	☐
	b) The ratio of funds spent on our primary purpose(s) as to total funds received during the year?	☐	☐	☐
	c) Investments			
	- Do we provide a description of our organisation's investment policy and how this aligns to the strategic/priorities plan/statement?	☐	☐	☐
	- Do we disclose insight into the management of investments within our organisation and the involvement of any third parties such as investment advisers or managers (if applicable)?	☐	☐	☐
	- Do we provide information about our organisation's investments that includes the performance of the investments against short-term or long-term targets (3–5 years) and the investment performance objectives?	☐	☐	☐
	6.3.2 Do we disclose and explain the following information regarding the services we provide?			
	a) The outputs we have delivered?	☐	☐	☐
	b) The outputs delivered per employee or volunteer?	☐	☐	☐
	c) The cost per unit of output?	☐	☐	☐
	6.3.3 Do we disclose and explain the following information regarding our commercial activity?			
	a) Gross profit margin?	☐	☐	☐
	b) The commercial activity's cash contribution to our core activity?	☐	☐	☐
	c) The cash contribution per person employed in the commercial activity?	☐	☐	☐
	d) The hours of employment provided by the commercial activity to those served by our core activities?	☐	☐	☐
	e) Insight regarding the commercial activity's contribution to the organisation's core activity in terms of materiality compared to the overall organisation?	☐	☐	☐

		Yes	No	N/A
6.4	**Do we explain our financial performance and position?**			
	6.4.1 Do we include a financial discussion and analysis?	☐	☐	☐
	a) Trends in revenue?	☐	☐	☐
	b) Revenue shortfalls in the current period compared with the prior period or budget/target? *This includes the reasons for the shortfall and what your organisation is doing to address such a shortfall in the future.*	☐	☐	☐
	c) Key events (both positive and negative) and the effects of significant economic or other events (such as natural disasters) on our operations?	☐	☐	☐
	d) The revaluation or impairment of assets, the reason for the revaluation/impairment and the financial impact?	☐	☐	☐
	e) The impact of any other one-off events in the year?	☐	☐	☐
	f) The main influences on costs of our operations?	☐	☐	☐
	g) Appropriate measures of our financial performance?	☐	☐	☐
	h) Changes (from the prior year) in the composition of our assets?	☐	☐	☐
	i) Significant movements (from the prior year) in our assets, liabilities and reserves?	☐	☐	☐
	j) Changes in our cash flow (from the prior year)?	☐	☐	☐
	k) The financing of our capital expenditure programmes?	☐	☐	☐
	l) The purpose of our reserves and any restrictions on the use of our assets?	☐	☐	☐
	m) Any deficiency in the organisation's current position (excess of current liabilities over current assets)?	☐	☐	☐
	n) The future outlook for our organisation (for example, funding levels, future events, anticipated changes to operations)?	☐	☐	☐
	6.4.2 Have we considered reporting about our long-term performance? Have we:			
	a) Provided insight into and analysis of both our longer-term financial and non-financial performance (such as number of clients assisted or programmes run) for a minimum 3–5 year period?	☐	☐	☐
	b) Provided linkage between the long-term goals and the short-term achievements made against these goals?	☐	☐	☐
	c) Provided data of performance against prior periods or budgets (with supporting narrative) so stakeholders can gain a greater understanding and context of the overall performance in the year?	☐	☐	☐
	d) Outlined the sustainability of current levels of funding and the extent to which our organisation relies on certain revenue streams?	☐	☐	☐

		Yes	No	N/A
6.5	**Environmental and sustainability policies** Does our organisation outline its performance in the wider context of sustainability by disclosing how it contributes or aims to contribute in the future to the improvement of economic, environmental and social conditions and developments at local, regional and global level? Consider:	☐	☐	☐
	a) Explaining initiatives to mitigate the environmental impacts of our programmes or fundraising projects	☐	☐	☐
	b) Explaining initiatives to reduce usage of resources such as paper and energy and any recycling initiatives	☐	☐	☐
	c) Providing commentary and quantitative data on our approach to ensure all activities are sustainable and our performance against any targets set	☐	☐	☐
6.6	**Distributing our annual report**			
	Have we considered making our annual report available on our website rather than distributing hard copies?	☐	☐	☐

3.2 Examples of governance statements

NFPs can enhance the transparency of their organisations by including a governance statement in their annual reports or alternatively in another published document or on their website. In broad terms, a governance statement is an overview of the processes that direct the NFP. The governance statement should explain the processes that are in place to ensure the NFP's mission is achieved, direct strategy, sustain the organisation and maintain accountability throughout the organisation. The examples of governance statements that follow are for two fictional NFPs, which can be adapted to suit any NFP. The background for each of these NFPs provides some context for the disclosures in the governance statements.

Nonquestus

Nonquestus is a significant NFP involved in the raising of funds for research to find a cure for the disease 'malaise' and the provision of long-term and respite care for sufferers of the disease. It is funded by a mixture of government grants, philanthropic grants, funds raised through annual appeals and regular giving programmes and the profits of volunteer-staffed 'op shops'. Nonquestus operates three long-term and respite care facilities and 10 op shops in Victoria and is centrally managed from Melbourne.

The long-term and respite care facilities are run in a self-funding model for operations. Capital expenditure for these operations comes from grants and fundraising. Nonquestus employs 200 people and has the assistance of over 100 volunteers at various times during the year. Turnover is more than $35 million a year.

Nonquestus is a company limited by guarantee. Its constitution makes membership of the company available to those who have undertaken to contribute to the company's debts in the event of it winding up, to individuals who have contributed more than $1,000 to the organisation or to individuals who have made a significant contribution as volunteers. These groups are known as guarantor, donor and volunteer members respectively.

Ludus Inc.

Ludus Inc. is a suburban sporting club that fields one senior and five junior teams in a suburban amateur league. In addition to all the activities associated with the fielding of these teams, it is a participant in a programme that provides non-competitive recreational activities for teenagers and children within the suburb. This programme is funded by a $20,000 grant from the national sporting body. Other than this grant, its activities are funded by sponsorship from local businesses, membership subscriptions from players and others and a grant from the local council. Total annual turnover is $60,000.

Ludus Inc. is incorporated under the *Associations Incorporation Act*. Its members are its registered players, participants in the recreational programme and other involved members of the community. Total membership is 200. Ludus has no employees – it relies on volunteers to carry out all functions relating to its activities.

Nonquestus

Governance statement

Nonquestus is a company limited by guarantee, incorporated under the *Corporations Act 2001* and registered as a charity under the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). Ultimate responsibility for the governance of the company rests with the Board of Directors. This governance statement outlines how the Board meets that responsibility.

The Board's role

The Board's primary role is to ensure that Nonquestus' activities are directed towards achieving its mission of finding a cure for the disease 'malaise' and providing the best possible care for sufferers until that cure is found.

The Board fulfils its primary role by:

- setting the strategic direction for Nonquestus, assessing progress towards strategic objectives and approving policies to work towards those objectives
- selecting, appointing, guiding and monitoring the performance of the chief executive and determining his/her remuneration and conditions of service
- approving the appointment and remuneration guidelines of senior management who report directly to the chief executive
- overseeing the development and maintenance of Nonquestus's ethical standards
- ensuring optimal succession planning is in place for the role of chief executive and senior management positions
- approving and monitoring the annual budget
- monitoring Nonquestus' financial performance, including management's adherence to budgets
- considering and approving strategies and policies to ensure appropriate risk management
- ensuring the company complies with relevant laws and policies
- reviewing and ensuring that all necessary and appropriate delegations are in place to enable management to meet their responsibilities
- appointing Board committees to assist in effective governance
- acting as an advocate for Nonquestus whenever and wherever necessary.

These responsibilities are set out in the Board's charter, which can be viewed on the company's website, www.nonquestus.com.au

Management's responsibility

The Board has formally delegated responsibility for Nonquestus' day-to-day operations and administration to the chief executive and executive management.

Nonquestus' management team comprises the chief executive officer, the directors of fundraising, residential care and child care and the chief finance officer. The chief executive officer provides the leadership of the management team and the organisation. The chief executive officer is also responsible for achieving the results set out in the strategic plan and is authorised by the Board to put in place policies and practices, take decisions and actions and initiate activities to achieve those results.

Board meetings and Board Committees

The Board meets at a frequency that allows it to discharge its duties. This is generally six times each year, but additional meetings are scheduled as required. Workshops or forums are held periodically to provide opportunities for further Board engagement in strategic and other important issues. The chief executive and senior management also participate in Board meetings to the extent determined appropriate for each meeting. Agenda setting is a collaborative process with input from the Board Chair, Committee Chairs, chief executive and senior management with final approval by the Board Chair.

Each director is a member of one of our Board committees. The Board does not delegate major decisions to its committees but charges them with the responsibility to consider the detailed issues and to make appropriate recommendations to the Board.

Each Board committee operates under a charter approved by the Board. These charters are reviewed annually and updated as necessary. Copies of the charters can be viewed on the company's website, www.nonquestus.com.au

Nominations and Remunerations Committee

The Nominations and Remunerations Committee assists the Board to discharge the following responsibilities:

- Elect, remove and set terms of appointment (including remuneration) of the chief executive officer.
- Approve the appointment and set guidelines for the remuneration of senior management. The chief executive officer sets the remuneration for the management team within those guidelines.
- Review and monitor the human resources policies and their application.

Further, this committee oversees the appointment and induction process for Board and committee members. Recommendations for appointment are made to ensure the Board has the right mix of skills, experience and expertise. The company's guarantor, donor and volunteer members elect Board members.

The Nominations and Remunerations Committee is also responsible for ensuring the right mix of Board skills, experience and expertise is continuously available to Nonquestus through appropriate succession planning.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee assists the Board to meet its responsibilities for the integrity of financial reporting, compliance with external regulatory requirements and internal standards, the effectiveness of the internal control and risk management framework and the effectiveness of external audit functions. Specifically the committee:

- oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information
- reviews the adequacy and disclosure of financial statements
- reviews the effectiveness of internal control and risk management systems
- reviews financial and operational risk assessments
- oversees the external audit function, including ensuring the independence of the external auditor and recommending the appointment of, liaising with and assessing the performance of the external auditor
- reviews compliance with fundraising legislation, taxation status, the Corporations Act and the ACNC Act
- monitors management responses to audit issues
- provides advice on financial and other issues.

Other committees

The Board may establish ad hoc committees and working groups for the purpose of considering and advising on specific, generally short-term matters. These report to the Board during the course of normal Board meetings.

Board members

All Board members are non-executive directors and receive no remuneration for their services. They may be reimbursed for reasonable costs and expenses incurred in connection with Board activities.

Nonquestus' constitution provides an indemnity to directors. Appropriate directors' indemnity insurance has been put in place. The company's constitution specifies that:

- there must be no fewer than five and no more than 11 directors
- no employees of the company, including the chief executive, can be a director of the company
- directors are appointed for a maximum of two terms of four years each.

Details of the current Board members can be viewed on the company's website, www.nonquestus.com.au

Board and committee members receive written advice of the terms and conditions of their appointment and complete a structured induction programme when first appointed. Board and committee members' knowledge of the business is maintained by regular visits to Nonquestus' operations, management presentations and access to continuing education programmes as necessary.

The performance of individual Board and committee members and the Board and Board committees is assessed annually.

The chair

The chair of the Board is elected by the Board. The key internal roles of the chair are to:

- ensure the Board provides vision and guidance to Nonquestus
- ensure Board meetings are effective
- ensure the Board considers matters in a timely, transparent manner
- guide the effectiveness and development of the Board and individual directors.

Externally, the chair acts as spokesperson for Nonquestus in conjunction with the chief executive and consults and communicates with stakeholders.

Risk management

The Board is responsible for considering and approving strategies and policies to ensure appropriate risk management and monitors compliance with the Risk Management Policy and Guidelines. The Board has delegated its oversight of the Risk Management Policy to the Finance, Audit and Risk Committee.

Management is responsible for establishing and implementing the Risk Management Policy and Guidelines. Risk assessments are conducted, and risk across the organisation is identified for analysis, monitoring and managing. These risks comprise operational, financial and compliance risks. These risks are rated and assigned to members of senior management as the risk owners who are responsible for management of each risk. Each risk owner will adopt and approve the risk treatment plan for the risk.

All breaches of policies other than human resources policies are required to be reported to the Finance, Audit and Risk Committee. Legal risk is monitored, reviewed and managed by Nonquestus' legal advisers who report quarterly to the Finance, Audit and Risk committee.

Independent advice

The Board and Board committees have access to advice on legal, investment and taxation matters. In particular, the Board has engaged Fiducia Investments to provide advice on the management of its investment portfolio. The Board has approved risk and return parameters for investment in available-for-sale investments and receives reports from management and Fiducia Investments regarding the performance of the investment portfolio.

Conduct, ethics and conflicts of interest

Board members, the chief executive officer, senior management and staff are expected to comply with relevant laws and the codes of conduct of relevant professional bodies and to act with integrity, compassion, fairness and honesty at all times when dealing with colleagues, sufferers of 'malaise' and others who are stakeholders in our mission. Our whistle-blower policy is designed to reinforce the above culture and applies to directors, employees, volunteers, contractors and the general public to report improper conduct including matters relating to governance.

Board and committee members and staff are made aware of Nonquestus' ethical standards, code of conduct and conflicts of interest policy during their induction to the organisation and are provided with a copy of these documents at that time.

Any potential conflicts at the Board or Committee level are disclosed, considered and handled in accordance with the Conflicts of Interest policy. The organisation maintains a register of interests, and this is disclosed at every meeting of the Board, with updates being made as and when new or changed interests are advised.

Board review

The Board invites an external consultant to conduct a Board review from time to time. The purpose of the review is to identify issues relating to the skills, behaviour, relationships or practices that may be inhibiting the Board from being fully effective. The Board believes that constructive feedback from an external expert helps the Board address the nature of the services and environment within which Nonquestus operates.

Transparency with stakeholders

Nonquestus has many stakeholders, including those we care for and their families, those we provide with grant funds, our donors and benefactors, our staff and volunteers, the broader community, the government agencies that provide funds and regulate our operations, and our suppliers. Transparent disclosure is linked with accountability to all our stakeholders.

We prepare and make available a variety of reports, each aimed at providing the information necessary to improve accountability and transparency to all stakeholders. These include the annual report, the financial report and the strategic plan in addition to our monthly newsletters.

Ludus Incorporated

Governance statement

Ludus Inc. is incorporated under the *Associations Incorporation Act* and operates under the rules of association adopted by the members on 20 July 1998. Under these rules, Ludus' affairs are managed by the committee of management. This governance statement outlines how the committee discharges that responsibility.

The committee's primary role is to ensure Ludus achieves its objective of providing an enjoyable, safe and (where applicable) competitively successful recreational experience for both competitor and non-competitor participants. Ludus is reliant on its members' subscriptions, grants and sponsorship, and volunteers in providing this experience to its members.

The committee, which comprises the president, the vice-president, treasurer, secretary and two ordinary members, is elected each year at the annual general meeting. The roles and responsibilities of these key positions in the governance system are documented and understood. In fulfilling its primary role, the committee meets at least six times a year. At these meetings it considers:

- the treasurer's report, which details our income, expenditure and financial position
- membership matters
- competitive results and team matters
- the outcomes of the non-competitive recreational programme
- sponsorship and fundraising matters
- community relationships, including league matters and local government liaison
- risk management, including insurance matters
- conflicts of interest declaration
- progress towards strategic objectives and goals
- governance structures and policies.

The committee is assisted by the team and selection, finance, fundraising and audit and community committees. Each of these committees has a charter that defines their roles and responsibilities. These specific committees report to the committee of management on a regular basis.

The proceedings at each meeting are minuted and summarised in our quarterly newsletter. Minutes are available for inspection by members at any time.

The committee reports to members at the annual general meeting. At the annual general meeting, the annual report, which includes the audited financial report for the year just ended, is presented to members, together with the budget and plan for the forthcoming year. A summary of performance against budget and plan is provided in the quarterly newsletter.

3.3 Examples of outputs

Outputs – charitable NFPs

This table details some output indicators that might be used by charitable NFPs to illustrate performance during a year or over an extended period (for example, in a five-year summary). Output indicators measure the activities undertaken or the goods and services produced and provided to users by the organisation. The list provided is not exhaustive and will not cover all NFPs. Each NFP needs to define its own output measures based on the activities it conducts or the products and services it delivers to the community.

Type of NFP	Suggested output indicators
Drug advice centre	• Number of information sessions delivered to schools or community groups • Number of addicts assisted • Number of people assisted by outreach programmes • Number of people assisted by training programmes as part of rehabilitation
Grant-making trust	• Number of grants made during the year • $ value of grants made during the year
Disease-focused charity	• Number and value of grants made for research • Number of sufferers assisted with equipment or subsidies for medication • Number of sufferers transported for treatment • Number of sufferers cared for in facilities • Number of information packs provided to sufferers and sufferers' families • Number of volunteer hours provided to assist families of sufferers • Number of contacts with policy makers
Overseas aid or microfinance organisation	• Number of people assisted • Number of programmes delivered during the year, analysed by nature of programme and location of delivery of programme • Number of volunteers placed in overseas locations to deliver aid • Value of aid provided (including the value of in-kind donations distributed) • Number of people trained by programmes
Organisation providing assistance to homeless or needy	• Accommodation available (number of beds) • Number of people sheltered • Number of meals provided or delivered • Number of children provided with educational assistance • Value of clothing provided • Number of families assisted with food and clothing vouchers
Organisation promoting sustainable living and climate change	• Number of information sessions delivered to schools or community groups • Number of low-emission light bulbs, water-saving taps or shower heads distributed • Advocacy activities undertaken such as submissions to government enquiries
Organisation providing children's education and services	• Number of children assisted • Number of training programmes delivered
Aged-care provider	• Accommodation provided (number of beds) • Activities provided • Operational compliance

Type of NFP	Suggested output indicators
Organisation providing intellectual disability support	• Number of people assisted • Number of people accessing services
Affordable housing provider	• Number of houses developed • Number of tenders applied for • Tenant satisfaction
Organisation specialising in land and species conservation	• Number and area size of land preserved and revegetated • Number/percentage of native plant, animal or bird species protected

Output measures – sporting NFPs

This table details some output indicators that might be used by sporting NFPs to illustrate performance during a year or over an extended period (for example, in a five-year summary). Output indicators measure the activities undertaken or the goods or services produced or provided to users by the organisation. The list in this table is not exhaustive and will not cover all NFPs. Each NFP needs to define its own output measures based on the activities it conducts or the products and services it delivers to the community. The suggested indicators will need to be modified for the specific circumstances of the NFP (local club, regional or state league or association or national body).

Nature of output	Suggested output indicators
Promotion and development	• Number of promotion events conducted • Number of promotion kits distributed • Media coverage • Number of contacts with relevant local, state or national government politicians or officers • Number of coaching clinics conducted
Competition	• Number of events held • Number of events participated in • Teams fielded
Participation	• Number of members registered with the NFP • Number of members participating during the season
Encouragement and talent development	• Number of development squads conducted • Number of members selected for regional, state or national training squads
Coaching development	• Number of coaching information sessions conducted • Number of enrolments for coaching education programmes • Number attending accreditation sessions • Number of new coaches accredited during the year • Number of coaches retaining accreditation
Official development	• Number of information sessions for officials • Number of update sessions conducted • Number of enrolments for official education programmes • Number attending accreditation sessions • Number of new officials accredited during the year • Number of officials retaining accreditation
Compliance	• Number of player education (including anti-doping) workshops conducted • Number of players subjected to drug tests • Number of drug tests conducted

3.4 Examples of outcomes

Outcomes – charitable NFPs

This table details some outcome indicators that might be used by charitable NFPs to illustrate performance during a year or over an extended period (for example, in a five-year summary). Outcomes are the impacts on or the consequences for the community resulting from the NFP's activities. They could be expressed as changes, benefits, learning or other effects. The list is not exhaustive and will not cover all NFPs. Each NFP needs to define its own outcome indicators based on the activities conducted or the products and services it delivers to the community. In certain circumstances, outcomes may be best illustrated by individual examples, case studies or testimonials.

Type of NFP	Suggested output indicators
Drug advice centre	• Penetration of drug use in the community served by the centre • Number of programme participants who re-present • Number of people assisted by training programmes as part of rehabilitation who find full-time employment
Grant-making trust	• Expected and actual outcomes of activity funded by the grant (for example, research results, students who complete education)
Disease-focused charity	• Outcome of research funded by the organisation (for example, changes in the approach to care) • Prevalence or occurrence of the disease • Expected outcomes for sufferers of the disease • Feedback from sufferers or their families (survey results) • Advocacy outcomes – changes in legislation or regulation; funding provided for research or facilities.
Overseas aid or microfinance organisation	• Economic benefits to the community – number of microbusinesses started and their progress, livestock purchased, agricultural improvements and their progress • Measures of the standard of living of the community such as percentage with access to clean water, vaccinated or malnourished • Educational benefits to the community – number of children completing primary school
Organisation providing assistance to homeless or needy	• Utilisation of care – number of bed nights provided as a percentage of bed nights available • Number of homeless in the community • Number moved to permanent accommodation • Advocacy outcomes – changes in legislation or regulation; funding provided for facilities • Number of children completing education to a certain level as a result of assistance provided
Organisation promoting sustainable living and climate change	• Changes in water or energy consumption in the community served by the organisation • Changes in emissions by the community served by the organisation • Changes in policy, legislation or regulation as a result of advocacy activities
Organisation providing children's education and services	• Number of marginalised children enrolled into mainstream services • Increase in the number of families more socially connected • Percentage of parents with improved parenting skills
Aged-care provider	• Utilisation of care provided, bed occupancy rate • Number of people engaging in activities provided • Changes in quality of care

Type of NFP	Suggested output indicators
Organisation providing intellectual disability support	• Improvements in community integration • Changes in employment legislation
Affordable housing provider	• Number of homeless people now housed • Number of people on the housing waiting list • Percentage of parents with improved parenting skills
Organisation specialising in land and species conservation	• Number of native animals recorded in a specific location for the first time/for a long time • Increase in population numbers of specific species • Reduction in feral animals and/or foreign and invasive plant species

Outcomes – sporting NFPs

This table details some outcome indicators that might be used by sporting NFPs to illustrate performance during a year or over an extended period (for example, in a five-year summary). Outcomes are the impacts on or the consequences for the community resulting from the NFP's activities. They could be expressed as changes, benefits, learning or other effects. The list in this table is not exhaustive and will not cover all NFPs. Each NFP needs to define its own outcome indicators based on the activities conducted or the products and services it delivers to the community. In certain circumstances, outcomes may be best illustrated by individual examples, case studies or testimonials.

Nature of outcome	Suggested output indicators
Promotion and development	• Number of new participants recruited • Growth in number of participants • Percentage of young people in the catchment area who participate in the sport • New facilities made available or funded
Competition	• Competition results (team and individual) • Improvement in results compared to previous seasons
Participation	• Percentage of registered members who participated in competitive or recreational activities during the year • Number of members participating in the sport during the season
Encouragement and talent development	• Number of members selected for training squads who are selected for regional, state or national teams
Coaching development	• Number of new coaches accredited
Official development	• Number of new officials accredited
Compliance	• Outcomes of drug tests • Outcomes of tribunals

3.5 Other relevant frameworks

3.5.1 Integrated reporting (IR)

Background

There are a number of shortcomings with today's corporate reporting model, including increasing length, complexity, inadequacy and clutter in reports.

Organisations are using IR to communicate a clear, concise integrated story that explains how all of their resources are creating value. IR focuses on conciseness, strategic relevance and future orientation, enabling a better understanding of the factors that materially affect an organisation's ability to create value over time.

This is broadly in line with what we have been advocating as best practice in this publication over its past couple of editions.

What is IR?

Launched by the International Integrated Reporting Council (IIRC) in July 2010, with a final framework issued in December 2013, IR is gaining momentum globally and in Australia [http://integratedreporting.org/].

IR is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to creation of value in the short, medium and long term. The use of the IR Framework enables a business to bring all these elements together to best tell an organisation's value creation story. An integrated report should be prepared in accordance with the international IR framework.

The IR has been developed by the IIRC for the corporate sector principally aimed at providers of financial capital allocation decisions. However, the principles behind IR for the corporate sector can apply equally to the NFP sector as donors and government are also making important decisions regarding allocation of funds. The international IR framework now represents best-practice guidance in this area, and a number of NFPs are already embracing some of these broader reporting concepts as part of their reporting to stakeholders.

What are the objectives of IR?

IR aims to:

- improve the quality of information available to providers of finance capital to enable a more efficient and productive allocation of capital
- promote a more cohesive and efficient approach to reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time
- enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies
- support integrated thinking, decision making and actions that focus on the creation of value over the short, medium and long term.

Who is the IIRC?

The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting professions and non-government organisations. Together, this coalition shares the view that communication about businesses' value creation should be the next step in the evolution of reporting.

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable developments through the cycle of integrated reporting and thinking.

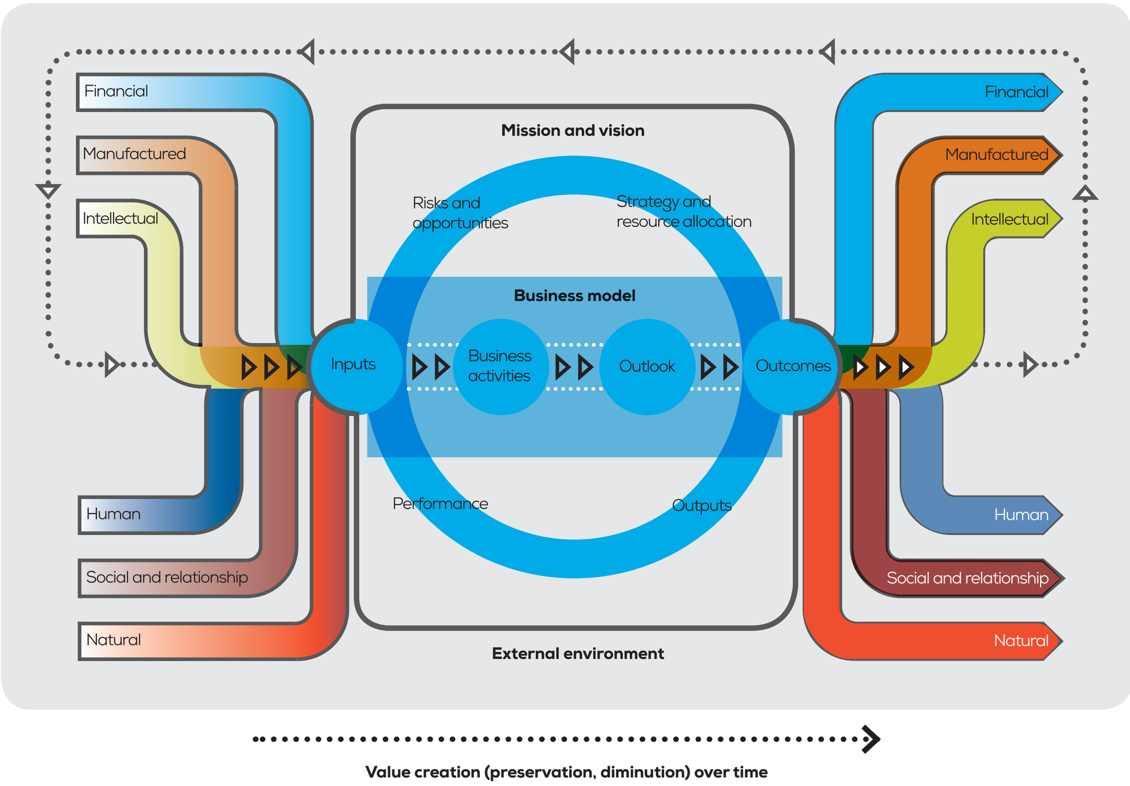
The IR Framework

The IR Framework has been developed to realise the IIRC's vision and provide a foundation for the future. There are now more than 750 participants in IR networks worldwide with 1,000 businesses globally using it to communicate to their investors.

The international IR Framework was issued in December 2013 and covers four areas:

Fundamental principles	A. Introduction B. Value creation for the organisation and for others C. The capitals (financial, manufactured, human, intellectual, social and relationship, and natural) D. The value creation process
Guiding principles	A. Strategic focus and future orientation B. Connectivity of information C. Stakeholder relationships D. Materiality E. Conciseness F. Reliability and completeness G. Consistency and comparability
Content elements	A. Organisational overview and external environment B. Governance C. Business model D. Risks and opportunities E. Strategy and resource allocation F. Performance G. Outlook H. Basis of preparation and presentation I. General reporting guidance

The framework includes the following diagram, which depicts the value creation process.



This shows the mission and vision as encompassing the whole organisation, and we consider all these aspects to be equally applicable to NFPs.

What's next?

IR is more than just stapling the financial report and sustainability report together – it is about integrated thinking. Experience to date shows that IR is a journey of organisational cultural change and it takes time. Innovation is also at the core of IR, including the use of technology.

The IIRC website (http://integratedreporting.org/) contains significant resources, including an examples database, IIRC case studies, research and reports.

The IIRC is currently in a 'Breakthrough phase" where it is planned to move from the creation of the Framework and market testing to development and early adoption by reporting organisations around the world.

3.5.2 Global Reporting Initiative (GRI) reporting principles

What is the GRI Framework?

The GRI Framework consists of the Sustainability reporting guidelines offering Reporting principles, Standard Disclosures and an Implementation manual – see www.globalreporting.org/standards/Pages/default.aspx

The sustainability reporting guidelines are the foundation of the GRI Framework and are now in their fourth generation. They feature sustainability disclosures that organisations can adopt flexibly and incrementally, enabling them to be transparent about their performance in key sustainability areas.

The G4 Sustainability guidelines are more user friendly than previous versions and contain an increased emphasis on the need for organisations to focus the reporting process and final report on those topics that are material to their business and their key stakeholders.

Why use GRI?

Some NFPs may choose to expand their sustainability reporting to stakeholders beyond that recommended in the checklist contained in Section 3.1. The GRI is an international independent non-profit organisation that helps businesses, governments and other organisations understand and communicate the impact of businesses on critical sustainability issues such as climate change, human rights, corruption and many others.

The GRI Sustainability reporting standards are widely used in approximately 90 countries. These standards are the most widely used standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to make better decisions on information that matters.

By using the G4 Sustainability Guidelines, reporting organisations disclose their most critical impacts – be they positive or negative – on the environment, society and the economy. They can generate reliable, relevant and standardised information with which to assess opportunities and risks and enable more informed decision making – both within the business and among its stakeholders. G4 is designed to be universally applicable to all organisations of all types and sectors, large and small, across the world.

Non-government organisations sector supplement

The G4 Sustainability Guidelines include a Non-governmental Organisations (NGO) Sector Supplement – see www.globalreporting.org/resourcelibrary/GRI-G4-NGO-Sector-Disclosures.pdf.

The NGO Sector Disclosures document contains a set of disclosures for use by all organisations in the NGO sector. The disclosures cover key aspects of sustainability performance that are meaningful and relevant to the NGO sector and which are not sufficiently covered in the G4 Guidelines.

The term 'non-governmental' is used to describe a wide variety of organisations, which may also be referred to as private voluntary organisations, civil society organisations and not-for-profit organisations.

Aspects dealing with evaluating programme effectiveness have been included in the NGO supplement because of their particular relevance to the sector and also as they are a core element of being accountable. These are:

- affected stakeholder engagement
- feedback, complaints and action
- monitoring, evaluation and learning
- gender diversity
- public awareness and advocacy
- coordination.

3.5.3 Reporting Service Performance Information

Service performance information relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society.

Background

In August 2015, the Australian Accounting Standards Board (AASB) released exposure draft ED270 *Reporting Service Performance Information* (see www.aasb.gov.au/admin/file/content105/c9/ACCED270_08-15.pdf) to seek public comment on the AASB proposals for a new accounting standard on this topic.

Public comment was due in April 2016, and at the date of writing this publication, the AASB has yet to decide the future of this project. However, we consider that these proposals are beneficial to this publication, given their direct relevance to the annual report checklist in section 3.1 of this publication.

What and Why?

ED270 establishes principles and requirements for an entity to report service performance information that is useful for accountability and decision making purposes.

In fact, ED270 refers to some of the components in the checklist in section 3.1 and includes some of these in the draft proposals on the basis that financial information alone cannot communicate sufficient information to users of NFP information.

It supports this by noting that the *Corporations Act 2001* already requires some performance-related information to be reported in the directors' report (although notes that this is only relevant for limited by guarantee entities that are not registered charities).

Further, it notes that the *Australian Charities and Not-for-profits Commission Act 2012* also requires some performance-related information to be reported in the annual information statement (relevant for registered charities).

The AASB notes the following benefits that are expected to flow from these proposals:

- Users of not-for-profit entity reporting would be provided with more relevant and understandable information about the financial and non-financial aspects of the entity.
- Greater consistency of reporting by not-for-profit entities.
- Not-for-profit entities could better satisfy their accountability obligations.

ED270 requires service performance information to be reported, for those NFPs preparing general purpose financial reports, at least annually in relation to:

- the entity's service performance objectives
- key outputs, including the inputs used to produce those outputs
- any outcomes the entity is seeking to influence
- the entity's efficiency and effectiveness in achieving its service performance objectives.

ED270 then proceeds to explain and define the terminology used, provides some examples as to what is required and expands on the above areas as necessary.

Guidance when producing a financial report[1]

4

Is a financial report required?

Financial reporting by NFP entities is generally governed by legislation – either the ACNC Act for registered charities or, for those that are not registered charities or who apply the state/territory transitional provisions:

- the *Corporations Act 2001* for companies limited by guarantee or
- the state/territory incorporated associations legislation for incorporated associations.

Refer to decision tree 1 for guidance.

The extent and form of financial reporting and related audit requirements vary depending on the size and type of entity as discussed below.

What are the requirements for ACNC registered charities?

The ACNC Act requires registered charities with revenue greater than $250,000 who are not basic religious entities to prepare and lodge financial statements with the ACNC.

If revenue is between $250,000 and $1 million, the charity can elect to have the financial statement reviewed rather than audited, but if revenue is greater than $1 million, audited financial statements must be lodged.

However, if the state/territory transitional provisions apply, an entity may meet its ACNC Act obligations by applying the relevant state/territory requirements.

What are the requirements for companies limited by guarantee?

NFP entities that are structured as companies limited by guarantee that are not registered with the ACNC are governed by the *Corporations Act 2001*.

However, companies limited by guarantee that are registered charities are now regulated under the ACNC Act. The requirements are similar to the *Corporations Act 2001*, although the financial report will be lodged with the ACNC rather than ASIC.

Section 285A of the *Corporations Act 2001* sets out the reporting framework applicable to the three tiers of companies limited by guarantee:

Companies with revenue of less than $250,000 that are not deductible gift recipients* within the meaning of the Income Tax Assessment Act 1997 do not need to prepare or lodge any financial reports.

Companies with revenue of more than $250,000 but less than $1 million are required to prepare and lodge a financial report but they may elect to have that report reviewed rather than audited.

Companies with revenue of $1 million or more must lodge an audited financial report.

What are the requirements for incorporated associations?

The various state/territory association incorporations acts provide an alternative means of incorporation for NFPs. There are eight such acts and each has different financial reporting and auditing requirements and different criteria for applying differential reporting or audit requirements. Any incorporated association NFP should be familiar with the financial reporting and auditing provisions of the legislation that applies to them.

A summary of the financial reporting and auditing provisions of each state/territory association incorporations acts is provided in Section 5.

Incorporated associations that are also registered with the ACNC will also need to lodge financial statements with the ACNC. Currently, the transitional provisions are such that the organisation can lodge the same financial statements as that lodged with the state/territory regulator (this only applies in situations where financial statements are in fact lodged with the regulator).

What type of financial report – general purpose or special purpose?

The NFP's Board or other governing body decides on the type of financial report to present to the NFP's stakeholders. The purpose of this guidance is to assist in making that decision, which must consider the needs of the users and relevant legislative requirements.

The Australian financial reporting framework allows for two types of financial reports –

a general purpose financial report and a special purpose financial report.

General purpose financial reports are those intended to meet the needs of users not in a position to demand reports tailored to meet their particular information needs and include full compliance with all relevant Australian accounting standards. General purpose financial reports include those that are presented separately or within another public document such as an annual report or prospectus. The alternative, a special purpose financial report, is defined as "a financial report other than a general purpose financial report".

1 'Financial report' is terminology that is used within the Corporations Act and the ACNC Act, whereas the Australian Accounting Standards use 'financial statements'. As the illustrative example is a company limited by guarantee and a registered charity, the Corporations Act and ACNC Act terminology has been used throughout this section.

* In respect of registered charities, deductible gift recipient status will not exclude application of this exemption.

Decision tree 2 will help the governing bodies of NFPs determine whether a general purpose or special purpose financial report will meet their stakeholders' needs. We strongly recommend that Boards, chief executives and the senior finance executives of NFPs discuss the financial reporting and auditing requirements for their organisations with their professional advisers.

When a decision is reached to prepare a special-purpose financial report, we recommend this decision is recorded in the minutes, with appropriate rationale, and the decision is revisited on an annual basis.

Where the governing body has determined that a general purpose financial report is appropriate, a further decision has to be made (see the reduced disclosure regime section below) regarding the type of general purpose financial report to prepare.

What is the reduced disclosure regime for general purpose financial reports?

AASB 1053 *Application of Tiers of Australian Accounting Standards* creates two tiers of general purpose financial reports. The numbers recorded in the primary statements (result for the year, net assets and so on) are the same in both tiers – the difference between the tiers relates to the quantity of disclosures. Many of the disclosures, which are considered to be confusing and less meaningful to users (such as financial risk management and standards issued not yet effective), have been removed from Tier 2 reports (i.e. general purpose financial reports for those entities complying with the reduced disclosure requirements).

The two tiers of general purpose financial reports are described below:

Tier 1	Requires compliance with all recognition, measurement and disclosure requirements in the Australian accounting standards. Tier 1 is mandatory for for-profit entities in the private sector that have public accountability (i.e. listed entities and financial institutions) and to the Australian, state, territory and local governments.
Tier 2	Requires compliance with all the recognition and measurement requirements of Australian accounting standards but allows substantially reduced disclosure requirements. Tier 2 may be applied by all NFPs, although an NFP may elect, or may be required by regulation or statute, to apply Tier 1 reporting.

The AASB website includes Reduced Disclosure Requirements accounting standards that show the disclosures that may be removed in general purpose financial statements prepared under AASB 1053 via shading.

Decision tree 3 illustrates the process for adopting the reduced disclosure requirements or preparing Tier 1 general purpose financial statements.

What needs to go into special-purpose financial reports?

Special-purpose financial reports are prepared to meet the needs of the intended users. However, there are some best practices around the contents of these financial reports.

Entities required to lodge financial statements under the *Corporations Act 2001* should be aware of the requirements of ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities, and other NFP entities may wish to use this document as reference for best practice.

RG 85 requires that entities preparing special-purpose financial reports comply with all recognition and measurement requirements in the Australian accounting standards as well as the following standards in their entirety:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1031 *Materiality*
- AASB 1048 *Interpretation of Standards*
- AASB 1054 *Australian Additional Disclosures*

This means the numbers reported for the financial performance, financial position and cash flow of the entity will be the same as those reported for entities preparing general purpose financial reports. However, preparers of special-purpose financial reports have some discretion about the disclosures included.

The ACNC mandates compliance with the above standards but does not specify that all recognition and measurement criteria be applied. However, a 'true and fair' determination is required by the directors both by the ACNC Act and the Corporations Act.

Refer to decision tree 4 for guidance on the contents of special-purpose financial reports.

Is there any additional information required in the financial report in addition to the disclosure requirements of the Australian Accounting Standards?

If the entity's activities are subject to fundraising legislation, any additional information required by that legislation should be included in the financial report.

If the entity subscribes to the Australian Council for International Development (ACFID) Code, the information necessary to satisfy the requirements of the ACFID Code should be included in the financial report.

If funding agreements require certain disclosures, these should be included in the financial report.

What is included in the example financial report?

Section 4.2 contains an example annual financial report for a fictional NFP company limited by guarantee registered with the ACNC. We emphasise that this report has been provided for guidance to disclosures only. It is not meant to provide definitive guidance as to the application of accounting standards in particular circumstances.

The example annual financial report has been compiled as a general purpose financial report on the basis that Tier 2 reduced disclosure requirements (AASB 1053) have not been adopted. However, to assist those entities that elect to implement a reduced disclosure regime, we have highlighted the disclosures that may be removed by shading the text in grey. The new or changed reduced disclosure requirements required under the reduced disclosure requirements are shown as white text on a black background.

Example financial report – The Nonquestus Charity

The following example financial report for the year ended 30 June 2016 is that of a fictional charitable NFP, The Nonquestus Charity. This background information is provided to assist in the interpretation of the financial report.

Nonquestus is a company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission (ACNC). Its activities involve:

- the provision of residential, day and respite care to sufferers of the disease 'malaise'
- the provision of emergency overseas aid to children in areas experiencing famine or war who are suffering from 'malaise'
- advocacy and information on causes supported by Nonquestus.

Funding and income

Nonquestus' activities are funded by grants and donations, legacies from deceased estates and charitable foundations. Residential, day and respite care activities are supported by grants from the federal, state and local governments. Fees charged to residents and users of day and respite care facilities are based on their capacity to pay.

A building appeal has been active for the last two years to raise funds for a new residential care facility. The appeal has raised $1.3 million over the 2015 and 2016 years specifically for this purpose.

In addition to its fundraising activities, Nonquestus operates a trading enterprise that employs a number of the people it assists. This enterprise is conducted through a mail order operation and shops that sell both donated goods and goods purchased for sale.

Nonquestus' investment funds are managed by an investment manager under a mandate that includes a risk profile and target return.

Expenditure on activities

Nonquestus dissects its expenditure into costs associated with the generation of funds, expenditure on its charitable activities, and support and administration costs.

Costs of generating funds include fundraising and building appeal costs, costs of goods sold (costs of sales) and investment management fees. Nonquestus pays close attention to the ratio of fundraising costs to funds raised. As noted above, the charity has been investing in its fundraising activities and considers that there is a time lag between this investment and increased income from donations and grants

Expenditure on charitable activities includes costs associated with the provision of residential, day and respite care, childcare and emergency costs and costs incurred in providing information and education on causes supported by Nonquestus.

As a company registered with the ACNC, Nonquestus is required to comply with the reporting provisions of the *Australian Charities and Not-for-profits Commission Act 2012* and not the financial reporting requirements of the *Corporations Act 2001*. Appendix 2 shows the differences in the financial report for a company limited by guarantee that is not registered with the ACNC.

Entities registered with the ACNC are not required to prepare a directors' report unless it is required by their constitution. If the responsible persons want to include a report, the content should be tailored to their requirements rather than using the previous directors' report. We suggest that the report is called the responsible persons' report rather than referring to a directors' report, which has Corporations Act implications.

AASB 101 *Presentation of Financial Statements* provides a choice as to whether the statement of profit or loss or other comprehensive income is presented as a single statement or in two statements. Appendix 1 has been included to show the two-statement approach.

The format and content of the auditor's report will change for periods ending on or after 15 December 2016. Appendix 3 has been included to show the applicable audit report for periods ending before 15 December 2016.

The example annual financial report that follows has been compiled on the basis that Tier 2 differential reporting has not been adopted. To assist those entities that elect to adopt AASB 1053 *Application of Tiers of Australian Accounting Standards* and implement a reduced disclosure regime, we have highlighted the disclosures that may be removed by adopting entities by shading the text in grey.

Additional disclosures required to be made by Tier 2 reporters are shown white text on a black background

Notes to example annual financial report

The following example financial report is based on Australian accounting standards that were on issue at 24 March 2016 and that apply to annual reporting periods beginning on or after 1 July 2015. Other than as noted below, this financial statement does not include changes arising from new and amending standards and interpretations effective for periods commencing after 1 July 2015. For a discussion of differential reporting, refer to pages 30 to 31.

The example financial report is provided for illustrative purposes only, dealing with the most likely disclosure requirements of an NFP charity. It does not purport to show all possible accounting and disclosure requirements and should not be regarded as a comprehensive checklist of accounting and disclosure requirements.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular NFP entity. Although every attempt has been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No-one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The following abbreviations have been used in the explanatory notes and citations included in the report:

AASB 7	Australian accounting standard AASB 7 *Financial Instruments: Disclosures*
AASB 13	Australian accounting standard AASB 13 *Fair Value Measurement*
AASB 101	Australian accounting standard AASB 101 *Presentation of Financial Statements*
AASB 102	Australian accounting standard AASB 102 *Inventories*
AASB 107	Australian accounting standard AASB 107 *Statement of Cash Flows*
AASB 108	Australian accounting standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
AASB 110	Australian accounting standard AASB 110 *Events after the Reporting Period*
AASB 116	Australian accounting standard AASB 116 *Property, Plant and Equipment*
AASB 117	Australian accounting standard AASB 117 *Leases*
AASB 118	Australian accounting standard AASB 118 *Revenue*
AASB 119	Australian accounting standard AASB 119 *Employee Benefits*
AASB 121	Australian accounting standard AASB 121 *The Effects of Changes in Foreign Exchange Rates*
AASB 124	Australian accounting standard AASB 124 *Related Party Disclosures*
AASB 136	Australian accounting standard AASB 136 *Impairment of Assets*
AASB 137	Australian accounting standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
AASB 139	Australian accounting standard AASB 139 *Financial Instruments: Recognition and Measurement*
AASB 1004	Australian accounting standard AASB 1004 *Contributions*
AASB 1054	Australian accounting standard AASB 1054 *Australian Additional Disclosures*
ACNC Reg s60.15	Australian Charities and Not-for-profits Commission Regulation 2013, section 60.15
Corp 300B	*Corporations Act 2001*, section 300B
Int 1031.7	Australian accounting interpretation 1031 *Accounting for the Goods and Services Tax (GST)*
Note	An explanation of how the accounting standards have been interpreted in arriving at the illustrative disclosure. These can be found at the end of the financial report.

THE NONQUESTUS CHARITY

(A COMPANY LIMITED BY GUARANTEE AND REGISTERED WITH THE ACNC)

Annual financial report
For the year ended 30 June 2016

CONTENTS TO FINANCIAL REPORT

The Nonquestus Charity

(A company limited by guarantee and registered with ACNC)

Note 1 **Corporate information**

ABN 00 000 000 000

Directors

The following directors were in office at the date of this report.

A Borodin (Chair)

B Britten

M Bruch

W Byrd

J Cage

E Elgar

E Greig

H Purcell

F Schubert

Company Secretary

Fiona Summersun LLB

Registered office and principal place of business

Charity House

132 Charybyle Street

Melbourne, VIC 3000

Banker

Helpful Bank

Collins Street

Melbourne, VIC 3000

Auditor

Auditor & Co

Chartered Accountants

Melbourne VIC 3000

The Nonquestus Charity
(a company limited by guarantee)

Financial report for the year ended 30 June 2016

		Note	2016	2015
AASB 101.51(c),(e) AASB 101.113			$000	$000

AASB 101.10(b), .81(b), .82, Note 1

Statement of profit or loss and other comprehensive income

		Note	2016 $000	2015 $000
AASB 101.82(a)	**Revenue from continuing operations**			
AASB 101.85	Fundraising:	2(c), 3(a)		
	Donations and gifts		2,620	1,446
	Legacies		2,150	1,330
	Building appeal		400	900
	Government funding		6,360	5,569
	Residential care – fees from residents		1,200	1,000
	Sales of goods		540	400
	Investment income	2(c)	380	475
	Other income			
	Net gain on foreign exchange	2(c)	20	-
	Net gain on disposal of available-for-sale investments	2(c)	150	-
	Net gain on disposal of fixed assets	2(c)	20	30
AASB 101.82(a)	**Total revenue and other income**	**3(a), (b)**	**13,840**	**11,150**
	Expenditure			
AASB 101.99	Fundraising and appeal costs	2(d)	435	360
	Costs of sales		170	110
	Residential care costs		3,130	3,159
	Research grants	2(d)	1,500	1,250
	Childcare and emergency costs	2(d)	5,000	4,900
	Support costs	2(d)	190	180
	Management and administration	2(d)	258	216
	Other	2(d)	490	710
AASB 101.85, .87	**Total expenditure**	**3(c)**	**11,185**	**10,885**
AASB 101.82(f)	**Net surplus for the year**		**2,655**	**265**
AASB 101.82(g)	**Other comprehensive income**			
AASB 101.82A	**Items that will not be reclassified subsequently to profit or loss**			
AASB 101.82(g)	Revaluation of property, plant and equipment	8	-	670
AASB 101.82A	**Items that will be reclassified subsequently to profit or loss when specific conditions are met**			
AASB 7.20(a)(ii) AASB 139 .55(b)	Net changes in fair value of available-for-sale financial assets	9	100	20
	Other comprehensive income for the year		**100**	**690**
AASB 101.82(i)	**Total comprehensive income for the year**		**2,755**	**955**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

The Nonquestus Charity
(a company limited by guarantee)

Financial report for the year ended 30 June 2016

AASB 101.51(c),(e) .113		Note	2016 $000	2015 $000
AASB 101.10(a)	**Statement of financial position**			
	Assets			
	Current assets			
AASB 101.54(i)	Cash and cash equivalents	5	4,490	3,200
AASB 101.54(h)	Trade and other receivables	6	1,765	1,000
AASB 101.54(g)	Inventories	7	300	400
	Total current assets		**6,555**	**4,600**
	Non-current assets			
AASB 101.54(a)	Property, plant and equipment	8	5,500	4,000
AASB 101.54(d)	Available-for-sale financial investments	9	2,615	3,115
	Total non-current assets		**8,115**	**7,115**
	Total assets		**14,670**	**11,715**
	Liabilities			
	Current liabilities			
AASB 101.54(k)	Trade creditors and other payables	10	1,105	905
AASB 101.54(m)	Interest-bearing loans	11	40	40
AASB 101.54(l)	Provisions	12(a)	155	115
	Total current liabilities		**1,300**	**1,060**
	Non-current liabilities			
AASB 101.54(m)	Interest-bearing loans	11	100	140
AASB 101.54(l)	Provisions	12(b)	200	200
	Total non-current liabilities		**300**	**340**
	Total liabilities		**1,600**	**1,400**
	Net assets		**13,070**	**10,315**
AASB 101.5 – refer previous page	**Funds**	13		
	Accumulated funds		11,260	8,605
	Asset revaluation reserve		1,670	1,670
	Net unrealised gains reserve		140	40
	Total funds		**13,070**	**10,315**

The statement of financial position is to be read in conjunction with the attached notes.

Statement of changes in funds

		Note	Accumulated funds $000	Asset revaluation reserve $000	Unrealised gains reserve $000	Total funds $000
AASB 101.51(c)						
AASB 101.106(d)(i)	**Balance at 30 June 2014**		8,340	1,000	20	9,360
AASB 101.106(d)(ii)	Net surplus/(deficit)		265	-	-	265
AASB 101.106(d)	Other comprehensive income	8,9	-	670	20	690
AASB 101.106(a)	Total comprehensive income		8,605	670	20	955
AASB 101.106(d)(i)	**Balance at 30 June 2015**		8,605	1,670	40	10,315
AASB 101.106(d)(ii)	Net surplus/(deficit)		2,655	-	-	2,655
AASB 101.106(d)	Other comprehensive income	9		-	100	100
AASB 101.106(a)	Total comprehensive income		2,655	-	100	2,755
AASB 101.106(d)	**Balance at 30 June 2016**		11,260	1,670	140	13,070

		Note	2016 $000	2015 $000
AASB 101.10(d), .11, .51	**Statement of cash flows**			
AASB 101.10				
AASB 107.6, .10, .18, .20.2	**Cash flows from operating activities**			
AASB 107.14	**Receipts from:**			
	Donations and gifts		2,596	1,424
	Legacies		1,565	1,160
	Building appeal		400	900
	Residential fees received		1,200	1,000
	Government grants		5,969	5,176
	Merchandise sales		550	410
AASB 107.31	Dividend income		100	120
AASB 107.31	Interest income		175	235
AASB 107.14	Payments to suppliers and employees		(10,115)	(9,715)
	Net cash flows from operating activities	**15**	**2,440**	**710**
AASB 107.6, .10, .21	**Cash flows from investing activities**			
AASB 107.16(b)	Proceeds from sales of property, plant and equipment		130	170
AASB 107.16(a)	Purchase of property, plant and equipment		(1,990)	(1,000)
AASB 107.16(c)	Purchase of available-for-sale investments		(100)	(65)
AASB 107.16(d)	Proceeds from disposal of available-for-sale investments		850	-
	Net cash flows used in investing activities		**(1,110)**	**(895)**
AASB 107.6, .10, .17, .21	**Cash flows from financing activities**			
AASB 107.17(e)	Finance lease payments		(40)	(40)
	Net cash flows used in financing activities		**(40)**	**(40)**
	Net increase (decrease) in cash and cash equivalents		1,290	(225)
	Cash and cash equivalents at beginning of year		3,200	3,425
	Cash and cash equivalents at end of year	**2(e), 5**	**4,490**	**3,200**

The statement of cash flows is to be read in conjunction with the attached notes.

The Nonquestus Charity
(a company limited by guarantee)

Financial report for the year ended 30 June 2016

Index to notes to and forming part of the financial statements

AASB 101.51

Notes to and forming part of the financial statements

1. Corporate information

AASB 110.17 AASB 1054.8(b) The financial report of the not-for-profit company The Nonquestus Charity (the company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 23 September 2016.

AASB 101.138(a) The Nonquestus Charity is a company limited by guarantee, incorporated and domiciled in Australia.

AASB 101.138(b) The principal activities include:

- the provision of residential, day and respite care to the sufferers of the disease 'malaise'
- Note 2 the provision of emergency overseas aid to children in areas experiencing famine or war who are suffering from 'malaise'
- advocacy and information on causes supported by Nonquestus.

2. Summary of accounting policies

AASB 101.119 **(a) Basis of preparation**

AASB 101.112, AASB 1054.7,8(a),9,RDR 7.1, AASB 101 RDR16.1 Note 3 These general purpose financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012,* Australian Accounting Standards – Reduced Disclosure Requirements, accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

AASB 101.117 **Historical cost convention**

The financial statements have been prepared on the basis of historical cost except for the following.

- Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses.
- Available-for-sale financial assets are measured at fair value.

The methods used to measure the fair values of these assets are discussed in notes 2(h) and 2(i). Cost is based on the fair values of the consideration given in exchange for assets.

AASB 101.51(d),(e) **Currency and rounding of amounts**

The financial statements are presented in Australian dollars, which is the company's functional and presentation currency. All values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

AASB 101.119 **(b) Significant accounting judgements, estimates and assumptions**

AASB 101.116, .122, .125 The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to and forming part of the financial statements

Significant accounting judgements

Leases

The company has entered into leases of premises and office equipment as disclosed in Note 16(b). Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

Grants received

The company has received a number of government grants during the year. Once the company has been notified of the successful outcome of a grant application, the terms and conditions of each grant are reviewed to determine whether the funds relate to a reciprocal grant (i.e. payment for services rendered), in which case it is accounted for under AASB 118 *Revenue*, or a non-reciprocal grant, in which case it is accounted for under AASB 1004 *Contributions*.

Note 4

Significant accounting estimates and assumptions

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are as follows:

Make-good provisions

Provisions for future costs to return certain leased premises to their original condition are based on the company's past experience with similar premises and estimates of likely restoration costs determined by the company's property manager. These estimates may vary from the actual costs incurred as a result of conditions existing at the date the premises are vacated.

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service, as discussed in Note 2(l). The amount of these provisions would change should any of these factors change in the next 12 months.

AASB 101.119

(c) Revenue recognition

AASB 118.35(a)

Revenue is measured at the fair value of consideration received or receivable. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office.

Revenue from fundraising

Donations

AASB 1004.11 & 12

Donations collected, including cash and goods for resale, are recognised as revenue when the company gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Legacies

Legacies are recognised when the company is notified of an impending distribution or the legacy is received, whichever occurs earlier.

AASB 1004.12

Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the company becomes legally entitled to the shares or property.

AASB 1004.11

Building appeal

Donations to the building appeal are recognised when received.

Notes to and forming part of the financial statements

Revenue from residential care

Government funding

AASB 1004.12

Note 5

The company's residential care activity is supported by grants received from the federal, state and local governments. Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability, and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the company obtains control of the funds.

Fees from residents

Fees charged for care provided to residents are recognised when the service is provided.

AASB 118.14(a) & (c)

Sales of goods

Revenue from sales of goods comprises revenue earned (net of returns, discounts and allowances) from the sale of goods purchased for resale and gifts donated for resale. Sales revenue is recognised when the control of goods passes to the customer.

AASB 118.30(a)

Investment income

Investment income comprises interest and dividends. Interest income is recognised as it accrues, using the effective interest method.

AASB 118.30(c)

Dividends from listed entities are recognised when the right to receive a dividend has been established.

Asset sales

AASB 116.71

The gain or loss on disposal of all non-current assets and available-for-sale financial investments is determined as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

In-kind donations

Facilities donated for occupancy by residents or children in care are included at the fair value to the company where this can be quantified and a third party is bearing the cost.

Note 6

No amounts are included in the financial statements for services donated by volunteers.

AASB 101.119

(d) Expenditure

Note 7

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category, they have been allocated to activities on a basis consistent with use of the resources. Premises overheads have been allocated on a floor area basis, and other overheads have been allocated on the basis of the head count.

Fundraising costs are those incurred in seeking voluntary contributions by donation and do not include costs of disseminating information relating to the activities carried out by the company.

Support costs are those costs directly incurred in supporting the objects of the company and include project management carried out by central administration.

Management and administration costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Research grants are amounts granted to institutions in Australia that specialise in research into the causes and treatment of 'malaise'. Grants are recognised when paid to the institution or when there is an obligation to make payment under a contract.

Childcare and emergency costs comprise amounts paid to overseas aid organisations to assist in the provision of emergency overseas aid to children in areas experiencing famine or war and who are suffering from 'malaise'.

Other costs comprise investment management fees, information and education costs.

Notes to and forming part of the financial statements

AASB 101.119

(e) Cash and cash equivalents

AASB 107.6, .8, .46

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less where the investment is convertible to known amounts of cash and is subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

AASB 101.119

(f) Trade and other receivables

AASB 139.46(a)
AASB 7.27, .29(a)
AASB 7.RDR27.1

Trade receivables, which comprise amounts due from sales of merchandise and from services provided to residents, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Normal terms of settlement vary from seven to 90 days. The carrying amount of the receivable is deemed to reflect fair value.

AASB 139.58, .63

An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

AASB 101.119

(g) Inventories

Inventories comprise goods for resale and goods for distribution at no or nominal consideration as part of the company's charitable activities. Inventories may be purchased or received by way of donation.

AASB 102.9, .10,.36(a).

Goods for resale

Inventories of goods purchased for resale are valued at the lower of cost or net realisable value. No value is ascribed to goods for resale that have been donated to the company where the fair value cannot be reliably determined. The cost of bringing each item to its present location and condition is determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

AASB 102.Aus9.1,
.Aus10.1,
.Aus36.1(a) & (h)

Goods held for distribution

Donated goods and goods purchased for nominal consideration held for distribution are initially recognised at their current replacement cost at date of acquisition. Inventories of goods purchased and held for distribution are initially recognised at cost. The cost of bringing each product to its present location and condition is determined on a first-in, first-out basis. Cost is adjusted, when applicable, for any loss of service potential. Loss of service potential may be indicated by a current replacement cost lower than the original acquisition cost or obsolescence of goods held for distribution. Current replacement cost is the cost the company would incur to acquire the goods held for distribution at reporting date.

AASB 101.119

(h) Property, plant and equipment

AASB 116 .17, .30, .31, .73(a)

Bases of measurement of carrying amount

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

AASB 116 .Aus15.1

Any property, plant and equipment donated to the company or acquired for nominal cost are recognised at fair value at the date the company obtains control of the assets.

Revaluation of land and buildings

AASB 116.31, .35(b)

Following initial recognition at cost, land and buildings are carried at a revalued amount that is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Notes to and forming part of the financial statements

AASB 116.6, .32

Fair value is the amount of "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Fair values are confirmed by independent valuations that are obtained with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the reporting date. Director valuations are used if an independent valuation does not take place during an annual reporting period.

AASB 116 .Aus39.1, .Aus40.1, .Aus40.2

Land and buildings are treated as a class of assets. When the carrying amount of this class of assets is increased as a result of a revaluation, the increase is credited directly to the revaluation reserve, except where it reverses a revaluation decrement previously recognised in the statement of profit or loss and comprehensive income, in which case it is credited to that statement.

AASB 116.Aus40.1

When the carrying amount of land and buildings is decreased as a result of a revaluation, the decrease is recognised in the statement of profit or loss and other comprehensive income, except where a credit balance exists in the revaluation reserve, in which case it is debited to that reserve.

Depreciation

AASB 116.73(b)

Items of property, plant and equipment (other than land) are depreciated over their useful lives to the company, commencing from the time the asset is held ready for use. Depreciation is calculated on a straight-line basis over the expected useful economic lives of the assets as follows:

AASB 116.73(c)

Freehold buildings	2%
Plant and equipment	20%
Computer equipment	33⅓%
Motor vehicles	25%
Equipment held under finance leases	Life of lease

Impairment

AASB 136.9

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

AASB 136. .Aus6.1,

The recoverable amount of property, plant and equipment is the higher of fair value less costs of disposal and value in use. Value in use for assets is a discounted cash flow calculation.

AASB 136.59

An impairment loss exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

AASB 136.60

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

AASB 116.67, .68, .70

Derecognition and disposal

AASB 116.41

An item of property, plant and equipment is derecognised upon disposal, when the item is no longer used in the operations of the company or when it has no sale value. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Any part of the asset revaluation reserve attributable to the asset disposed of or derecognised is transferred to general funds at the date of disposal.

AASB 101.119

(i) Available-for-sale financial assets

AASB 139.9

Available-for-sale financial assets are those financial assets that are designated as available for sale. When available-for-sale financial investments are recognised initially, they are measured at fair value. Any available-for-sale financial investments donated to the company are recognised at fair value at the date the company obtains control of the asset.

AASB 1004.11

Notes to and forming part of the financial statements

AASB 139.55(b), .67 to .70

After initial recognition, available-for sale financial investments are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, being either a significant or prolonged decline in value below cost, at which time, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit or loss and other comprehensive income.

AASB 139.48
AASB 7.27
AASB 7.RDR27.1

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

AASB 101.119

(j) Trade creditors and other payables

AASB 7.29(a)
AASB 7.27 & 29
AASB 7.RDR27.1

Trade creditors and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid. These amounts are usually settled in 30 days. The carrying amount of the creditors and payables is deemed to reflect fair value.

AASB 101.119

(k) Deferred income

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted and presented as non-current.

AASB 101.119

(l) Employee benefits

AASB 119.4

Employee benefits comprise wages and salaries, annual leave, non-accumulating sick leave, long-service leave and contributions to superannuation plans.

AASB 119.10, .11

Liabilities for short-term employee benefits expected to be wholly settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

AASB 119.128

The liability for long-term benefits is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

AASB 119.43, .44
Note 8

The company pays contributions to certain defined contribution superannuation plans. Contributions are recognised in the statement of profit or loss and other comprehensive income when they are due. The company has no obligation to pay further contributions to these plans if the plans do not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

AASB 101.119

(m) Leased assets and liabilities

Operating leases

AASB 117.33

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Notes to and forming part of the financial statements

Finance leases

AASB 117.8, 20, .25

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of profit or loss and other comprehensive income.

AASB 117.27

Capitalised leased assets are depreciated over the estimated useful life of the asset or lease term, if shorter.

AASB 101.119, .120

(n) Taxation

Note 9

Income tax

The company is a charitable institution for the purposes of Australian taxation legislation and is therefore exempt from income tax. The company holds deductible gift recipient status.

AASB 101.119

Goods and services tax (GST)

Int 1031.7

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Int 1031.8

Receivables and payables are recognised inclusive of GST.

Int 1031.9

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Int 1031.10, .11

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

AASB 101.119

(o) Foreign currency translation

AASB 121.21, .28, .32

Transactions in foreign currencies are initially recorded by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in profit or loss.

AASB 101.119

(p) Make-good provisions

AASB 137.85
AASB 116.16(c)

Costs required to return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision in the financial statements. The provision has been calculated as an estimate of future costs and discounted to a present value and is revised on an annual basis.

Notes to and forming part of the financial statements

AASB 101.119

(q) New standards and interpretations not yet adopted

AASB 108.30

Note 10

The following standards, amendments to standards and interpretations have been identified as those that may significantly impact the company in the period of initial application.

Standard	Effective date	Impact on the company
AASB 9 *Financial Instruments* and related standards	Annual reporting periods beginning on or after 1 January 2018 (i.e. 30 June 2019 reporting date for the company).	Available-for-sale investments will be classified at fair value through other comprehensive income (OCI), and all changes in value will be taken to OCI since they will no longer be subject to impairment testing. The basis for raising impairment provisions for receivables will change although the company has not yet quantified the impact of this.
AASB 15 *Revenue from Contracts with Customers*	Annual reporting periods beginning on or after 1 January 2018 (i.e. 30 June 2019 reporting date for the company).	The company is waiting for the release of the NFP guidance on AASB 15 to determine the impact of the changes in its revenue recognition policy.
AASB 16 *Leases*	Annual reporting periods beginning on or after 1 January 2019 (i.e. 30 June 2020 reporting date for the company).	Operating leases currently held by the company will need to be brought onto the statement of financial position, and the associated assets and liabilities will be recorded. The impact has not yet been quantified.

Notes to and forming part of the financial statements

3. Revenue, other income and expenses

		2016 $000	2015 $000
AASB 101.97	**(a) Revenue**		
AASB 118.35(b)(i)	Sale of goods	540	400
AASB 118.35(b)(ii)	Rendering of services	1,200	1,000
	Sales revenue	1,740	1,400
	Government grants	6,360	5,569
	Donations and gifts		
	Individual and corporate donors	1,396	924
	Charitable foundations	1,200	500
	Gifts in kind	24	22
	Building appeal	400	900
	Legacies	2,150	1,330
	Investment income		
AASB 118.35(b)(iii)	*Interest*	250	300
AASB 118.35(b)(v)	*Dividends*	130	175
	Total revenue	**13,650**	**11,120**
	(b) Other income		
AASB 121.52(a)	Net gain on foreign exchange	20	-
AASB 7.20(a)(ii)	Net gain on disposal of available-for-sale financial investments	150	-
AASB 101.97, .98(c)	Net gain on disposal of property, plant and equipment	20	30
	Total other income	**190**	**30**
	Total revenue and other income	**13,840**	**11,150**
AASB 101.97	**(c) Expenses**		
AASB 7.20(b)	Finance charges included in finance lease payments	12	14
AASB 101.97, .104	Depreciation	380	270
	Impairment loss on trade receivables	3	-
	Costs of sales includes the following items recognised as an expense		
AASB 102.36(d)	*Goods for sale*	100	68
AASB 102.Aus36.1(c)	*Goods for distribution*	70	42
AASB 117.35(c)	**Operating lease payments**		
	Land and buildings	110	110
	Plant and equipment	70	70
	Total operating lease payments	180	180
AASB 1054.10	Auditor's remuneration		
	Amounts paid to Auditor & Co for:		
	The audit of the financial statements	14	13
	Grant acquittal audits	6	9

Notes to and forming part of the financial statements

		Note	2016 $000	2015 $000
AASB 101.97, .104	**(d) Employee benefits expense**			
	Wages and salaries		6,050	5,820
	Workers' compensation insurance and payroll taxes		700	650
AASB 119.46	Defined contribution superannuation plan expense		500	480
	Movements in employee benefits provisions		35	22
	Total employee benefits expense		**7,285**	**6,972**

Note 11

4. Fair value disclosures

AASB 13.93a

The company carries the following assets at fair value:

- Freehold land and buildings – $5.05 million.
- Available-for-sale financial investments – $2.615 million.

The fair value disclosures for freehold land and buildings are included in this note. Refer to Note 14 Financial instruments for fair value information relating to the available-for-sale financial assets.

Fair value hierarchy

AASB 13.93b

AASB 13.93c

The valuations for freehold land and buildings are considered to be a level 3 value in the hierarchy, i.e. based on unobservable inputs.

There have been no transfers between levels of the hierarchy during the year.

Effect of level 3 valuation on profit or loss or other comprehensive income

AASB 13.91b

There was no valuation deemed necessary during the period as the carrying amount of the asset was not deemed to be materially different from its fair value.

Reconciliation of level 3 assets

AASB 13.93e

The reconciliation from the opening balances to the closing balances is shown below:

	2016 ($)	2015 ($)
Balance at 1 July	3,550	2,350
Additions	1,700	770
Fair value movement recognised in other comprehensive income	–	670
Disposals	(300)	(100)
Depreciation	100	(140)
Balance at 30 June	5,050	3,550

Notes to and forming part of the financial statements

Valuation techniques

AASB 13.91a Level 3 fair values of freehold land and buildings have been determined by an independent valuer using the valuation indexes for similar sites and buildings to obtain a representative $ per m using the highest and best use methodology. Recent sales have also been considered. However, due to the nature of this building, they are not considered to be comparable properties.

There is no change in the valuation technique since the prior year.

There is no evidence to indicate that the current use of the freehold land and buildings is not the highest and best use.

AASB 13.93i

Valuation policies

AASB 13.93a The market conditions around the freehold land and buildings are assessed at each reporting date, and if the directors believe there has been a material movement in the value of the assets, either an independent valuation (obtained at least once every three years) or a directors' valuation is obtained.

Notes to and forming part of the financial statements

AASB 107.45
AASB 101.77
Note 12

5. Cash and cash equivalents

	Note	2016 $000	2015 $000
Cash at bank and in hand		1,090	200
Short-term deposits		3,400	3,000
	2(e)	**4,490**	**3,200**

AASB 7.7 Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the company's cash requirements. These deposits earn interest at market rates.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 14.

AASB 101.78(b)

6. Trade and other receivables

		Note	2016 $000	2015 $000
AASB 101.77	Trade debtors	2(f)	580	522
AASB 139.63	Less: Provision for doubtful debts	6(a)	(20)	(17)
			560	505
AASB 101.77	Legacies	2(c)	755	170
AASB 101.77	Other debtors		225	205
AASB 101.77	Prepayments and other accrued income	2(c)	225	120
			1,765	**1,000**

(a) Provision for doubtful debts

AASB 7.37(b) Past experience indicates that no impairment allowance is necessary in respect of trade debtors not past due and past due 0–30 days. Impairment allowances recognised at the reporting dates have been determined after a review of amounts outstanding at those dates and comprise amounts due from individual residents at the company's residential care facilities. No individual balance due exceeds $1,000, and no collateral is held as security for these amounts. The movement in the allowance for impairment in respect of trade debtors during the year was as follows:

		Note	2016 $000	2015 $000
AASB 7.16	Balance at 1 July		17	17
AASB 7.20(e)	Impairment losses recognised		3	-
	Balance at 30 June		20	17

Notes to and forming part of the financial statements

The company's exposure to credit risk and impairment losses related to trade debtors and other receivables is disclosed in Note 14.

AASB 102.36(b)
AASB 101.77

7. Inventories

Note 13

		Note	2016 $000	2015 $000
	Goods purchased for resale	2(g)	240	320
AASB 102.Aus36.1(b)	Donated goods held for distribution	2(g)	60	80
			300	**400**

AASB 116.73
AASB 101.77

8. Property, plant and equipment

		Freehold land and buildings $000	Plant and equipment $000	Computer equipment $000	Motor vehicles $000	Total $000
	Cost or fair value					
AASB 116.73(d)	**At 1 July 2014**	3,010	390	110	220	3,730
AASB 116.73(e)(i)	**Additions**	770	60	140	30	1,000
AASB 116.73(e)(iv)	**Revaluation increment**	670	–	–	–	670
AASB 116.73(e)(ix)	**Disposals**	(100)	(50)	–	(50)	(200)
AASB 116.73(d)	**At 30 June 2015**	**4,350**	**400**	**250**	**200**	**5,200**
AASB 116.73(e)(i)	**Additions**	1,700	180	100	10	1,990
AASB 116.73(e)(ix)	**Disposals**	(300)	–	–	–	(300)
AASB 116.73(d)	**At 30 June 2016**	**5,750**	**580**	**350**	**210**	**6,890**
	Accumulated depreciation					
AASB 116.73(d)	**At 1 July 2014**	660	165	125	40	990
AASB 116.73(e)(vii)	**Charge for year**	170	50	25	25	270
AASB 116.73(e)(ix)	**Disposals**	(30)	(15)		(15)	(60)
AASB 116.73(d)	**At 30 June 2015**	**800**	**200**	**150**	**50**	**1,200**
AASB 116.73(e)(vii)	**Charge for year**	90	150	88	52	380
AASB 116.73(e)(ix)	**Disposals**	(190)	–	–	–	(190)
AASB 116.73(d)	**At 30 June 2016**	**700**	**350**	**238**	**102**	**1,390**
	Net carrying amount					
AASB 116.73(e)	**At 30 June 2016**	**5,050**	**230**	**112**	**108**	**5,500**
	At 30 June 2015	**3,550**	**200**	**100**	**150**	**4,000**

AASB 116.77(a) to (d);

Revaluation of land and buildings

The company engages Perlustro & Co, independent accredited valuers, to determine the fair value of its land and buildings. Fair value is the amount of "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The highest and best use of the land and buildings are considered in determining the valuation. The effective date of the revaluation was 30 June 2015. Based on updated information provided by Perlustro & Co at the reporting date, the directors have determined that the carrying amount does not differ materially from that which would be determined using fair value at reporting date.

Notes to and forming part of the financial statements

AASB 7.8(d), .25, .31
AASB 101.77

9. Available-for-sale financial investments

	Note	2016 $000	2015 $000
Listed investments at fair value in:	2(i)		
Fixed interest securities		900	1,600
Shares		1,235	695
Investment trusts		480	820
		2,615	**3,115**
Movement in available-for-sale financial investments			
Balance at 1 July		3,115	3,030
Purchases		100	65
Disposals		(700)	-
Revaluation increment		100	20
Balance at 30 June		**2,615**	**3,115**

AASB 7.7 — All available-for-sale investments are quoted on the Australian Securities Exchange.

Note 14 — Shares have no fixed maturity date or coupon rate.

Fixed interest securities include corporate bonds, convertible notes and hybrid securities that have coupon rates varying from 5% to 7% and maturity dates ranging from September 2016 to October 2017. The market value of these securities fluctuates from time to time.

Investment trusts are managed by third parties on behalf of the company and other investors. The trusts hold a variety of investments, which generate a return based on income from those investments and changes in the market value of the investments. The company's investments in trusts can be redeemed on an at-call basis at the market value of the investment at the date of redemption less certain fees and charges.

The company's exposure to credit, currency and market price risks related to available-for-sale investments is disclosed in Note 14.

AASB 101.60, .74

10. Trade creditors and other payables

		Note	2016 $000	2015 $000
AASB 101.77	Trade creditors	2(j)	425	480
AASB 101.77	Other creditors		150	100
	Accommodation bonds		240	185
AASB 101.77	Accruals and deferred income	2(c), 2(k)	290	140
			1,105	**905**

The company's exposure to liquidity risks related to trade creditors and other payables is disclosed in Note 14.

Accommodation bonds have been classified as a current liability since the company does not have an unconditional right to defer settlement of the bonds for at least 12 months after the end of the reporting period. The company expects that 70% of the accommodation bond liability will be paid after 12 months following the end of the reporting period.

Notes to and forming part of the financial statements

11. Interest-bearing loans

		Note	2016 $000	2015 $000
AASB 117.31(a), .31(e)(ii)	**(a) Obligations under secured finance leases**	2(m)		
	Current		40	40
	Non-current		100	140
			140	**180**

AASB 116.74(a)

The company leases computer equipment and motor vehicles under finance lease agreements. At the end of each of the leases, the company can, at its option, purchase the equipment at a favourable price. At 30 June 2016, the net carrying amount of the leased computer equipment and motor vehicles was $140,000 (2015: $180,000). The leased equipment secures the obligations under the leases.

Future minimum lease payments and the present value of the minimum lease payments are:

		2016	2015
AASB 117.31(b)(i),	Due within one year	52	54
AASB 117.31(a)(ii)	Due after one year but not more than five years	125	177
	Total minimum lease payments	177	231
	Less: Future finance charges	(37)	(51)
AASB 117.31(b)	**Present value of minimum lease payments**	**140**	**180**

For more information about the company's exposure to interest rate risk and liquidity risk, refer to Note 14.

(b) Bank facilities

AASB 107.50

The company has in place an unsecured bank overdraft facility of $500,000. The facility was not utilised during 2015 and 2016 and remains unused at the reporting date.

AASB 101.77

12. Provisions

		Note	2016 $000	2015 $000
AASB 101.60, .61	**(a) Current**	2(l)		
	Long-service leave		45	35
	Annual leave		110	80
	Total current provisions		**155**	**115**

		Note	2016 $000	2015 $000
AASB 101.60, .61	**(b) Non-current**			
	Long-service leave	2(l)	175	180
	Make-good provision under leases	2(p)	25	20
	Total non-current provisions		**200**	**200**

A portion of long-service leave and the entire annual leave balance have been classified as a current liability since the company does not have an unconditional right to defer settlement of these liabilities for at least 12 months after the end of the reporting period. The company expects that 50% of the annual leave liability and 70% of the long-service liability will be paid after 12 months following the end of the reporting period

Notes to and forming part of the financial statements

AASB 137.84

(c) Movements in provisions

		Make-good provision under lease $000
AASB 137.84(a)	Balance at 1 July 2015	20
AASB 137.84(b)	Charge for the year	5
AASB 137.84(c)	Utilised during the year	-
AASB 137.84(d), (e)	Adjustments	-
AASB 137.84(a)	**Balance at 30 June 2016**	**25**

13. Total funds

AASB 101.77
AASB 101.106(d)

(a) Movements in funds

Details of the movement in each reserve and fund are provided in the Statement of changes in funds.

AASB 101.79(b)

(b) Details of reserves included in Statement of changes in funds

Net unrealised gains reserve
This reserve records fair value changes in available-for-sale investments.

AASB 116.Aus39.1, Aus40.1, Aus40.2.

Asset revaluation reserve
This reserve is used to record movements in the fair value of freehold land and buildings.

Note 15

(c) Members' guarantee

The company is limited by guarantee. In the event of the company being wound up, the constitution states that each member is required to contribute a maximum of $20 towards meeting any outstanding obligations of the company. At 30 June 2016, the number of members was 125 (2015: 120).

Notes to and forming part of the financial statements

14. Financial instruments

AASB 7.31, .32

Financial risk management – objectives and policies

The company's financial instruments comprise cash and cash equivalents, available-for-sale financial investments and finance lease liabilities. In addition, the company has amounts receivable in respect of residents at its long-term residential, day and respite care centres and amounts payable to trade and other creditors..

The main risks arising from the company's financial instruments are liquidity risk, credit risk and market price risk. The company does not use derivative instruments to manage risks associated with its financial instruments.

The directors have overall responsibility for risk management, including risks associated with financial instruments. Risk management policies are established to identify and analyse the risks associated with the company's financial instruments, to set appropriate risk limits and controls and to monitor the risks and adherence to limits. The Audit and Finance Committee is responsible for monitoring the effectiveness of the company's risk management policies and processes and regularly reviewing risk management policies and systems, taking into account changes in market conditions and the company's activities. The Audit and Finance Committee is responsible for developing and monitoring investment policies.

AASB 7.33

This note presents information about the company's exposure to liquidity, credit and market price risk and its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

AASB 7.33

Liquidity risk

Liquidity risk is the risk that the company will not be able to fund its obligations as they fall due.

AASB 7.39(c)

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds or unused overdraft facilities are available to meet normal operating expenses for 120 days. When necessary, cash for unforeseen events such as relief activities following natural disasters is sourced from liquidation of available-for-sale financial investments.

AASB 7.39(a)

The following are the contractual maturities of financial liabilities including estimated interest payments:

	Carrying amount	Contractual cash flows (undiscounted)	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
	$000	$000	$000	$000	$000	$000	$000
At 30 June 2016							
Finance lease liabilities (Note 11)	140	180	25	25	52	78	-
Trade and other payables (Note 10)	815	815	750	65	-	-	-
Total financial liabilities	955	995	775	90	52	78	
At 30 June 2015							
Finance lease liabilities (Note 11)	180	235	26	26	52	105	26
Trade and other payables (Note 10)	765	765	700	65	-	-	-
Total financial liabilities	945	1,000	720	126	52	105	26

Notes to and forming part of the financial statements

AASB 7.33

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to two sources of credit risk – amounts receivable in respect of residents at its long-term residential, day and respite care centres and counterparty risk in respect of funds deposited with banks and other financial institutions.

The majority of amounts receivable in respect of residents at long-term residential, day and respite care centres are due from government departments or health insurance providers. All arrangements to provide residential care are subject to contractual arrangements, which include settlement terms. Any amounts outstanding beyond the contracted period are followed up. Credit is only extended to residents not covered by these arrangements after credit evaluations are carried out.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only given in respect of banks that hold AA ratings from Standard & Poor's or an equivalent rating from another reputable ratings agency. At the reporting date, the company did not have any material credit risk exposures to any single receivable or group of receivables or any bank or financial institution.

Exposure to credit risk

AASB 7.36(a)

The carrying amount of the company's financial assets best represents its maximum credit risk exposure. The company's maximum exposure to credit risk at the reporting date was:

AASB 7.34(a)

		Carrying amount	
	Note	**2016**	**2015**
		($000)	**($000)**
Cash and cash equivalents	5	4,490	3,200
Trade debtors	6	580	522
Other current receivables	6	1,205	495
Fixed interest securities	9	900	3,115
		7,175	**7,332**

Other current receivables are analysed in Note 6. None of the other current receivables are past due at the reporting date. Trade debtors comprise amounts due in respect of residents at long-term residential, day and respite care centres, all of which are located in Australia. The ageing of these debtors at reporting date was:

AASB 7.37(a)

	2016		**2015**	
	Gross	**Impairment**	**Gross**	**Impairment**
	($000)	($000)	($000)	($000)
Not past due	348	-	340	-
Past due 0–30 days	180	-	104	-
Past due 31–120 days	52	20	78	17
Past due 121 days to one year	-	-	-	-
	580	**20**	**522**	**17**

AASB 7 33

Market price risk

Market price risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The company is exposed to two sources of market price risk – fluctuations in interest rates and fluctuations in the value of its available-for-sale investments.

Notes to and forming part of the financial statements

AASB 7.33

Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The company is exposed to interest rate fluctuations on its cash at bank and on deposit. The company actively monitors interest rates for cash at bank and on deposit to maximise interest income.

AASB 7.40

The following table summarises the interest rate profile of the company's interest-bearing financial instruments:

	Note	Carrying amount 2016 $000	Carrying amount 2015 $000
Fixed rate instruments			
Fixed interest securities	9	900	1,600
Finance lease liabilities	11	(140)	(180)
		760	**1,420**
Variable rate instruments			
Cash at bank and in hand	5	1,090	200
Short-term deposits	5	3,400	3,000
		4,490	**3,200**

AASB 7.34

Sensitivity analysis

A 1% decrease in interest rates and 0.25% increase in interest rates has been determined to be a reasonably possible movement in interest rates over a 12-month period based on information from various financial institutions, review of movements over the last two years and economic forecasters' expectations. If this change had occurred at the reporting date, it would, with all other variables held constant, have increased or decreased the company's surplus and funds by the amounts shown below.

	Surplus		Funds	
	0.25% increase	1% (decrease)	0.25% increase	1% (decrease)
2016				
Variable rate instruments	11.25	(45)	11.25	(45)
2015				
Variable rate instruments	8	(32)	8	(32)

AASB 7.34

Currency risks

As disclosed in Note 16(d), the company has entered into undertakings to provide US$1 million to support care to be provided to children in the Democratic Republic of Congo suffering 'malaise'. These amounts have not been recognised in the financial statements, as payment is conditional on the aid agency providing the care meeting certain conditions. The ultimate amount to be paid in respect of these undertakings is dependent on the exchange rate ruling on the date the undertaking is settled.

AASB 7.33

The company has adopted a policy not to hedge against any fluctuations in foreign currency exchange rates.

Notes to and forming part of the financial statements

AASB 7.33

Equity price risk

Equity price risk arises from fluctuations in the market values of available-for-sale securities.

It is company policy to hold only those investments quoted on the Australian Securities Exchange. The company has engaged Fiducia Investments to advise on the management of its investment portfolio. The Board has approved risk and return parameters for investment in available-for-sale investments and receives reports from management and Fiducia on a bimonthly basis regarding the performance of the investment portfolio. Buy, sell and portfolio rebalancing decisions are based on recommendations from Fiducia Investments and approved by the Audit and Finance Committee and/or the Board.

AASB 7.40(a)

At the reporting date, the market value of available-for-sale investments and the impact of a 10% movement in the market value of the investments was:

	Market value	+10% impact	-10% impact
	($000)	($000)	($000)
Fixed interest securities	900	90	(90)
Shares	1,235	124	(124)
Investment trusts	480	48	(48)
	2,615	**262**	**(262)**

It should be noted that the full impact of movements in market value would not necessarily be immediately reflected in the statement of profit or loss and other comprehensive income and the company's funds as these investments are deemed to be available-for-sale investments. The impact of market movements would only be recognised in the income statement and company funds if the investments were sold or if an impairment loss was recognised.

AASB 7.25

Fair values

AASB 7.27B

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Notes 2(f), 2(h), 2(i) and 2(j) to the financial statements.

Given that all available-for-sale investments held are quoted on the Australian Securities Exchange, the fair value hierarchy level used is level 1 (quoted prices in active markets).

AASB 1054.16.1,
Note 16

15. Cash flow information

Reconciliation of net surplus for the year to net cash flows from operations

	Note	2016 $000	2015 $000
Net surplus for the year		2,655	265
Profit from sale of available-for-sale financial investments		(150)	(-)
Profit on sale of property, plant and equipment		(20)	(30)
Depreciation of property, plant and equipment	3(c)	380	270
(Increase)/decrease in assets			
Inventories		100	450
Trade and other receivables		(765)	(725)
Increase/(decrease) in liabilities			
Trade creditors		(55)	(20)
Provisions for employee benefits and make-good costs		40	60
Other liabilities		255	440
Net cash flow from operations		**2,440**	**710**

Notes to and forming part of the financial statements

16. Commitment and contingencies

(a) Finance leases

AASB 117.31 The company has entered into finance leases for various items of equipment. Details can be found at Note 11.

AASB 117.35 **(b) Operating leases**

The company has entered into commercial leases of land and buildings and office equipment. These leases have an average life of between three and seven years, with no renewal option included in the contracts. There are no restrictions placed upon the lessee upon entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at the reporting date are:

		2016 $000	2015 $000
AASB 117.35	Within one year	110	110
AASB 117.35	After one year but not more than five years	300	400
AASB 117.35	More than five years	-	-
	Total commitments under operating leases	**410**	**510**

AASB 116.74(c) **(c) Capital expenditure commitments**

At reporting date, the company has entered into contracts for capital expenditure of $250,000 (2015: $190,000), which have not been provided for in the financial statements. The amounts are payable:

	2016 $000	2015 $000
Within one year	110	90
One year or later and no later than five years	140	100
Later than five years	-	-
	250	190

Note 17 **(d) Committed funds**

The company has the following commitments in relation to funds received. These amounts have not been recognised as liabilities since there is no enforceable obligation and the company has the ability to direct the funds elsewhere.

	2016 ($000)	2015 ($000)
Building funds Funds raised for the construction of new residential care facilities in Heathcote.	1,270	900
Residential care Unspent funds relating to non-reciprocal government grants received in respect of the residential care operation.	315	475
Childcare In 2012, a gift was received from the Liberalis Foundation to be used solely for childcare projects. Since that date, additional gifts have been received for the same purpose.	1,480	2,505

Notes to and forming part of the financial statements

(e) Overseas aid commitments

The company has entered into undertakings to provide US$1 million (2015: Nil) to support care to be provided to children suffering 'malaise' in the Democratic Republic of Congo by another not-for-profit aid agency. These amounts have not been recognised in these financial statements, as payment is conditional on that aid agency meeting certain terms and conditions. The ultimate amount to be paid in respect of these undertakings is dependent on the exchange rate ruling on the date the undertaking is settled.

AASB 137.89

(f) Contingent assets

Legacies with a probate value of $1,600,000 (2015: Nil) have not been included in the financial statements, as no notification of impending distribution has been received since the probate process is still ongoing.

AASB 124.

17. Related parties and related-party transactions

AASB 124.17

(a) Directors' compensation

The directors act in an honorary capacity and receive no compensation for their services. During the year, travel expenses totalling $6,233 (2015: $5,500) incurred by the directors in fulfilling their role were reimbursed.

AASB 124.18

(b) Transactions with director-related entities

During the year, payments of $8,000 (2015: $7,500) were made to Leviculus Printers for the printing of the annual report. Mrs R Wagner, a director of the company, is also a director of Leviculus Printers. This service was provided under normal commercial terms and conditions. No amounts are payable to or receivable from directors or director-related entities at the reporting date.

AASB 124.16

(c) Key management personnel compensation

The compensation paid to key management personnel during the year:	**2016** $000	**2015** $000
Short-term employee benefits	676,086	635,782
Post-employment benefits	60,000	60,000
Total compensation	**736,086**	**695,782**

Note 18

18. Economic dependency

The company is dependent upon the ongoing receipt of grants from the Federal Department of Health and state departments of human services to ensure the continuance of its residential day and respite care services.

AASB 101.138(a)–(c)

19. Additional company information

The registered office of the company and its principal place of business is:

Charity House

Note 19

132 Charybyle Street

Melbourne, VIC 3000

The Nonquestus Charity
(a company limited by guarantee)

Responsible persons' declaration for the year ended 30 June 2016

ACNC Reg s60.15

The responsible persons declare that, in the responsible persons' opinion:

(a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable

Note 20

(b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

A Borodin

Responsible person

23 September 2016

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the year ended 30 June 2016

INDEPENDENT AUDITOR'S REPORT

To the members of The Nonquestus Charity

Note 21 **Opinion**

We have audited the financial report of The Nonquestus Charity, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, and the responsible persons' declaration.

Note 22 In our opinion, the accompanying financial report of The Nonquestus Charity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), including:

- giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and cash flows for the year ended on that date
- complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statement' section of our report. We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Information other than the financial statement and auditor's report thereon

The responsible persons are responsible for other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2016 but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial report does not cover the other information, and accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsible persons' responsibility for the financial statement

The responsible persons of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act and for such internal control as the responsible persons determine is necessary to enable the preparation of the financial report free from material misstatement, whether due to fraud or error.

In preparing the financial report, the responsible persons are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible persons either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the year ended 30 June 2016

Auditor's responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Note 23 As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial report whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the responsible persons.
- Conclude on the appropriateness of the responsible persons' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the responsible persons regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature required]

Note 24

Auditor & Co

Chartered Accountants

Gary Goodfellow

Partner

Melbourne, 23 September 2016

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the year ended 30 June 2016

Explanatory notes

1. The corporate information is not mandatory but provides useful background information to the users of the financial statement.
2. The principal activities are only required in the notes to the financial statements if the information is not disclosed in other information published with the financial report.
3. Paragraph 5 of AASB 101 states: "This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. Entities with not-for-profit activities in the private sector applying this Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves."
   Aus Para 16.3 of AASB 101 *Presentation of Financial Statements* specifies**: "**not-for-profit entities need not comply with the paragraph 16 requirement to make an explicit and unreserved statement of compliance with IFRSs".

   However, AASB 2010-2, by including paragraph RDR16.1 in AASB 101, requires:

   "An entity whose financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements **shall make an explicit and unreserved statement of such compliance in the notes**. An entity shall not describe financial statements as complying with Australian Accounting Standards – Reduced Disclosure Requirements unless they comply with all the requirements of Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements would not be able to state compliance with IFRSs." [Emphasis added]
4. AASB 101 requires the disclosure of significant estimates and assumptions made and judgement applied in preparing the financial statements. This disclosure should be specific to the entity and may include areas such as:
   - useful life of property, plant and equipment
   - bad debt provisions
   - recognition of grant revenue or potential repayments.
5. Grants received from the government should be assessed to determine whether they are reciprocal or non-reciprocal (refer AASB 1004 *Contributions.)*

   Reciprocal grants are accounted for using AASB 118 *Revenue* and non-reciprocal grants are accounted for using AASB 1004 *Contributions*.
6. Difficulties in the reliable measurement of the value of hours contributed by volunteers preclude the inclusion of such amounts in the financial statements. However, NFPs should disclose such information in annual reports to provide the reader with a better understanding of the NFP's activities. The value of volunteer contributions could be expressed in terms of staff equivalents and an indicative value of the hours provided.
7. In the interests of transparency, it is recommended the notes explain the basis of apportionment of costs between activities. Where the organisation operates under the auspices of any organisation that mandates the manner in which costs are apportioned (for example, the Australian Council for International Development), this should be disclosed with an appropriate explanation.
8. These example financial statements do not deal with the situation where an NFP contributes to a defined benefit superannuation fund on behalf of its employees. Any NFP contributing to a defined benefit fund should seek specific advice on the recognition and substantial additional disclosure requirements of AASB 119 *Employee Benefits* applicable to such a fund.
9. The taxation status of the organisation should be disclosed.

   The example financial report is that of a charity. It is recommended that the financial report of a charity disclose whether:
   - the charity is a charitable institution or a charitable fund for the purposes of Australian taxation legislation
   - the charity holds deductible gift recipient status.

   Australian taxation legislation provides tax exempt status to a number of different types of organisations, including community service, cultural, educational, employment, health, religious, resource development, scientific and sporting organisations and friendly societies. Such organisations that are not also charities can self-assess their tax status.

   It is recommended that organisations other than charities disclose their taxation status, whether that status is self-assessed or endorsed by the Australian Taxation Office and whether the organisation holds deductible recipient gift status.

The Nonquestus Charity

(a company limited by guarantee)

Auditors' report for the year ended 30 June 2016

Explanatory notes

10. This disclosure is relevant for the illustrative company and effective as at 31 March 2016. A complete list of standards issued not yet effective can be found in the table of standards on aasb.gov.au/pronouncements/current-standards.aspx or in the newsletter at caseware.com.au/faq/article.php?id=178

11. AASB 13 is applicable for all assets held at fair value, and the disclosures should be shown separately for each type of asset. Assets assessed as level 3 fair value in the hierarchy, i.e. unobservable inputs, have significant levels of disclosure.

12. AASB 107.48 requires an entity to disclose, together with commentary by management, the amount of significant cash and cash equivalents balances held by the entity that are not available for use by the company. This is not applicable to The Nonquestus Charity.

13 The following disclosure required by paragraphs AASB 102.Aus36.1(d) and (e) have not been illustrated because it is not applicable to The Nonquestus Charity:

(d) the amount of any write-down of inventories held for distribution recognised as an expense in the period in accordance with paragraph Aus34.1

(e) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories held for distribution recognised as expense in the period in accordance with paragraph Aus34.1.

14. The following note is an example of what to include in circumstances where a decline in the fair value of available-for-sale investments has occurred but an impairment loss has not been recognised in the Statement of profit or loss or other comprehensive Income.

The company holds a number of available-for-sale financial instruments and follows the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* in determining when an available-for-sale asset is impaired. For the year ended 30 June 2016, the company has determined that the decline in value of the available-for-sale investments was not considered significant or prolonged. In making this judgement, the company assessed the duration and extent to which the fair value is less than cost. If the decline in fair value below cost was considered significant or prolonged, the company would have incurred a loss of $XXX being the reclassification of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the statement of profit or loss or other comprehensive income.

15. Disclosures regarding the amount members have undertaken to contribute in the event of a company limited by guarantee being wound up assist the user of the financial statements in understanding the financial position of the company.

16. AASB 107 Aus20.2 requires NFPs that highlight the net cost of services in their income statement to include a reconciliation of cash flows arising from operating activities to the net cost of services as reported in the income statement.

17. This disclosure is not mandatory but is recommended as best practice as many NFP entities believe that this disclosure is useful to users to highlight committed funds. Committed funds include funds raised for a specific purpose as well as unspent grants that have been taken directly into revenue as they are non-reciprocal in nature.

18. This disclosure is not mandatory but is recommended as best practice where there is dependence on another entity for significant levels of revenue.

19. The registered office and principal place of business is not required to be included in the financial statement if the information is included elsewhere in the information presented with the financial statement.

20. The term '"responsible person" could be replaced with "director(s) of the company" or "trustee(s) of the trust" or, if the trustee is a body corporate, "director(s) of the trustee".

21. The format and content of the auditor's report has been amended by Australian Auditing standards (refer to the updated ASA 700 *Forming an Opinion and Reporting on the Financial Report* issued in December 2015). The illustration included is effective for financial reporting periods ending on or after 15 December 2016 and has been early adopted for the purpose of this 30 June 2016 year end.

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the year ended 30 June 2016

Explanatory notes

The auditor's opinion is shown as unqualified as Nonquestus receives an immaterial portion of its fundraising revenue as cash donations. Controls over cash donations can be difficult to implement. Therefore, in performing engagements for charities that receive cash donations as part of fundraising revenue, the assurance practitioner needs to assess the risk that fundraising revenue may be materially understated and obtain sufficient appropriate audit evidence in order to conclude whether cash donations are complete. Guidance statement GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities* provides guidance for auditors performing such engagements, including guidance on when it may be appropriate to include an emphasis of matter in, or to modify, the auditor's opinion on the financial report.

The information that is shaded above is able to be omitted and referenced to the Australian Auditing and Assurance Standards Board website (auasb.gov.au/Home.aspx). However, the auditor responsibilities included in this link include reference to key audit matters that are specific to listed entities and therefore we recommend that the responsibilities are retained in the auditor's report as above.

The auditor's report needs to be signed in one or more or the following ways as appropriate:

- Name of the audit firm.
- Name of the audit company.
- Personal name of the registered company auditor. (In this case, the author of the report should be referred to in singular form, i.e. I/my rather than we/our.)

Appendix 1: Alternative presentation for the statement of profit or loss and other comprehensive income

AASB 101.81 gives a choice as to whether the statement of profit or loss or other comprehensive income for a period is presented in a single statement or in two statements. A single-statement approach (combining the profit or loss and comprehensive income information) has been selected as the preferred presentation in this financial report.

Alternatively, a two-statement approach (presenting both a separate statement of profit or loss and a statement of comprehensive income) can be selected, and this is illustrated on the following pages.

It should be noted that:

- entities can choose to use statement titles other than those prescribed in AASB 101
- NFP entities are permitted to amend descriptions used for particular line items in the financial statements and for the financial statements themselves.

		Note	2016 $000	2015 $000
AASB 101.10(b), .81(b)	**Income statement (two-statement approach)**			
	Revenue from continuing operations			
AASB 101.85	Fundraising:	2(c), 3(a)		
	Donations and gifts		2,620	1,446
	Legacies		2,150	1,330
	Building appeal		400	900
	Government funding		6,360	5,569
	Residential care – fees from residents		1,200	1,000
	Sales of goods		540	400
	Investment income	2(c)	380	475
	Net gain on foreign exchange	2(c)	20	-
	Net gain on disposal of available-for-sale investments	2(c)	150	-
	Net gain on disposal of fixed assets	2(c)	20	30
AASB 101.82(a)	**Total revenue and other income**	3(a), (b)	**13,840**	**11,150**
	Expenditure			
AASB 101.99; .103	Fundraising	2(d)	690	550
	Building appeal costs		45	110
	Costs of sales		170	110
	Residential care costs		3,130	3,159
	Research grants	2(d)	1,500	1,250
	Childcare and emergency costs	2(d)	5,000	4,900
	Support costs	2(d)	190	180
	Management and administration	2(d)	258	216
	Other	2(d)	190	410
	Total expenditure	3(c)	**11,185**	**10,885**
AASB 101.82(f)	**Net surplus for the year**		**2,655**	**265**

The income statement is to be read in conjunction with the attached notes.

		Note	2016 $000	2015 $000
AASB 101.81(b)	**Statement of comprehensive income** **(two-statement approach)**			
	Net surplus for the year		2,655	265
AASB 101.82(g)	**Other comprehensive income**			
AASB 101.82A	**Items that will not be reclassified subsequently to profit or loss**			
AASB 101.82(g)	Revaluation of property, plant and equipment	8	-	670
AASB 101.82A	**Items that will be reclassified subsequently to profit or loss when specific conditions are met**			
AASB 7.20(a)(ii) AASB 139 .55(b)	Net changes in fair value of available-for-sale financial assets	9	100	20
	Other comprehensive income for the year		**100**	**690**
AASB 101.82(i)	**Total comprehensive income for the year**		**2,755**	**955**

The statement of comprehensive income is to be read in conjunction with the attached notes.

Appendix 2: Company and Non-ACNC Registered Entity

The illustrative financial statement has been prepared on the basis that the NFP is ACNC registered.

The following differences exist for a company that is not registered with the ACNC:

Directors' report

The legislation under which the entity is registered will determine whether a Directors'/Those Charged with Governance report is required.

The illustration below is a Directors' report for a company limited by guarantee that has been prepared in accordance with the *Corporations Act 2001*.

Notes to the financial statements

Note 1 Corporate information

Where a Directors' report is being prepared that describes the principal activities of the entity, this information does not need to be repeated in the financial statements. Therefore, the principal activity information within Note 1 Corporate Information can be deleted.

Summary of significant accounting policies

The illustration below contains the amended wording for the basis of preparation, due to the need to refer to the specific legislation under which the accounts are prepared – in this case, the *Corporations Act 2001*. Further, the rounding legislative instrument under the *Corporations Act 2001* requires particular disclosures to be made in the notes to the financial report, where the financial report is rounded. These disclosures are also in the illustration below.

Directors' declaration

The Directors' declaration required by the *Corporations Act 2001* is illustrated on the following pages. If an entity is under different legislation, they should confirm the required format of the declaration required by the specific legislation under which they operate.

Auditor's report

The Auditors' report for entities will vary depending on the relevant legislation. The illustration below is for a Company Limited by Guarantee in accordance with the *Corporations Act 2001*. Note that the format and content of the Auditor's report will change for reporting periods ending on or after 15 December 2016. We have shown the format for years ending from 15 December 2016 and the format for years ending prior to that date.

The Nonquestus Charity

(a company limited by guarantee)

Directors' report for the year ended 30 June 2016

Corp 300B(2) Your directors present this report to the members of The Nonquestus Charity (the company) for the year ended 30 June 2016.

Directors

Corp 300B(3)(a) Corp 300B (3)(c) The names of each person who has been a director during the year and to the date of this report are:

			Board	
	Date Appointed	Date of Cessation	A	B
A Borodin (Chair)	15 Dec 10	–	11	11
B Britten	31 Oct 12	–	10	11
M Bruch	19 Jun 11	–	11	11
W Byrd	19 Jun 09	–	8	11
J Cage	30 May 13	–	9	11
E Elgar	10 Dec 14	–	9	11
E Greig	31 May 12	–	7	11
H Purcell	27 Jul 15	–	9	10
F Schubert	27 Sep 15	–	8	8
R Wagner	16 Feb 12	27 Jul 15	–	1
R V Williams	17 May 13	27 Jul 15	–	1

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Corp 300B (3)(b) Details of directors' qualifications, experience and special responsibilities can be found on page x of this report.

Corp 300B (1)(a) & (b) **Short-term and long-term objectives and strategy**

The company's short-term and long-term objectives are to:

- alleviate the disease 'malaise' in Australia
- alleviate 'malaise' in children experiencing famine or war overseas
- find a cure for 'malaise'.

The company's strategy for achieving these objectives includes:

- the provision of residential, day and respite care to sufferers of 'malaise' in Australia
- the provision of emergency overseas aid to children suffering 'malaise' in areas experiencing famine or war
- funding of disease research
- providing an advocacy and information service to improve outcomes for Australian 'malaise' sufferers and for child 'malaise' sufferers' subject to famine or war overseas.

Corp 300B(1)(c) & (d) **Principal activities**

The company's principal activities during the year were:

- fundraising through gifts, donations, legacies, philanthropic grants, annual appeals and regular giving programmes (providing revenue of $5,170,000 for 2016 and $3,676,000 for 2015)
- the provision of long-term residential, day and respite facilities partly funded by the government and partly on a fee per resident and user basis (providing revenue of $2,700,000 for 2016 and $3,000,000 for 2015)
- the provision of emergency overseas aid (supported by government funding of ($4,860,000 in 2015 and $3,569,000 in 2015)
- operating a trading enterprise (commercial) that comprises a mail order operation and a number of 'op-shops' which are staffed by volunteers (providing revenue of $540,000 for 2016 and $400,000 for 2015).

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND 72

These activities have assisted the company in achieving its objectives by enabling it to:

- fund research into a cure for 'malaise' ($1,500,000 for 2016 and $1,250,000 for 2015)
- provide specialised long-term residential, day and respite care to sufferers of 'malaise' ($3,130,000 for 2016 and $3,159,000 for 2015)
- raise $1.3 million over the 2016 and 2015 years for the building fund that has allowed planning and design to commence for a new residential care facility for Australian 'malaise' sufferers
- target its overseas aid to 'malaise' suffering children in areas experiencing famine or war ($5,000,000 for 2016 and $4,900,000 for 2015)
- maintain a website providing information about 'malaise' and support to sufferers of 'malaise'
- advocate on behalf of the sufferers of 'malaise'
- provide employment to some 'malaise' sufferers through the trading enterprise.

Corp 300B(1)(e)

Performance measures

The company measures performance through the establishment and monitoring of benchmarks:

- to assess the cost effectiveness of fundraising activities
- to assess control over the company's administrative and other indirect costs
- to ensure that revenue derived is effectively being directed towards assisting 'malaise' patients' treatment in Australia and towards aiding child 'malaise' sufferers in famine and war zones overseas
- to assess the effectiveness of overseas emergency aid
- to assess the effectiveness of Australian residential care.

The performance against these key performance indicators is as follows:

	2016		2015	
	Benchmark	**Actual**	**Benchmark**	**Actual**
Cost as % of activity revenues:				
Fundraising	8.0%	8.4%	8.0%	9.8%
Commercial	25.0%	31.5%	25.0%	27.5%
Care	110%	116%	105%	105%
Childcare and emergency aid	100%	103%	110%	137%
Overhead (support, management, administration and other) cost as % of total expenditure	8.0%	8.39%	9.0%	10.16%
Expenditure on activities as % of total income:				
Care	25%	22.6%	25%	28.0%
Childcare and emergency aid	50.0%	36.1%	50.0%	44.0%
Number of overseas aid projects:				
Initiated	100	95	100	75
Completed	100	110	100	80
Number of Australian care patients:				
New admissions	60	60	50	45
Long-term residencies	50	55	60	60
Successful discharges	70	65	60	65

The Nonquestus Charity
(a company limited by guarantee)

Directors' report for the year ended 30 June 2016

Corp 300B(3)(d) & (e) **Members' guarantee**

In accordance with the company's constitution, each member is liable to contribute $20 in the event that the company is wound up. The total amount members would contribute is $2,500.

Corp 307C **Auditors' independence**

The auditors' declaration of independence appears on page x and forms part of the Director's report for the year ended 30 June 2016.

Rounding

ASIC LI 2016/191 The company is of a kind referred to in ASIC Legislative Instrument 2016/191 dated 1 April 2016 and, in accordance with that Legislative Instrument, amounts in the financial report and director's report have been rounded to the nearest thousand dollars, unless otherwise stated.

Corp 298(2) Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors:

A Borodin

Melbourne, 23 September 2016

The Nonquestus Charity

(a company limited by guarantee)

Auditor's Declaraton of Independence

Corp 307C(3)(c)

To the directors of The Nonquestus Charity Limited

I declare that, to the best of my knowledge and belief, for the year ended 30 June 2016, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

(ii) any applicable code of professional conduct in relation to the audit.

Auditor & Co
Chartered Accountants

Gary Goodfellow
Partner

Melbourne, 23 September 2016

The Nonquestus Charity

(a company limited by guarantee)

Directors' Qualifications, Experience and Special Responsibilities

Corp 300B(3)(b)

Name	Qualifications	Experience	Special responsibilities
Albert Borodin	BSc	Chairman of MultiNatio Limited; Director of Tabula Arts Limited and Pecunia Bank Limited. Albert has worked with a number of organisations in many industries and is able to apply this commercial knowledge to the company.	Chair
Maxine Bruch	BComm, FCA	Partner, Propter Chartered Accountants for 10 years. Maxine has spent many years preparing and auditing financial statements of not-for-profit entities.	Finance, Audit and Risk Committee
Wayne Byrd	BBus (Marketing)	Director, Mancipo Advertising Limited. Wayne has significant experience in marketing and promotional campaigns for not-for-profit entities.	Marketing and communications
Brenda Britten	BArts, Grad Dip Health Services Management	Executive Director of the Federal Department of Communities. Brenda has experience in analysing grant applications and identifying grant opportunities.	Finance and Audit Committee, Quality of Care Committee
James Cage	BComm LLB, Solicitor	Partner, LexLegis Lawyers. Specialising in corporate and contract law, James has worked with not-for-profit entities for a number of years and is aware of the legal issues faced by the industry.	Finance and Audit Committee
Elaine Elgar	BArts	Malaise survivor. Elaine is one of the community members on the Board and has experience of dealing with the medical system and improvements that need to be made.	Quality of Care Committee
Eric Greig	MD, FRACS	Retired medical practitioner specialising in the care of 'malaise; sufferers. Eric has great knowledge of the medical issues and related services in the industries in which we operate.	
Herbert Purcell		Retired Director of Externus Care UK, an organisation that delivered care to children in Bosnia-Herzegovina during the conflict in that country.	
Francis Schubert	BArts, Grad Dip Marketing	Founding Director of FrigusVestis Apparel. Francis has significant experience in media liaison and effective communication tools.	Marketing and communications
Richard Wagner	BSc	Richard is a research scientist and has provided information and guidance to the medical centre operations through his prior employment at a number of medical research centres.	
Renae Williams	Grad Dip Marketing	Renae has worked as a marketing executive at Exp Limited for 20 years and applied this experience to assist the company in attracting additional government funding.	

Notes to the financial statements

Summary of significant accounting policies

The basis of preparation should include information specific to the entity and the relevant legislation and accounting standards complied with. The illustrative note below is for a Company Limited by Guarantee that is not registered with the ACNC and is preparing reduced disclosure general purpose financial statements.

Basis of preparation

(a) These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards – Reduced Disclosure Requirements, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Where rounding has been adopted in the financial statements, a Company Limited by Guarantee not registered with the ACNC should refer to the appropriate ASIC class order as below:

Rounding of amounts

ASIC LI 2016/191 The financial statements are presented in Australian dollars, which is the company's functional and presentation currency. The company is an entity to which ASIC Legislative Instrument 2016/191 applies. Under the option available to the company under that Instrument, all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The Nonquestus Charity

(a company limited by guarantee)

Directors' Declaration for the year ended 30 June 2016

The directors declare that, in their opinion:

Corp 295(1), (4) a) the attached financial statements and notes thereto comply with Australian Accounting Standards – Reduced Disclosure Requirements

Corp 295(4)(d) b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company

Corp 295(4)(d) c) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* and the Corporations Regulations 2001

Corp 295(4)(c) d) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

Corp 295(5)(a) Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors:

A Borodin

Melbourne, 23 September 2016

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the years ending 15 December 2016

INDEPENDENT AUDITOR'S REPORT

To the members of The Nonquestus Charity

Opinion

We have audited the financial report of The Nonquestus Charity, which comprises the statement of financial position as at 31 December 2016, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of The Nonquestus Charity is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance and cash flows for the year ended on that date and

b. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Information Other than the Financial Statement and Auditor's Report Thereon

The Directors are responsible for other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2016 but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial report does not cover the other information, and accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report free from material misstatement, whether due to fraud or error.

In preparing the financial report, the responsible persons' are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible persons' either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the years ending 15 December 2016

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the responsible persons.
- Conclude on the appropriateness of the responsible persons' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the responsible persons regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature required]

Auditor & Co

Chartered Accountants

Gary Goodfellow

Partner
Melbourne, 23 March 2017

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the years ending prior to 15 December 2016

INDEPENDENT AUDIT REPORT

To the members of The Nonquestus Charity

We have audited the accompanying financial report of The Nonquestus Charity, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* (Corporations Act) and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Except as discussed in the qualification paragraph, we conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act. We confirm that the independence declaration required by the Corporations Act, which has been given to the directors of The Nonquestus Charity on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.

Opinion

In our opinion:

a.. the financial report of The Nonquestus Charity is in accordance with the Corporations Act including:

   i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date and

   ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Auditor & Co

Chartered Accountants

Gary Goodfellow

Partner

Melbourne, 23 September 2016

The Nonquestus Charity
(a company limited by guarantee)

Auditors' report for the periods ending before 15 December 2016

Appendix 3: Illustrative auditor's report for periods ending before 15 December 2016

INDEPENDENT AUDIT REPORT

To the members of The Nonquestus Charity

We have audited the accompanying financial statement of The Nonquestus Charity, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the responsible persons' declaration.

Responsible Persons' Responsibility for the Financial Report

The responsible persons of the company are responsible for the preparation of the financial statement that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the responsible persons determine is necessary to enable the preparation of the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statement that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the responsible persons, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion:

In our opinion:

a. the financial statement of The Nonquestus Charity has been prepared in accordance with Division 60 of the ACNC Act, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and cash flows for the year ended on that date and

   ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Auditor & Co

Chartered Accountants

Gary Goodfellow

Partner

Melbourne, 23 September 2016

5

Legislation review

5.1 Overview

Australia's NFPs are subject to a myriad of legislation. NFPs must understand and apply all the legislation that affects a business, including taxation, occupational health and safety, environmental and so on. In addition to this, NFPs will have additional reporting obligations driven by the type of entity (the legal form) adopted as the business structure of the NFP in conjunction with their charitable status. In this section of the guidance, we provide an overview of the legislated financial reporting provisions applicable to the NFP sector.

The charitable status, legal form and the activities an NFP undertakes determine the legislation under which a NFP reports. From 1 July 2013, NFPs that are registered charities report in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), unless they are subject to the state/territory transitional provisions relevant for those entities required to lodge financial reports with a state/territory regulator. For NFPs that are not registered charities or are registered charities but meet the ACNC transitional provisions, reporting generally is determined by the legal form of the entity, i.e. reporting by companies limited by guarantee is governed by the *Corporations Act 2001,* incorporated associations by the Associations Incorporation Act in their state of incorporation and cooperatives by various state legislation, while others that are constituted under Royal Charters or Acts of Parliament must comply with the reporting requirements of their constituting document.

On the following pages, we provide an overview of the record-keeping, reporting and auditing provisions of the *Corporations Act 2001* (Table 1), the ACNC Act (Table 2) and the relevant state incorporated associations legislation (Tables 3 to 7). Many organisations may be registered in states as well as with the ACNC. In that case, they should determine if they are subject to the state/territory transitional arrangements, currently in place up to the 2016 reporting period, where the ACNC may, in certain circumstances, accept reports lodged with other government agencies to satisfy the ACNC requirements for financial reports and the annual information statement.

We have not covered the requirements in relation to cooperatives, as the new cooperative national law is still in the process of being introduced for all states and territories. The timing of introduction is dependent on a variety of factors including election cycles, changes of government and legislative priorities. At the time of writing this guide, the cooperative national law had been introduced in New South Wales, Victoria, Northern Territory, South Australia and Tasmania.

This section was based on current information as at 29 April 2016.

Table 1: The Corporations Act – record-keeping, reporting and auditing

The record-keeping, reporting and auditing requirements of the *Corporations Act 2001*

(Applicable for all companies limited by guarantee for reporting periods commencing before 1 July 2013 and to companies limited by guarantee that are not registered charities under the ACNC Act for reporting periods commencing on or after 1 July 2013.)

<table>
<tr><th>Section</th><th>Summary</th><th>Detail</th></tr>
<tr><td>286–289</td><td>Record-keeping</td><td>Companies to keep written financial records that:
• correctly record and explain its transactions and financial position and performance
• enable true and fair financial statements to be prepared and audited.
The financial records can be kept:
• in any language but must be capable of translation into English if required
• in electronic form but must be convertible into hard copy
• at any place, including outside Australia, so long as sufficient information is available in Australia to enable true and fair financial statements to be prepared.</td></tr>
<tr><td>45B, 285A, 294A, 294B</td><td>Reporting requirements</td><td>A three-tier differential reporting framework applies for most companies limited by guarantee:
<table>
<tr><th>Tier</th><th>Criteria</th><th>Financial statements</th><th>Audit or review</th></tr>
<tr><td>1</td><td>Small companies limited by guarantee with annual revenue <$250,000 that do not have deductible gift recipient status*</td><td>Exempt unless required to do so under member direction (s294A) or ASIC direction (s294B)</td><td>N/A</td></tr>
<tr><td>2</td><td>Annual revenue between $250,000 and $1,000,000 or annual revenue <$250,000 with deductible gift recipient status</td><td>Required</td><td>Review (or audit if desired)</td></tr>
<tr><td>3</td><td>Annual revenue of $1,000,000 or more</td><td>Required</td><td>Audit required</td></tr>
</table>
* An exception to these requirements are Commonwealth companies or subsidiaries of Commonwealth companies and Commonwealth authorities as well as entities permitted to use the expressions "building society", "credit society" or "credit union" under section 77 of the Banking Act 1959. These entities are all required to produce an annual report and have an audit.</td></tr>
<tr><td>295</td><td>Financial statement requirements</td><td>Where financial statements are required, they comprise:
• the financial statements for the year
• the notes to the financial statements
• the directors' declaration about the statements and notes.
The financial report must comply with Accounting Standards. The financial statements and notes for a financial year must give a true and fair view of the financial position and performance of the company. (If consolidated financial statements are required, they must give a true and fair view of the financial position and performance of the consolidated entity.)</td></tr>
</table>

Section	Summary	Detail
Chapter 2M.4, Chapter 2M.3 Division 3, 324BE	Audit/review	Companies limited by guarantee that are required to have an auditor must comply with the provisions of the *Corporations Act 2001* dealing with the appointment and removal of auditors. These provisions, which cover almost 70 pages of this Act, are too extensive to be covered in detail in this guidance. It should be noted that the person, firm or company appointed as auditor of a company limited by guarantee must (among other things): • Be a registered company auditor • Comply with the auditor independence provisions of the *Corporations Act 2001.* • However, as noted above, Tier 2 companies can elect to have a review rather than an audit, depending on their constitution, and the requirements of any other legislation applicable or funding agreements. In circumstances where the second tier limited by guarantee company chooses to have a review, this can be performed by a member of one of the three accounting bodies (Chartered Accountants Australia and New Zealand, CPA Australia or Institute of Public Accountants) and complies with relevant professional requirements where they are not a registered company auditor.
298, 300B	Directors' report	The company (or consolidated entity if consolidated accounts are required) must prepare a directors' report for each financial year that, for a limited by guarantee company, contains: • a description of the short-term and long-term objectives of the entity • the entity's strategy for achieving those objectives • the entity's principal activities during the year • a description of how the activities assisted in achieving the entity's objectives • a description of how the entity measures its performance, including any key performance indicators used by the entity • the name of each director and the period they have been a director during or since the end of the financial year • directors' qualifications, experience and special responsibilities • number of meetings of the board of directors held during the year and each director's attendance at those meetings • for each class of membership, the amount for which a member is liable to contribute if the company is wound up • the total amount that members are liable to contribute if the company is wound up.

Table 2: The ACNC Act – record-keeping, reporting and auditing

The Australian Charities and Not-for-profits Commission (ACNC) commenced operation in December 2012. The ACNC is responsible for regulating the operations of charities in Australia. All charities that were endorsed for charity tax concessions by the Australian Taxation Office were automatically registered with the ACNC when it commenced operations. Entities that are registered charities with the ACNC must comply with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and its accompanying regulations.

This table focuses on the financial reporting and audit requirements of the ACNC Act, the *Australian Charities and Not-for-profits Commission Regulation 2013* (Reg) and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* (C&T).

Section	Summary	Detail
55-5	Record-keeping	Registered entities are required to keep written financial records that: • correctly record and explain its transactions and financial position and performance • enable true and fair financial statements to be prepared and audited. Registered entities must also keep written records that correctly record its operations. The financial records can be kept: • in English or • Readily accessible and easily convertible into English • Records must be retained for 7 years unless notified otherwise
205-25	Tiered framework	A three-tiered framework exists for registered entities as follows: • Small – annual revenue is less than $250,000. • Medium – annual revenue is $250,000 or more but less than $1,000,000. • Large – annual revenue is $1,000,000 or more.
60-5	Annual information statement	All registered entities must prepare an annual information statement (AIS). This is due for lodgement no later than 31 December (six months after the end of the financial year) unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement.
60-10, 60-60	Reporting requirements and lodgement	Medium and large registered entities must prepare annual financial reports for financial periods from 1 July 2013 unless they are a basic religious charity. These are due for lodgement no later than 31 December (six months after the end of the financial year) unless the ACNC Commissioner has approved a substituted accounting period or has otherwise deferred lodgement.
205-35, 60-95	Basic religious charity	A basic religious charity is defined in section 205-35 as one that: • is a registered charity • is registered with a subtype that is the advancement of religion • is not entitled to be registered as any other subtype of charity (i.e. it does not have another independent purpose). Basic religious charities cannot be: • a body corporate registered under the *Corporations Act 2001* • a corporation registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* • a corporation registered under the *Companies Act 1985* of Norfolk Island • an entity that is incorporated under any of the relevant state or territory incorporated associations legislation • an entity that has deductible gift recipient status (except as excluded by s205-35(3A)) • an entity that forms part of a reporting group for the year (s60-95) • an entity whose total grants received from Australian government agencies in the current financial year or either of the previous two financial years exceeds $100,000.

Section	Summary	Detail
60-15, Reg 60-5	Requirements for annual financial reports	Where annual financial reports are required, they comprise: • the financial statements for the year • the notes to the financial statements • the responsible entity's declaration about the statements and notes.
60-15, Reg 60-10, Reg 60.30 (SPFS)	Compliance with accounting standards	The financial report must comply with accounting standards. The notes are the notes required by the accounting standards and any other information necessary to give a true and fair view of the entity's financial position and performance. The financial statements and notes for a financial year must give a true and fair view of the financial position and performance of the entity and comply with accounting standards (subject to the transitional relief noted below). When special-purpose financial statements are prepared, the following minimum accounting standards must be applied: • AASB 101 *Presentation of Financial Statements* • AASB 107 *Statement of Cash Flows* • AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* • AASB 1031 *Materiality* • AASB 1048 *Interpretation of Standards* • AASB 1054 *Australian Additional Disclosures*
Reg 60.20-25, Reg 60.35–40, Subdivisions 60-E, 60-G	Transitional relief in respect of compliance with accounting standards	For an entity that was not required to prepare a financial report complying with accounting standards in respect of the 2012–13 financial year and did not prepare such a statement, then the financial statements prepared for the first year can comprise the financial information section within the 2014 AIS. This financial information must still be reviewed or audited as per the requirements below. Compliance with accounting standards is not required if they conflict with the requirements of subdivisions 60-E or 60-G of the ACNC Act in respect of joint or collective reporting and additional reporting requirements.
C&T Part 4 Schedule 1 Item 10.1, Item 10.4	Transitional relief in respect of reporting to state and territory regulators	For financial years up to and including the 2016–17 financial year, the ACNC Commissioner may treat a statement, report or other document given under an Australian law as being: • an information statement or • the reports mentioned in 60-10 of the ACNC Act for a financial year given to the ACNC Commissioner in accordance with subdivision 60-C (Annual financial reports) or 60-D. Based on this provision, at the date of this publication the ACNC website indicates that the Commissioner has agreed to accept state/territory financial reports up to and including the 2016 financial year required to be lodged in ACT, NSW, SA, VIC and QLD, by co-operatives, incorporated associations and charitable fundraising organisations. In WA, the ACNC will only accept state/territory financial reports for co-operatives and charitable fundraising organisations, whilst in NT and TAS the ACNC will accept financial reports from incorporated associations and co-operatives for the same financial period.
C&T Part 4 Schedule 1 Item 10.3A, Item 10.4	Transitional relief in respect of schools	For financial years, up to and including the 2016 financial year, the Commissioner will accept financial questionnaires submitted to the Department of Education and Training under the *Australian Education Act 2013* (Cth) as meeting the requirements under Sub-division 60-C (Annual financial reports).
60-95–60-105	Collective or joint reporting	Under the collective or joint reporting provisions, groups of charities that meet certain criteria can apply to the ACNC to prepare a combined set of financial reports that incorporate all the financial activities of a group. • Joint reporting – two or more registered entities that form a reporting group are allowed to prepare and lodge a single annual information statement or a single annual information statement and a single annual financial report. • Collective reporting – two or more registered entities that form a reporting group are allowed to prepare and lodge one or more annual information statements or one or more single annual information statements and one or more single annual financial reports other than on an entity by entity basis.

Section	Summary	Detail
Reg 60-15	Responsible entity's declaration	The declaration, to be attached with the annual financial report, should state: • whether the registered entity is able to pay its debts as and when they become due and payable • whether the financial statements and notes satisfy the requirements of the ACNC Act.
60-20, 60-25	Audit/review requirement	Medium-sized registered charities may have their financial reports audited or reviewed. Large registered charities must have their financial reports audited.
60-30	Auditor/ reviewer qualifications	Audits can be undertaken by: • a registered company auditor (RCA) as defined under the Corporations Act • a firm with at least one member who is an RCA who is ordinarily resident in Australia • an authorised audit company as defined under the Corporations Act. • Reviews can be undertaken by: • those suitable to provide audits (as above) or • a member of one of the three accounting bodies.
60-30,60-35, 60-40, 60-45, 60-50	Audit report/ review report requirements	The audit or review must be undertaken in accordance with auditing standards. An independence declaration is required to be provided to the registered entity. The report must, in respect of the financial report: • consider compliance with Division 60 of the Act • quantify the effect of any non-compliance if practicable (or state why not possible) • describe any material defect or irregularity and any deficiency, failure or shortcomings in respect of: – whether all information and assistance has been provided – whether financial records are sufficient – whether other records as required have been kept • consider compliance with the statement or disclosures required by auditing standards.
60-65	Errors in annual information statements and financial reports	When a registered entity identifies a material error in a lodged annual information statement or annual financial report, it must give a corrected statement to the ACNC Commissioner as follows: • Small registered entities – within 60 days after the entity identifies the error. • Medium or large registered entities – within 28 days after the entity identifies the error.

Table 3: Incorporated associations legislation

State or territory	Title of legislation	Regulations	Supporting material
Australian Capital Territory	*Associations Incorporation Act 1991*	Associations Incorporation Regulation 1991 (updated and effective 18 June 2013)	accesscanberra.act.gov.au
Northern Territory	*Associations Act*	Associations Regulations Associations (Model Constitution) Regulation	dob.nt.gov.au/gambling-licensing/business/incorporated-associations
New South Wales	*Associations Incorporation Act 2009*	Associations Incorporation Regulation 2010	fairtrading.nsw.gov.au
Queensland	*Associations Incorporation Act 1981*	Associations Incorporation Regulation 1999 (effective 13 July 2012)	qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/associations-charities-and-non-for-profits/
South Australia	*Associations Incorporation Act 1985*	Associations Incorporation Regulations 2008	cbs.sa.gov.au/associations-and-cooperatives/
Tasmania	*Associations Incorporation Act 1964*	Associations Incorporation Regulations 2007 Associations Incorporation (Model Rules) Regulations 2007	consumer.tas.gov.au/registrations/incorporated_associations
Victoria	*Associations Incorporations Reform Act 2012*	Associations Incorporation Reform Regulations 2012	consumer.vic.gov.au/clubs-and-not-for-profits/incorporated-associations
Western Australia	*Associations Incorporation Act 1987* *Associations Incorporation Act 2015*	Associations Incorporation Regulations 1988 Updated regulations are not yet available.	commerce.wa.gov.au/consumer-protection/charities-and-associations

All hyperlinks current at June 2016. Changes may have occurred since publication.

Table 4: Record-keeping requirements of incorporated associations

Provision	ACT	NSW	NT	Qld	SA[1]	Tas	Vic	WA[7]
An incorporated association shall:								
Keep accounting records that correctly record and explain the transactions (including any transactions as trustee) and the financial position of the association.	71(a)	50(1)(a)[2]	41(a)	Regulation 9(5)(a)	35(1) and section 39C	23A(1)(a)	89(1)(a)	66(a)
Keep its accounting records in such a way that:								
• true and fair accounts of the association can be prepared from time to time	71(b)(i)	-	41(b)(i)	Regulation 9(5)(b)[3]	35(1)(a)[4]	23A(1)(b)(i)	89(1)(b)	66(b)
• a statement of the accounts of the association can conveniently and properly be audited in accordance with the legislation.	71(b)(ii)	-	41(b)(ii)	Regulation 9(5)(c)	35(1)(b)	23A(1)(b)(ii)	-	-
Retain its accounting records for at least seven years after the transactions to which they relate were completed.	71(c)	-	41(c)	Regulation Schedule 5, para 8[5]	Regulation 7	23A(3)[6]	89(2)	67

1 Applies to a *prescribed association* only.
2 The NSW legislation requires "an association to keep records that correctly record and explain the transactions of the association and its financial position". For Tier 1 associations, the records must be sufficient to enable financial statements to be prepared in accordance with the Australian Accounting Standards (s50(2). Where the incorporated association is a fundraiser within the meaning of the *Charitable Fundraising Act 1991*, there are additional requirements.
3 *Queensland's Associations Incorporation Regulations 1999* does not specify that the "statement" be true and fair.
4 Requires accounts that "present fairly" rather than are true and fair.
5 The Queensland legislation requires that the records be retained in Queensland.
6 The Tasmanian legislation requires that the records be retained in Tasmania.
7 The WA column has been based on the *Associations Incorporation Act 2015* that is anticipated to replace the 1987 Act from 1 July 2016.

Table 5: What is a "prescribed association"?

The term "prescribed association" is used in two jurisdictions. The term is important because it determines the financial reporting and auditing responsibilities of incorporated associations in those jurisdictions.

Jurisdiction	Section(s) of legislation	Summary	Criteria/definition
ACT	74(3)	The committee of a "prescribed association" for the purposes of this section of the ACT *Associations Incorporation Act 1991* must "ensure that the association's accounts are audited by a person who is a member of Chartered Accountants Australia and New Zealand, the Institute of Public Accountants, or CPA Australia, or who is a registered as an auditor under the Corporations Act".	Section 74(3) of the *Associations Incorporation Act 1991* and Regulation 12 of the *Associations Incorporation Regulations 1991* combine to render any association with gross receipts or gross assets in excess of $400,000 or with more than 1,000 members or that holds a licence issued under the *Liquor Act 2010* a "prescribed association" for the purposes of section 74(3).
	76	A "prescribed association" for the purposes of this section of the ACT *Associations Incorporation Act 1991* must appoint "an auditor who is registered as an auditor under the Corporations Act". The section goes on to specify the duties and responsibilities of the auditor.	Regulation 13 of the *Associations Incorporation Regulation 1991* specifies "an incorporated association that has gross receipts exceeding $1,000,000 for a financial year of that association is prescribed for the Act, section 76".
SA[8]	Division 2 (ss. 35, 36)	This division of the SA *Associations Incorporation Act 1985* deals with: • the manner in which a prescribed association must keep its accounting records • the preparation, auditing of and reporting upon accounts for a financial year • the holding of an annual general meeting • the lodgement of periodic returns.	Section 3 of the Act defines a "prescribed association" as "an incorporated association: a) that had gross receipts in that associations previous financial year in excess of – i. $200,000; or ii. such greater amount as is prescribed by regulation; or b) that is prescribed or of a class prescribed by regulation". The current regulations specify that "for the purposes of paragraph (a) (ii) of the definition of prescribed in section 3(1) of the Act, the amount prescribed is $500,000".
	39	This section deals with the annual general meeting of a prescribed association.	

8 At the date of writing this publication, both Houses of Parliament in South Australia had passed the Statutes Amendment (Commonwealth Registered Entities) Bill 2016. This is awaiting proclamation. However, it is anticipated it will commence 1 January 2017. This Act will amend the Associations Incorporation Act 1985 in that, if certain information statements and/or financial reports with auditor or review reports attached are lodged with the ACNC Commissioner in accordance with the Commonwealth Act, the association is exempt from having to comply also in respect of the South Australian Act.

Table 6: Financial reporting and auditing incorporated associations

The following table summarises the provisions of the state and territory legislation dealing with the financial reporting and audit requirements for incorporated associations

<table>
<tr><th>Jurisdiction</th><th>Section(s) of legislation</th><th>Provision`</th></tr>
<tr><td>ACT</td><td>68</td><td>The committee of the association must prepare a statement of the association's accounts.</td></tr>
<tr><td></td><td>72(2)</td><td>The statement of accounts must not be misleading and must give a true and fair account of:
the income and expenditure of the association
the assets and liabilities of the association
any mortgages, charges or other securities of any description affecting any property of the association.
There are additional requirements if the association is the trustee of a trust for all or part of the financial year.</td></tr>
<tr><td></td><td>74(1)</td><td>The committee of an incorporated association must take reasonable steps to ensure that the audit of the association's accounts is completed at least 14 days before the audited statement of the accounts is required to be presented at the annual general meeting of the association under section 73.</td></tr>
<tr><td>NSW</td><td>42(1), Reg 7</td><td>The NSW legislation splits incorporated associations into two Tiers as shown in the following table. Note that an organisation is considered a Tier 1 association when either the gross receipts (or revenue) or current assets thresholds are exceeded. The financial statements of a Tier 1 association must be audited. There is no requirement for a Tier 2 entity to be audited.<table><tr><th>Tier</th><th>Gross receipts/ revenue</th><th>Current assets</th><th>Other audit requirements</th></tr><tr><td>Tier 1</td><td>>$250,000</td><td>>$500,000</td><td rowspan="2">Charitable Fundraising Act 1991 (section 24)</td></tr><tr><td>Tier 2</td><td><$250,000</td><td><$500,000</td></tr></table></td></tr>
<tr><td>NSW</td><td>43(2), Reg 8
C/O No 11/01</td><td>Tier 1 associations must prepare accounts in accordance with Australian Accounting Standards and include details of any mortgages, charges or other securities affecting any property owned by the association.

However, where revenue is <$2,000,000, exemption is given from Australian Accounting Standards so long as an income and expenditure statement and a balance sheet is prepared that sets out appropriately classified individual sources of income and individual expenses incurred in the operation of the association and the assets and liabilities of the association. The assets and liabilities must be classified into current and non-current. A statement of movements in equity is to be prepared showing movements in retained funds and movements in any reserves, the recognition, measurement and classification of accounting standards must be applied, and compliance with AASB 1048 Interpretation of Standards, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 127 Separate Financial Statements is required.</td></tr>
<tr><td></td><td>47(2), Reg 9</td><td>Tier 2 associations must prepare an income and expenditure statement and a balance sheet that sets out appropriately classified individual sources of income and individual expenses incurred in the operation of the association and the assets and liabilities of the association as well as details of any mortgages, charges or other securities affecting any property owned by the association.

For both tiers, there are additional reporting requirements where the association is a trustee of a trust.</td></tr>
</table>

<table>
<thead>
<tr><th>Jurisdiction</th><th>Section(s) of legislation</th><th>Provision`</th></tr>
</thead>
<tbody>
<tr><td>NT</td><td>42(1)</td><td>The committee must ensure a statement of the association's accounts are prepared either before the annual general meeting or, if an annual general meeting is not required, as soon as practicable after the financial year end.</td></tr>
<tr><td></td><td>42(2)</td><td>The statement of accounts must not be misleading and must give a true and fair account of:
• the income and expenditure of the association
• the assets and liabilities of the association
• any mortgages, charges or other securities of any description affecting any property of the association.
There are additional requirements if the association is the trustee of a trust for all or part of the financial year.</td></tr>
<tr><td></td><td>43(1)</td><td>At each annual general meeting of an incorporated association, the committee must present the following documents for the consideration of the meeting:
• The audited statement of the association's accounts in relation to the last financial year of the association.
• A copy of the auditor's report to the association in relation to the association's accounts for that financial year.</td></tr>
<tr><td>Qld</td><td>59(1), (2)</td><td>Members of the management committee must ensure the association, within six months of the end of each financial year, prepares a financial statement for its last reportable financial year.
"Financial statement" is defined as a statement containing particulars of the association's income and expenditure, assets and liabilities and details of any mortgages, charges or securities affecting the association's property.</td></tr>
<tr><td>Qld</td><td>59(1),(2)</td><td>The Association is required to have the financial statement audited if they are a Level 1 association or if they are a level 2 or level 3 association with an audit requirement under the Collections Act 1966, the Gaming Machine Act 1991 or any other law. See table below for further information.</td></tr>
<tr><td></td><td>58
59(1)(b),(c)</td><td>
<table>
<tr><th>Level</th><th>Current assets</th><th>Revenue</th><th>Audit required</th></tr>
<tr><td>Level 1</td><td>>$100,000</td><td>>$100,000</td><td>Yes</td></tr>
<tr><td>Level 2</td><td>$20,001–$100,000</td><td>$20,001–$100,000</td><td rowspan="2">Yes, if required by Collections Act 1966, Gaming Machine Act 1991 or any other law</td></tr>
<tr><td>Level 3</td><td><$20,000</td><td><$20,000</td></tr>
</table>
</td></tr>
<tr><td>SA[9]</td><td>35(2)</td><td>A prescribed association must, after the end of a financial year of the association:
• cause accounts in respect of the financial year to be prepared
• cause the accounts to be audited.</td></tr>
<tr><td></td><td>35(6)</td><td>The committee of a prescribed association must cause the audited accounts, including the statement prepared in accordance with subsection (2)(c), the auditor's report on the accounts and the report of the committee in accordance with subsection (5), to be laid before the association's members at the association's annual general meeting.</td></tr>
<tr><td></td><td>3</td><td>Accounts of an incorporated association means either:
• a combination of an account of receipts and payments recording the total receipts and payments based on the cash method of accounting and a statement of assets and liabilities or
• a combination of an account of income and expenditure recording the total income and expenditure based on the accrual method of accounting and a balance sheet
together with such statements, reports and notes, other than auditor's reports, as are attached to and intended to be read with the account, statement or balance sheet, as the case may be.</td></tr>
</tbody>
</table>

9 At the date of writing this publication, both Houses of Parliament in South Australia had passed the Statutes Amendment (Commonwealth Registered Entities) Bill 2016. This is awaiting proclamation. However, it is anticipated it will commence 1 January 2017. This Act will amend the Associations Incorporation Act 1985 in that, if certain information statements and/or financial reports with auditor or review reports attached are lodged with the ACNC Commissioner in accordance with the Commonwealth Act, the association is exempt from having to comply also in respect of the South Australian Act.

<table>
<tr><th>Jurisdiction</th><th>Section(s) of legislation</th><th>Provision`</th></tr>
<tr><td>Tasmania[10]</td><td>24(1)</td><td>Unless an incorporated association is exempted, the committee of an incorporated association shall, as soon as practicable after the end of its financial year, cause the financial affairs of the association to be audited.</td></tr>
<tr><td></td><td>24(1B)</td><td>Consumer Affairs and Fair Trading will accept applications for audit exemption if the association meets certain conditions, which include the following financial considerations:
• Total revenue in any financial year of $40,000 or less.
• Total assets (other than real property) of $40,000 or less.</td></tr>
<tr><td></td><td>24B(1A)</td><td>The accounts, in the form of an income and expenditure statement, will still be required if audit exemption is granted.</td></tr>
<tr><td></td><td>24B(1)</td><td>Lodgement of an annual return is required within six months of the end of the financial year that includes such statements as in the opinion of the auditor are adequate to explain its financial transactions for the financial year and its financial position at the end of that financial year.</td></tr>
<tr><td>Vic</td><td>90(1)</td><td>The Victorian legislation provides for three tiers of incorporated associations based on revenue and specifies differential reporting and auditing requirements based on those tiers as indicated below.</td></tr>
<tr><td></td><td>90(1)
92(1)
93(1)
95(1)
98(1)
99(1)</td><td><table>
<tr><th>Level</th><th>Revenue</th><th>Financial report required</th><th>Audit or review required</th></tr>
<tr><td>Tier 1</td><td><$250,000</td><td>Yes</td><td>No, unless a review is requested by members, its own rules or the Registrar</td></tr>
<tr><td>Tier 2</td><td>$250,000–$1,000,000</td><td>Yes</td><td>Review required, unless an audit is requested by members, its own rules or the Registrar.</td></tr>
<tr><td>Tier 3</td><td>>$1,000,000</td><td>Yes</td><td>Audit required</td></tr>
</table></td></tr>
<tr><td></td><td>95(1)
92(2)</td><td>Tier 1 associations must prepare financial statements that give a true and fair view of the financial position and performance of the association and deal with any matter prescribed by the regulations.</td></tr>
<tr><td>Vic</td><td>95(2)
98(2)</td><td>Tier 2 and tier 3 associations must prepare financial statements in accordance with the Australian Accounting Standards and dealing with any matter prescribed by the regulations.</td></tr>
<tr><td></td><td>101</td><td>The financial statements must contain:
• the income and expenditure during and at the end of its last financial year
• the assets and liabilities at the end of its last financial year
• mortgages, charges and security affecting any property
• additional information in relation to trusts.</td></tr>
<tr><td>WA[11]</td><td>64</td><td>The WA legislation provides for three tiers of incorporated associations based on revenue and specifies differential reporting and auditing requirements based on those tiers as indicated below.</td></tr>
<tr><td></td><td>64
68.69
71,72
74,75</td><td><table>
<tr><th>Level</th><th>Revenue</th><th>Financial report required</th><th>Audit or review required</th></tr>
<tr><td>Tier 1</td><td><$250,000</td><td>Yes</td><td>No, unless a review or audit is requested by members or the Commissioner</td></tr>
<tr><td>Tier 2</td><td>$250,000–$1,000,000</td><td>Yes</td><td>Review required, unless an audit is requested by members or the Commissioner</td></tr>
<tr><td>Tier 3</td><td>>$1,000,000</td><td>Yes</td><td>Audit required</td></tr>
</table></td></tr>
</table>

10 At the date of writing this publication, both Houses of Parliament in Tasmania had passed the Associations Incorporation Amendment Bill 2016. This is awaiting proclamation. However, it is anticipated it will commence 1 October 2016. This Act will amend the Associations Incorporation Act 1964 (AIA) in two ways:

- Aligning the audit and financial reporting requirements with the requirements in the ACNC Act.
- Tasmanian associations registered under AIA that are registered charities under the ACNC Act will be exempt from providing duplicate financial reports under certain conditions

11 The WA reporting and audit requirements have been based on the Associations Incorporation Act 2015, which is anticipated to replace the 1987 Act for financial years commencing on or after 1 July 2016.

Jurisdiction	Section(s) of legislation	Provision`
	68(2)	Tier 1 associations must prepare financial statements as follows: ▪ Where cash accounting is used, a statement of receipts and payments, a reconciled statement of bank balances and a statement of assets and liabilities. ▪ Where accrual accounting is used, a statement of income and expenditure and a balance sheet.
	71(2) 74(2)	Tier 2 and tier 3 associations must prepare financial statements in accordance with the accounting standards and provide a true and fair view of financial position and performance of the association.

Table 7: Qualifications of auditors of incorporated associations

The requirement to appoint auditors and the prescribed qualifications of those who may be appointed vary from jurisdiction to jurisdiction. The relevant provisions are summarised in the following table.

Jurisdiction	Section(s) of legislation	Provision
ACT	74(2)	**An association that is not a prescribed association** The accounts of an incorporated association must be audited by a person who: • is not an officer of the association • has not prepared or assisted with the preparation of those accounts.
	74(3)	**An association that is a prescribed association with gross receipts not exceeding $1,000,000** The association's accounts must be audited by a person who is a member of Chartered Accountants Australia and New Zealand, the Institute of Public Accountants or CPA Australia or who is registered as an auditor under the *Corporations Act 2001*, being a person who is not: • an officer of the association • a partner, employer or employee of an officer of the association • a partner or employee of an employee of an officer of the association.
	76, Reg 13	**An association that is a prescribed association with gross receipts exceeding $1,000,000** The association's accounts must be audited by an auditor registered under the *Corporations Act 2001*, being a person who is not: • an officer of the association • a partner, employer or employee of an officer of the association • a partner or employee of an employee of an officer of the association.
NSW	C/O 10/01	**Tier 1** The audit must be carried out by: • a registered company auditor within the meaning of the *Corporations Act 2001* • a member who holds a public practice certificate of Chartered Accountants Australia and New Zealand , CPA Australia or Institute of Public Accountants* or • the Auditor-General of the Commonwealth of Australia or of a state or territory or • a person approved by the Director-General. * The auditor's report must identify which accounting body the auditor is a member of and that they hold a public practice certificate issued by one of those bodies.

<table>
<tr><th>Jurisdiction</th><th>Section(s) of legislation</th><th>Provision</th></tr>
<tr><td></td><td>52(2)

C/O 10/02</td><td>Any person who is or who has at any time within the past two years been a member of the association or an employer of a provider of professional services (other than audit services) to the association or to a committee member or public officer of the association may not carry out the audit.
Relief is given on the above requirement if the audit is carried out in accordance with the code of conduct relating to independence APES 110 Code of Ethics and the audit report includes an auditor's independence declaration.</td></tr>
<tr><td></td><td>Charitable Fundraising Act 1991
Section 24</td><td>The accounts of any organisation that holds an authority to conduct a fundraising appeal must be audited annually by a person qualified to audit accounts for the purposes of the Corporations Act or having other qualifications or experience approved by the Minister.</td></tr>
<tr><td>NT</td><td>46,47,48</td><td>In order to determine the appropriate auditor, the Northern Territory's Association Act has adopted a tiering of associations, based on the gross annual receipts, gross assets and activities of the association.
Note that only one of the criteria needs to be satisfied for an association to be classified within a tier.
<table>
<tr><th>Tier</th><th>Annual gross receipts</th><th>Gross assets</th><th>Activity</th></tr>
<tr><td>1</td><td><$25,000</td><td><$50,000</td><td>N/A</td></tr>
<tr><td>2</td><td>$25,000–$250,000</td><td>$50,000–$500,000</td><td>Gaming machine licence</td></tr>
<tr><td>3</td><td>>$250,000</td><td>>$500,000</td><td>Performing local government functions</td></tr>
</table></td></tr>
<tr><td>NT</td><td>46(1)
Tier 1</td><td>A tier 1 incorporated association must ensure its accounts are audited by a person who:
• is not a member of the association
• is not the spouse or de facto partner or a business partner, employer or employee of a member of the association
• is not the spouse or de facto partner or a business partner of an employee of a member of the association.</td></tr>
<tr><td></td><td>47(2)
Tier 2</td><td>The association must ensure its accounts are audited by:
• a person who is a member of an accountants' body or
• a person who holds qualifications in a prescribed class of qualifications or
• a person who is, or is a member of a class of persons, approved by the Commissioner.</td></tr>
<tr><td></td><td>48(2)
Tier 3</td><td>The association must ensure its accounts are audited by:
• a person who holds a public practice certificate issued by an accountants' body or
• a person who is, or is a member of a class of persons, approved by the Commissioner or
• a person who is registered as an auditor under the Corporations Act 2001.</td></tr>
<tr><td>Qld</td><td>59(2)(b)</td><td>The members of the management committee of the incorporated association must ensure the financial statement prepared under section 59(2)(a) is audited by an auditor or an accountant (in the case of a level 1 incorporated association) or an auditor, an accountant or an approved person (in the case of a level 2 or level 3 incorporated association).</td></tr>
<tr><td></td><td>58</td><td>Queensland's Associations Incorporation Act 1981 defines the terms "accountant" and "auditor' as follows:
"Accountant" means:
• a member of CPA Australia who is entitled to use the letters CPA or FCPA or
• a member of Chartered Accountants Australia and New Zealand who is entitled to use the letters CA or FCA or
• a member of the Institute of Public Accountants who is entitled to use the letters MIPA or FIPA.
"Auditor" means a person registered as an auditor under the Corporations Act.</td></tr>
</table>

Jurisdiction	Section(s) of legislation	Provision
SA[12]	35(2)(b)	The accounts are to be audited by a registered company auditor, a firm of registered company auditors, a person who is a member of CPA Australia or Chartered Accountants Australia and New Zealand or such other person who may be approved by the Commission as an auditor of the accounts of the association for the purposes of the Act.
	35(4)	Persons who cannot be appointed as auditor of the prescribed association are: • an officer • a partner, employer or employee of an officer • an employee • a partner or an employee of an employee of the prescribed association.
Tasmania[13]	24(1)	The financial affairs of the association can be audited by: • a person who is a registered company auditor within the meaning of the Corporations Act or • such other person as the Commissioner, having regard to the complexity of the financial affairs of the association, may approve.
	24(3)	Persons who cannot be appointed as auditor of the association are: • a public officer or a member of the committee • a servant • an employee • a partner, employer or employee of the public officer or of a member of the committee of the association.
Vic	96(1)	The accounts of a tier 2 association can be reviewed by an independent person who is: • a member of and holds a current practising certificate from CPA Australia or Chartered Accountants Australia and New Zealand or the Institute of Public Accountants or • approved by the Registrar under section 96(4).
Vic	99(2)	A tier 3 association must, after the end of each financial year, cause its accounts to be audited by: • a registered company auditor or • a firm of registered company auditors or • a person who is a member of and holds a current practising certificate from CPA Australia or the Institute of Chartered Accountants in Australia or the Institute of Public Accountants or • any other person who is approved by the Registrar under section 99(5) to audit the financial statements.
WA[14]	88(2)	A person is qualified for appointment as a reviewer or auditor if the person is: • a member of a professional accounting body who has a designation in respect of that membership that is prescribed by the regulations (an auditor will likely be required to have a current public practising certificate) or • a registered company auditor under the Corporations Act or • a person the Commissioner considers has appropriate qualifications or experience and approves.

12 At the date of writing this publication, both Houses of Parliament in South Australia had passed the Statutes Amendment (Commonwealth Registered Entities) Bill 2016. This is awaiting proclamation. However, it is anticipated it will commence 1 January 2017. This Act will amend the Associations Incorporation Act 1985 in that, if certain information statements and/or financial reports with auditor or review reports attached are lodged with the ACNC Commissioner in accordance with the Commonwealth Act, the association is exempt from having to comply also in respect of the South Australian Act.

13 At the date of writing this publication, both Houses of Parliament in Tasmania had passed the Associations Incorporation Amendment Bill 2016. This is awaiting proclamation. However, it is anticipated it will commence 1 October 2016. This Act will amend the Associations Incorporation Act 1964 (AIA) in two ways:

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14 The WA reporting and audit requirements have been based on the Associations Incorporation Act 2015, which is anticipated to replace the 1987 Act for financial years commencing on or after 1 July 2016. At this date, the regulations have not been published.

5.2 Resources

There are extensive resources available to NFP entities to assist them through the complexity of legislation and regulation and to adopt best practice. In the following table, we have provided a selection of links to government and other organisations that make resources available to NFPs.

Non-government organisations	Website	Resources available and comments
ASX Corporate Governance Council	www.asx.com.au	The ASX Corporate Governance Council seeks to provide leadership in enhancing corporate governance in Australia. Its Corporate Governance Principles provide guidance for best practice corporate governance disclosures.
Australian Council for International Development (ACFID)	www.acfid.asn.au	ACFID is the peak body of Australian non-government organisations involved in international development and humanitarian action. ACFID's purpose is to lead and unite members in action for a just, equitable and sustainable world.
Australian Institute of Company Directors (AICD)	www.companydirectors.com.au	The AICD provides leadership on directors' issues and governance. It provides professional development and resources for directors.
Centre for Social Impact (CSI)	www.csi.edu.au	CSI is involved in teaching, research, measurement and the promotion of public debate to create beneficial social impact. Go to the CSI Research link for access to research reports.
Chartered Accountants Australia and New Zealand	www.charteredaccountants.com.au	Chartered Accountants Australia and New Zealand produces tools, resources and actively influences government in this sector. Access this content through Leadership & Advocacy › Reporting › Current issues. Not-for-profit- is identified as a current issue.
Fundraising Institute of Australia (FIA)	www.fia.org.au	FIA provides career development opportunities for professional fundraisers and advocates on behalf of the fundraising industry.
Global Reporting Initiative (GRI)	www.globalreporting.org	GRI is an international independent organisation that produce the GRI guidelines – the world's standards for sustainability reporting.
Governance Institute of Australia	www.governanceinstitute.com.au	The Governance Institute of Australia provides professional development and support for risk and governance professionals. It runs a NFP support programme and training for NFP governance professionals. Go to Knowledge resources › Not-for-profit governance.
International Integrated Reporting Council (IIRC)	www.integratedreporting.org	The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and non-government organisations. It promotes integrated reporting and has published the international integrated reporting framework.
Our Community	www.ourcommunity.com.au	Our Community provides extensive links to information and resources that can be used by all NFPs. Our Community has a code of governance for the Australian community sector.

Non-government organisations	Website	Resources available and comments
Philanthropy Australia	www.philanthropy.org.au	Philanthropy Australia advocates for Australia's philanthropy and not-for-profit sectors. It provides extensive resources through its website.
PwC	www.pwc.com.au/about-us/corporate-responsibility/transparency-awards	The PwC Transparency Awards were designed to recognise the quality and transparency of reporting in the not-for-profit sector. While the awards have now ceased, extensive guidance still remains on the website.
Vicsport	www.vicsport.asn.au	Vicsport is an independent member-based organisation representing Victoria's sport and active recreation sector. It has a number of resources for associations and clubs including a good governance toolkit under the 'Organisation' tab and the heading 'Strengthen Governance'

Government organisations	Website	Resources available and comments
Australian Accounting Standards Board	www.aasb.gov.au	The AASB's website provides links to Accounting Standards. Links are also provided to resources regarding current proposed standards, such as Income of not-for-profit entities and Reporting Service Performance Information.
Australian Charities and Not-for-profits Commission	www.acnc.gov.au	The ACNC is Australia's national regulator for charities. Information is available on registration and managing a charity. There is also a 'find a charity' function on the website, where information can be obtained on registered charities in Australia (unless they have been withheld). Extensive research materials on the charity sector are also available along with publications and interpretation statements
Australian Securities and Investments Commission	www.asic.gov.au	ASIC regulates companies limited by guarantee that are not registered charities. The 'Regulatory Resources' tab on the website has a section on financial reporting and audit that summarises the relevant requirements.
Australian Sports Commission	www.ausport.gov.au	Follow the links to: Supporting Sport › Governance for a link to the ASC's governance principles.
Australian Taxation Office	www.ato.gov.au	Follow the link to the non-profit homepage for comprehensive overview of the application of taxation legislation to NFPs.

Government organisations	Website	Resources available and comments
Australian Capital Territory: Access Canberra	www.accesscanberra.act.gov.au	Refer to Community Groups > Incorporated Associations for information about Associations' obligations, the public register and other resources. Information can also be accessed through this tab about *Charitable Collections* and the *Charitable Collections Act 2003*.
New South Wales: NSW Fair Trading	www.fairtrading.nsw.gov.au	Go to Co-operatives & Associations tab for extensive information regarding legislation and guidance regarding the operation of the incorporated associations legislation and compliance with legislation and regulations. Information and guidance on the new national co-operatives law is also available.
		Refer to the Charitable fundraising link within the Co-operatives & Associations tab for information about the *Charitable Fundraising Act 1991*, obtaining authority to fundraise and controls that exist over charities including expenses, record keeping, disclosure, financial reporting and audit, and lodgement of returns.
New Zealand: Charities Services	www.charities.govt.nz	Charity Services is part of the Department of Internal Affairs and is legislated by the *Charities Act 2005*. Their role is promote public trust and confidence in the charities sector and to encourage the effective use of charitable resources. They provide educational support, advice and materials.
Northern Territory: Department of Business	www.nt.gov.au	Refer to Your rights, crime and the law > Your rights > Incorporated Associations for extensive information regarding legislation and guidance regarding the operation of the incorporated associations legislation and compliance with legislation and regulations. Refer https://nt.gov.au/industry/gambling/lotteries-community-gambling for information regarding the Gaming Control (Community Gaming) regulations that cover raffles.
Queensland: Fair Trading	www.qld.gov.au/law/fair-trading	Refer to Associations, charities and not for profits > Incorporated Associations for extensive information regarding incorporated associations. Refer to Associations and not for profits > Charities and fundraising for information about registering a charity, rules for fundraising in Queensland and reporting and audit requirements.

Government organisations	Website	Resources available and comments
South Australia: Consumer and Business Services	www.cbs.sa.gov.au	Refer to the Associations and Co-operatives tab for extensive information regarding legislation and guidance regarding the operation of the incorporated association and co-operatives legislation, compliance with legislation and regulations. Refer to Licensing and Registration ›Charities section for information about fundraising.in South Australia in accordance with the *Collections for Charitable Purposes Act 1939*.
Tasmania: Consumer Affairs and Fair Trading	www.consumer.tas.gov.au	Refer Registrations › Incorporated Associations for extensive information regarding legislation and guidance regarding the operation of the incorporated associations legislation and compliance with legislation and regulations. Refer Registration › Charities for information about the forms to be filled out, requirements of various forms of fundraising and being allocated a fundraising day within the state. Refer Legislation for the *Collections for Charities Act 2001* (under Registration Services).
Victoria: Consumer Affairs Victoria	www.consumer.vic.gov.au	Refer to Clubs and not-for-profits › Incorporated Associations for extensive guidance regarding incorporated associations in Victoria. Refer to Clubs and not-for-profits › Fundraisers for information about who should register and obligations that arise when raising funds and the requirements of the *Fundraising Act 1998*.
Western Australia: Department of Commerce	www.commerce.wa.gov.au	Refer to Consumer Protection › Charities and Associations for Information about Associations and Clubs (how to become an incorporated associations and the rules/guidelines for running one) and also information for Charities about applying for a license, types of charitable collections and a list of licensed charities in WA.

Information current at June 2016

5.3 Australian Council for International Development (ACFID) Code of Conduct

The Australian Council for International Development (ACFID) is the peak council of Australian non-government organisations that aim to promote conditions of sustainable human development in which people are able to enjoy a full range of human rights, fulfil their needs free from poverty and live in dignity.

A key purpose of ACFID is to equip and encourage members to observe the highest ethical standards in all their activities, including strict observance of the ACFID Code of Conduct.

The ACFID Code is a voluntary, self-regulatory sector code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of the signatory organisations.

The ACFID Code defines standards of governance, management, financial control and reporting with which non-government development organisations (NGDOs) should comply. It identifies mechanisms to ensure accountability in NGDO use of public monies. The ACFID Code aims to maintain and enhance standards throughout the NGDO community, ensuring public confidence in the integrity of individuals and organisations comprising the NGDO community and the quality and effectiveness of NGDO programmes.

Organisations that are signatories to the ACFID Code aim to build creative and trusting relationships with people of developing countries and to meet programme standards that:

- give priority to the needs and interests of the people they serve
- encourage self-help and self-reliance among beneficiaries and thus avoid creating dependency
- involve beneficiary groups to the maximum extent possible in the design, implementation and evaluation of projects and programmes
- respect and foster internationally recognised human rights, both socio-economic and civil-political
- seek to enhance gender equity
- are based on an understanding of the history and culture of the people served.

As part of a major focus on transparency, the ACFID Code requires a signatory organisation to publish ACFID-compliant annual financial statements to a particular standard to ensure fair disclosure and comparability.

In relation to financial reporting, the Organisation must publish, in their Annual Report, financial statements prepared in accordance with the Code of Conduct Summary Financial Report Format found in the Guidance Document to the ACFID Code of Conduct.

ACFID Code summary Financial Reports and Full Financial Reports must be audited by at least a qualified accountant who is a member of CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants or by a registered company auditor. The Auditor's statement of the summary reports presented must accompany the financial report in the Annual Report.

More information about the ACFID Code and its specific requirements can be found at www.acfid.asn.au/code-of-conduct.