Addendum to the Australian financial reporting guide
Not-for-profit illustrative disclosures
Year ended 30 June 2020
About these illustrative disclosures

**Purpose**
Deloitte Touche Tohmatsu has designed Australian not-for-profit (NFP) specific illustrative disclosures to be used as a guide, in conjunction with the model financial reports, to assist the majority of NFP entities meet their general financial reporting requirements.

This set of illustrative disclosures is an addition to Note 2 in Section 10: Illustrative disclosures of the Deloitte Australian financial reporting guide (for financial reporting periods ending on or after 30 June 2020) to include NFP specific considerations.

**New and revised Accounting Standards**
Note 2 of the Deloitte Australian financial reporting guide sets out:

- Amendments to Australian Accounting Standards that are mandatorily effective for the current period (i.e. for the year ending 30 June 2020)
- New and revised Australian Accounting standards that are not mandatorily effective (but allow early application) for the year ending 30 June 2020
- IASB Standards and IFRIC Interpretations for which equivalent Australian Accounting Standards and Interpretations have not yet been issued.

In this edition, the illustrative disclosures in Note 2 cover the application of the new income recognition requirements and concessionary lease requirements which are mandatorily effective for the current period (i.e. for the year ending 30 June 2020) for NFP entities as contained in the following standards:

- AASB 15 Revenue from Contracts with Customers (AASB 15)
- AASB 1058 Income of Not-for-Profit Entities (AASB 1058)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (AASB 2016-8)
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities (AASB 2018-8)
- AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements (AASB 2019-4)
- AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities (AASB 2019-6)
- AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases (AASB 2019-8).

The impact of the application of the above new and revised Accounting Standards is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

**Other notes**
To further illustrate the application of the new Accounting Standards that are mandatorily effective for the current reporting period as detailed in Note 2, this set of illustrative disclosures also covers certain accompanying notes to the financial statements (as they are related to the specific disclosures made in Note 2), which include:

- Note 3 ‘Significant accounting policies’ – which sets out the revenue recognition policy for the various revenue streams
- Note 4 ‘Critical accounting judgements’ – which sets out the judgements involved in the assessment of ‘sufficiently specific’ performance obligations when accounting for revenue
- Note 31 ‘Leases’ – which sets out the additional disclosures for concessionary leases accounted for under the cost model.
Notes to the financial statements

Source

This section contains illustrative disclosures that are suitable for use as a guide only and will not be appropriate for use by all NFP entities. Each NFP entity should consider its respective circumstances and amend the disclosures as necessary.

2. Application of new and revised Australian Accounting Standards

This set of illustrative disclosures is an addition to Note 2 in Section 10: Illustrative disclosures of the Deloitte Australian financial reporting guide (for financial reporting periods ending on or after 30 June 2020) to include NFP specific considerations.

The below Standards and Interpretations are required to be disclosed in the financial statements if they are deemed to be relevant for the NFP entity. Entities are also required to disclose NFP specific considerations (where applicable) as illustrated below.

Entities are required to disclose in their financial statements the potential impact of new and revised Accounting Standards that have been issued but are not yet effective. The disclosures reflect a cut-off date of 29 July 2020. The potential impact of any new or revised Standards and Interpretations issued by the AASB or IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

The impact of the application of the new and revised Accounting Standards is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 15 Revenue from Contracts with Customers (AASB 15)
- AASB 1058 Income of Not-for-Profit Entities (AASB 1058)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (AASB 2016-8)
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities (AASB 2018-8)
- AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements (AASB 2019-4)
- AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities (AASB 2019-6)
- AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases (AASB 2019-8).
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

The following new Standard is not applicable for the Group but is relevant for the period:

**AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors**

This Standard primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. The amendments to AASB 16 clarify that licences that are in substance leases or contain leases, except licences of intellectual property, fall within the scope of AASB 16.

**AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers**

In the current year, the Group has applied AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2019.

The date of initial application of AASB 1058 and AASB 15 for the Group is 1 July 2019.

The Group has applied AASB 1058 and AASB 15 in accordance with the modified retrospective (cumulative catch-up) method where the comparative years are not restated. Instead, the Group has recognised the cumulative effect of initially applying AASB 1058 and AASB 15 for the first time for the year ending 30 June 2020 against retained earnings as at 1 July 2019. The Group has also elected to apply AASB 1058 and AASB 15 retrospectively only to contracts and transactions that are not ‘completed contracts’ as at 1 July 2019.

**Overview of AASB 1058 and AASB 15 requirements**

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. The new income recognition requirements shift the focus from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.

The core principle of the new income recognition requirements in AASB 1058 is that when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives, the excess of the asset recognised (at fair value) over any ‘related amounts’ is recognised as income immediately.

An example of a ‘related amount’ is AASB 15 and in cases where there is an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, income is recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to any excess above the related amounts that would be immediate income recognition under AASB 1058.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 introduces a 5-step approach to revenue recognition, which is more prescriptive than AASB 118.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

**AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers (continued)**

**General impact of application**

The Group has applied the new income requirements to its main revenue/income streams\(^1\), as listed below:

- Government grants
- Donations and bequests
- Capital grants
- Volunteer services
- Donated inventories.

**Government grants**

AASB 1058 requires that in cases where there is an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, the transaction should be accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied, as opposed to immediate income recognition under AASB 1058.

The Group has conducted an analysis of the government grant contracts and analysed the terms of each contract to determine whether the arrangement meets the enforceability and the ‘sufficiently specific’ criteria under AASB 15. For those grant contracts that are not enforceable or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058. Income will be deferred under AASB 15 otherwise and recognised when (or as) the performance obligations are satisfied.

Based on an analysis of the Group’s grant contracts as at 1 July 2019, the Group notes that government grant revenue related to incomplete contracts amounts to CU____. Of this, approximately CU____ will be recognised as income upfront and approximately CU____ will be deferred and recognised as revenue as and when performance obligations are satisfied.

**AASB 1058.8-10 Donations and bequests**

Based on an analysis of the Group’s underlying arrangements for donations and bequests as at 1 July 2019, the Group has assessed that the adoption of the new income requirements do not have a significant impact on the amounts recognised in the Group’s consolidated financial statements as the majority of the donations and bequests do not meet the enforceability and the ‘sufficiently specific’ criteria under AASB 15 and would therefore be recognised as income once the Group controlled the relevant asset (assuming no other related amounts are applicable) under AASB 1058, which is in line with the current income recognition under AASB 1004.

**AASB 1058.15-17 Capital grants – Buildings**

In cases where the transaction includes a transfer to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, AASB 1058 requires the entity to recognise a liability for the excess of the fair value of the transfer over any related amounts recognised and recognise income as it satisfies its obligations under the transfer.

Based on an analysis of the capital grant contracts, the Group has concluded that the capital grants relate to recognisable non-financial assets (primarily for the construction of buildings) and would result in the recognition of a liability of CU____ in respect of the incomplete capital grants as at 1 July 2019. The Group will recognise income as it satisfies its obligations under the transfer (as the buildings are constructed).

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\(^1\) To illustrate the application of AASB 1058 and AASB 15 for not-for-profit entities, this publication includes examples of common revenue streams of not-for-profit private sector entities. Please note that these not-for-profit revenue streams will not tie to the consolidated statement of profit or loss and other comprehensive income in Deloitte model IFRS financial statements as International G-AAP Holdings Limited is a for-profit entity.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers (continued)

General impact of application (continued)

AASB 1059.15-17

**Capital grants – Research expenditure (non-recognisable asset)**

For capital grants relating to a non-recognisable asset (e.g. research grants not permitted to be recognised as an asset under AASB 138), AASB 1058 requires entities to revert to the general income recognition requirements under AASB 1058.9 which is to recognise income immediately for the excess of the initial carrying amount of the asset over any ‘related amounts’.

The Group noted that its capital grants primarily relate to the construction of buildings and there are no research grants.

The Group has adopted AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities which provides an extended implementation period for not-for-profit entities with December year-ends for research grants received to apply AASB 1058 and AASB 15 for annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019.

AASB 1059.19

This Amending Standard also makes amendments to some illustrative examples accompanying AASB 15 to clarify the accounting for research grants. As the Group does not receive any research grants, the adoption of AASB 2019-6 has not had any material impact on the Group’s financial statements.

**Volunteer services**

Under AASB 1058, private sector not-for-profit entities will have a policy option to account for donated services at fair value if the fair value can be reliably measured.

While the Group has assessed that the fair value of its volunteer services can be reliably measured, it has decided not to recognise volunteer services. Instead, the Group has made voluntary disclosure of qualitative information about the nature of its dependence arising from volunteer services it receives (which is an encouraged disclosure under AASB 1058).

**Donated inventories**

In cases where entities receive donations of goods which may then be used in their activities, AASB 102 requires the donated inventories to be measured at current replacement cost and any related amounts to be accounted for under AASB 1058. AASB 102 also provides a practical expedient for entities to apply a materiality assessment at the individual item level or at the portfolio level (which is an accounting policy choice) when recognising donated inventories.

The Group has decided to make use of the practical expedient and apply the materiality assessment at the individual item level when recognising donated inventories. Based on an assessment, the Group has noted that it only receives individually immaterial donations of inventory and accordingly will not be required to recognise such donated inventories. Instead, the Group has made voluntary disclosure of qualitative information about the nature of its dependence arising from donated inventories held but not recognised (which is an encouraged disclosure under AASB 1058).

**Financial statement impacts**

The Group’s accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Group’s revenue transactions, the application of AASB 15 and AASB 1058 has not had a significant impact on the financial position and/or financial performance of the Group. The amount of adjustment for each financial statement line item affected by the application of AASB 15 and AASB 1058 is illustrated below.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers (continued)

*For any significant changes identified, please include an explanation of the reasons.

AASB 1058.C7
AASB 15.C7, C8

Impact on line items affected by the adoption of AASB 1058/AASB 15 as compared to AASB 1004 for the year ended 30 June 2020

<table>
<thead>
<tr>
<th></th>
<th>As presented under AASB 1004 CU’000</th>
<th>AASB 1058/AASB 15 adjustments* CU’000</th>
<th>As presented under AASB 15/AASB 1058 CU’000</th>
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<tr>
<td>Revenue</td>
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<td>Government grants</td>
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<tr>
<td>Donations and bequests</td>
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<tr>
<td>Capital grants</td>
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<td>Liabilities</td>
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<tr>
<td>Contract liabilities</td>
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</tbody>
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Revenue
Government grants
Donations and bequests
Capital grants
Liabilities
Contract liabilities

*For any significant changes identified, please include an explanation of the reasons.

AASB 1058.C7(b)

Impact on assets, liabilities and equity as at 1 July 2019 (initial application date)

<table>
<thead>
<tr>
<th></th>
<th>As presented under previous Standards CU’000</th>
<th>AASB 1058/AASB 15 adjustments* CU’000</th>
<th>As presented under AASB 15/AASB 1058 CU’000</th>
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<tbody>
<tr>
<td>Liabilities</td>
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<td>Contract liabilities</td>
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<td>Equity</td>
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<tr>
<td>Retained surplus</td>
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AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities and AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases

In the current year, the Group has applied AASB 2018-8 and AASB 2019-8 which are effective for an annual period that begins on or after 1 July 2019.

AASB 16.Aus25.2
AASB 16.Aus59.1

Leases at significantly below-market terms and conditions (concessionary leases)

For NFP entities with leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives (commonly known as concessionary leases or peppercorn leases), AASB 1058 and AASB 16 requires NFP entities to measure right-of-use assets at initial recognition at fair value (based on AASB 13), the lease liability per AASB 16 and the difference to be accounted as income upfront.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities provides a temporary option for NFP lessees to elect to measure a class (or classes) of right-of-use assets arising under ‘concessionary / peppercorn lease’ at initial recognition, at either fair value or cost. If an entity chooses the cost option, additional disclosures are required for each material ‘concessionary / peppercorn lease’ on the nature and terms and the entity’s dependence on such leases.
Source

2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities and AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases (continued)

Leases at significantly below-market terms and conditions (concessionary leases) (continued)

AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases specify for NFP entities that right-of-use assets arising under concessionary leases can be treated as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of AASB 16.

The Group has conducted an analysis of the lease arrangements and notes that some of its leases are at-market and some are at significantly below-market terms and conditions (concessionary leases).

For the at-market leases, these will be accounted for under AASB 16 (refer to earlier section on the discussion of impact of application for AASB 16).

For the concessionary leases, the Group has decided to make use of the temporary option under AASB 2018-8 to measure the right-of-use assets at cost on initial recognition. As the amount of the concessionary lease payments are immaterial, the Group does not expect a significant impact on its financial statements arising from the adoption of the cost option for concessionary leases. The Group has also made the necessary disclosures in note 31 for each material concessionary lease as required by AASB 16.Aus59.1-2.

The Group has also decided to apply AASB 2019-8 to treat right-of-use assets arising under concessionary leases as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of AASB 16.

AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements

In the current year, the Group has applied AASB 2019-4 which is effective for an annual period that ends on or after 30 June 2020.

AASB 2019-4 amends AASB 1054 to require not-for-profit private sector entities that are required to apply AASB 1054 (including those required by legislation to do so) and are preparing special purpose financial statements (SPFS) to disclose information about those financial statements, including information that enables users of the financial statements to understand whether or not the material accounting policies applied in the financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements (continued)

In particular, the amendments to AASB 1054 require a not-for-profit private sector entity to:

**Basis of preparation of SPFS**
- disclose the basis on which the decision to prepare SPFS was made

**Application of the consolidation and equity accounting requirements**
- where the entity has interests in other entities – disclose either:
  - whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 Consolidated Financial Statements, AASB 128 Investments in Associates and Joint Ventures, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why; or
  - that the entity has not assessed whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for financial reporting purposes and has not made such an assessment;

**Compliance with the recognition and measurement requirements in AAS (except for consolidation and equity accounting)**
- for each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact; and
- disclose whether the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.

As the Group prepares general purpose financial statements, the above amendments are not applicable and the adoption of AASB 2019-4 has not had any material impact on the Group's financial statements.
2. Application of new and revised Australian Accounting Standards (continued)

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period (continued)

NFP entities preparing SPFS

For NFP entities preparing SPFS, below is wording that can be considered in the case when a NFP entity has applied accounting policies that comply with all the recognition and measurement requirements in Australian Accounting Standards, consolidated all its subsidiaries consistent with the requirements set out in AASB 10 and equity accounted for its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128.

“In the current year, the Group has applied AASB 2019-4 which is effective for an annual period that ends on or after 30 June 2020. The Group has made the required disclosures as below.

Basis on preparation of SPFS

The Group is a not-for-profit entity. The directors are of the opinion that it is unlikely there are users of these financial statements who are not in a position to require the preparation of reports tailored to their information needs and have prepared special purpose financial statements. Accordingly, these financial statements have been prepared to satisfy the Directors’ reporting requirements under the [Australian Charities and Not-for-profits Commission Act 2012 / insert further details of the not-for-profit reporting framework under which the financial statements are prepared].

Application of the consolidation and equity accounting requirements

The Group has consolidated all its subsidiaries consistent with the requirements set out in AASB 10 Consolidated Financial Statements and equity accounted for its investments in associates and joint ventures in a manner consistent with the requirements set out in AASB 128 Investments in Associates and Joint Ventures.

Compliance with the recognition and measurement requirements in AAS

These consolidated special purpose financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.”
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

<table>
<thead>
<tr>
<th>Standard/amendment</th>
<th>Effective for annual reporting periods beginning on or after</th>
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<tbody>
<tr>
<td>AASB 108.30, 31</td>
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<td>AASB 108.31(a), (c), (d)</td>
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</table>

The following Standards and Interpretations should be added to the list above if they are deemed to be relevant for the entity:

<table>
<thead>
<tr>
<th>Standard/amendment</th>
<th>Effective for annual reporting periods beginning on or after</th>
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<tbody>
<tr>
<td>AASB 1059 Service Concession Arrangements: Grantors</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations</td>
<td>1 January 2020</td>
</tr>
<tr>
<td>AASB 108.30</td>
<td>1 July 2021</td>
</tr>
</tbody>
</table>

AASB 108.30 requires entities to give known or reasonably estimable information relevant to assessing the possible impact that application of any new or revised Accounting Standard will have on the entity’s financial statements in the period of initial application.

Entities should analyse the impact of these amendments on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

**AASB 1059 Service Concession Arrangements: Grantors**
This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor’s perspective.

**AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**
This Standard amends AASB 16 and AASB 1059 to amend transitional relief relating to service concession arrangements.
2. Application of new and revised Australian Accounting Standards (continued)

2.2 New and revised Australian Accounting Standards in issue but not yet effective (continued)

AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations

This Standard amends AASB 1049 Whole of Government and General Government Sector Financial Reporting to provide optional relief for governments that prepare whole of government general purpose financial statements and General Government Sector (GGS) financial statements from disclosing GFS measures of key fiscal aggregates and GAAP/GFS Reconciliations.

It has been assumed for the purposes of these illustrative financial statements that the application of many of the above new or revised Accounting Standards, and amendments to the Accounting Standards, will not have a material impact to the amounts recognised or disclosures in these illustrative financial statements. Entities should analyse the impact of these new or revised Accounting Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.
3. Significant accounting policies

This set of illustrative disclosures is an addition to Note 3 in Section 10: Illustrative disclosures of the Deloitte Australian financial reporting guide (for financial reporting periods ending on or after 31 December 2019) to include NFP specific considerations.

Note 3 of the Deloitte Australian financial reporting guide sets out examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.

The illustrative accounting policies disclosures below should be tailored to be specific to the entity.

Revenue recognition

AASB 108.28
The Group recognises income from its main revenue/income streams, as listed below:

- Government grants
- Donations and bequests
- Capital grants

AASB 108.31

Government grants, donations and bequests

When the Group receives government grants, donations and bequests that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives), it performs an assessment to determine if the contract is ‘enforceable’ and contains ‘sufficiently specific’ performance obligations.

In cases where there is an ‘enforceable’ contract with a customer with ‘sufficiently specific’ performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

In all other cases (where the contract is not ‘enforceable’ or the performance obligations are not ‘sufficiently specific’), the transaction is accounted for under AASB 1058 where the Group:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards (e.g. AASB 9, AASB 16, AASB 116 and AASB 138)
- Considers whether any other financial statement elements should be recognised (‘related amounts’) in accordance with the relevant applicable Australian Accounting Standard including:
  - contributions by owners (AASB 1004)
  - a lease liability (AASB 16)
  - revenue, or a contract liability arising from a contract with a customer (AASB 15)
  - a financial instrument (AASB 9)
  - a provision (AASB 137)
- Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

Capital grants – Buildings

For capital grants received under an enforceable agreement where it includes a transfer to enable the Group to acquire or construct a recognisable non-financial asset to identified specifications which will be controlled by the Group when completed, the Group recognises a liability for the excess of the fair value of the transfer over any related amounts recognised and recognises income as it satisfies its obligations under the transfer.

As the capital grants received by the Group are primarily for the construction of buildings, the Group recognises income as the buildings are constructed (when it satisfies its obligations).
3. Significant accounting policies (continued)

Unrecognised revenue

Volunteer services
The Group regularly receives volunteer services as part of its operations. Under AASB 1058, private sector not-for-profit entities have a policy option to account for donated services at fair value if the fair value can be reliably measured.

While the Group has assessed that the fair value of its volunteer services can be reliably measured, it has decided to adopt the policy option not to recognise volunteer services. Accordingly, no amounts are recognised in the financial statements for volunteer services.

Donated inventories
As part of its operations, the Group receives donations of goods which may then be used in its activities. AASB 102 requires the donated inventories to be measured at current replacement cost and any related amounts to be accounted for under AASB 1058.

The Group has decided to make use of the practical expedient under AASB 102 and apply the materiality assessment at the individual item level (instead of the portfolio level) when recognising donated inventories. Based on an assessment, the Group has noted that it only receives individually immaterial donations of inventory and accordingly will not be required to recognise such donated inventories. Accordingly, no amounts are recognised in the financial statements for donated inventories.

4. Critical accounting judgements and key sources of estimation uncertainty

This set of illustrative disclosures is an addition to Note 4 in Section 10: Illustrative disclosures of the Deloitte Australian financial reporting guide (for financial reporting periods ending on or after 30 June 2020) to include NFP specific considerations.

The following are examples of the types of disclosures that might be required in this area. The nature of these disclosures is very specific to an individual Group’s particular circumstances.

Revenue recognition
To determine if a grant contract should be accounted for under AASB 1058 or AASB 15, the Group has to determine if the contract is ‘enforceable’ and contains ‘sufficiently specific’ performance obligations. When assessing if the performance obligations are ‘sufficiently specific’, the Group has applied significant judgement in this regard by performing a detailed analysis of the terms and conditions contained in the grant contracts, review of accompanying documentation (e.g. activity work plans) and holding discussions with relevant parties.

Income recognition from grants received by the Group has been appropriately accounted for under AASB 1058 or AASB 15 based on the assessment performed.

[expand as necessary to highlight any specific areas that were assessed and the judgements made]
Source

31. Leases (Group as a lessee)
This set of illustrative disclosures is an addition to Note 31 in Section 10: Illustrative disclosures of the Deloitte Australian financial reporting guide (for financial reporting periods ending on or after 30 June 2020) to include NFP specific considerations.

The following are examples of the types of disclosures that might be required in this area. The nature of these disclosures is very specific to an individual Group’s particular circumstances.

Concessionary leases
The Group leases a building from the State Government with significantly below-market terms and conditions principally to enable it to further its objectives.

The Group is dependent on this lease to further its objectives as it utilises the building to run its operations to deliver its services. The Group is restricted on the use of the building as agreed with the State Government and may not utilise it for other purposes including sub-leasing to other entities. The lease term is for 10 years and the lease payments are CU___ per annum, payable annually.

As outlined in the Group’s accounting policy in note 3, the Group has elected to measure this lease at cost.