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**Common Financial Statement Items:
Charities with \$0.5–\$3 million in revenue**

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Principal authors

Dr Jia Wei – Assistant Manager
Maggie Man – Project Manager
Dr Eric Lee – Research Principal

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Enquiries

Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria, 8007
Australia
Tel: +61 3 9617 7637
Email: standard@asb.gov.au
Website: <http://www.aasb.gov.au>

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Executive Summary

The Australian Accounting Standards Board (AASB) is developing a reporting tier, Tier 3 general purpose financial statements (GPFS), to provide simpler accounting requirements for smaller not-for-profit (NFP) private sector entities. Consequently, in 2022, the AASB released a Discussion Paper to gather stakeholder feedback on the proposed reporting requirements of Tier 3 GPFS for NFP private sector entities with annual revenue ranging from \$0.5 million to \$3 million. To develop such reporting requirements, the AASB considers transactions that are commonly recorded by these entities.

The purpose of this research paper is to identify those line items that appear most commonly in the financial statements of NFP private sector entities in Australia. The findings will support the broader project of designing an appropriate reporting framework for this reporting tier.

This research paper analysed 260 financial statements of Australian Charities and Not-for-profits Commission (ACNC)-registered charities that have annual revenue ranging from \$0.5 million to \$3 million. The analyses show the following items were commonly reported in the financial statements of those charities examined:

- revenue:
 - interest income;
 - donation income;
 - revenue from goods and services;
 - grants; and
 - government subsidies.
- assets:
 - cash and cash equivalents;
 - trade and other receivables;
 - fixed assets; and
 - prepayments.
- liabilities:
 - trade and other payables;
 - long service leave provisions;
 - annual leave provisions; and
 - revenues received in advance.
- equities
 - retained earnings.

The least common items were:

- rebates;
- impairment loss;
- revaluation of property, plant and equipment;



- prior period adjustments;
- other types of comprehensive income;
- intangible assets;
- lease receivables;
- investment property;
- other types of assets; and
- other types of liabilities.

The research also found that the vast majority of the sampled charities presented statements of changes in equity and statements of cash flows.



1. Introduction and background

As a result of consultation with a range of NFP stakeholders, the AASB is developing reporting requirements for Tier 3 GPFS. The development of the Tier 3 reporting requirements aims to simplify and reduce the costs of preparing financial statements of smaller NFP private sector entities that are required to prepare financial statements in accordance with Australian Accounting Standards. To this end, the AASB published a Discussion Paper¹ in 2022 to gather stakeholder feedback on the reporting requirements for Tier 3 GPFS applicable to NFP private sector entities with annual revenue ranging from \$0.5 million to \$3 million.²

To provide relevant data to assist with the development of an overall framework appropriate for this reporting tier, the AASB sought to identify the most (and, by extension, least) common line items that relevant entities include in their financial reports. This report presents the results of that investigation.

This research paper analysed 260 financial statements of ACNC-registered charities that have annual revenue ranging from \$0.5 million to \$3 million. It provides findings about the financial statement line items that are commonly recorded in financial statements of medium sized charities.

This report is structured as follows. [Section 2](#) describes the research design and the sample selection procedure. [Section 3](#) reports the common items identified in the sampled charities' income statements and balance sheets, while [Section 4](#) discusses how the sampled charities prepared their statements of changes in equity and statements of cash flows. Finally, [Section 5](#) concludes this report and discusses the limitations of this research.

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- 1 *AASB Discussion Paper – Development of Simplified Accounting Requirements (Tier 3 Not-For-Profit Private Sector Entities)* issued in September 2022 available at https://www.aasb.gov.au/admin/file/content105/c9/AASB_DP_Tier3NFP_09-22.pdf.
 - 2 AASB is not seeking to establish the thresholds for this new reporting tier as part of this project but identified these parameters to provide an appropriate focus to the analysis.



2. Sample selection and method used

2.1 Sample selection

Table 1 outlines the sample selection procedure. All charities with total revenue of between \$0.5 million and \$3 million were sourced based on the ACNC 2020 Annual Information Statement (AIS) data available from data.gov.au.³

82 charities were excluded from the sample as they were deregistered after submitting their AIS. This measure was taken to prevent the identification of common financial line items that may not be relevant due to a charity's compliance issues or cessation of operations. Further, 50 basic religious charities were excluded from the sample as they were not required to prepare financial reports.⁴ An additional 139 charities, of which reporting periods were not 12 months, were removed from the study as the research focuses on transactions and balances occurring within a financial year. 300 charities were randomly selected from the population of 6,553 and their financial statements were obtained from the ACNC.

The results of this report are based on the analyses of the financial statements for the 2020-21 financial year, with 2019-2020 comparative financial statements.⁵ Out of the randomly selected sample of charities, only 265 charities had submitted their financial statements for the 2020-21 financial year to the ACNC at the time of conducting this research. Furthermore, five of these charities had provided incomplete financial statements where either the balance sheet or income statement was not included. As such, the final sample size for this study is 260 charities.⁶

Table 1 Sample selection procedure

All charities with total revenue between \$0.5 million and \$3 million	6,824
Less: deregistered charities	82
Less: basic religious charities	50
Less: charities of which the financial reporting periods were not 12 months	139
	6,553
Random sample	300
Charities with FY2020-21 financial statements	265
Less: charities with incomplete financial statements	5
Final sample	260

3 The analysis is based on the available dataset accessed on 22 August 2022.

4 Section 60-60 of Australian *Charities and Not-for-profits Commission Act 2012* (Cwth).

5 The financial statements for 2020-21 were selected because they were the most recent available financial statements when this research was conducted. Further, the financial statements include comparative financial information of 2019-20 balances and transactions, providing necessary data for analyses to determine whether there were significant variation in revenue among the charities across the two years. See Section [2.2](#).

6 This sample size is adequate to achieve a precision level of $\pm 5\%$ with a 90% confidence level, given a population of 6,553.



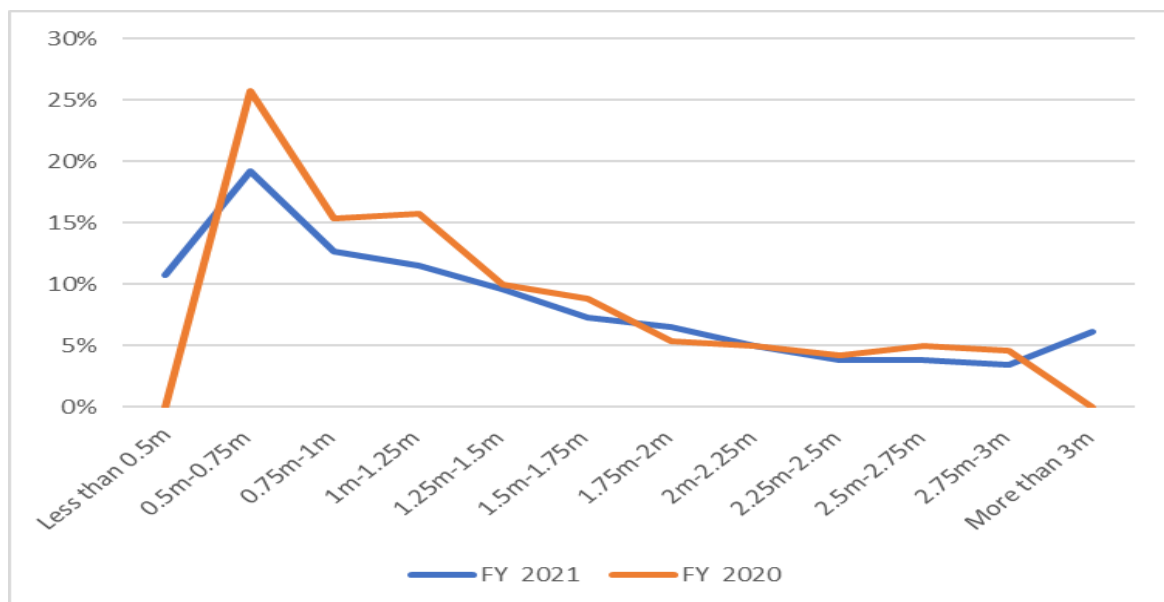
2.2 Sizes

Table 2 and Figure 1 below illustrate the distribution of the sizes of sampled charities, as determined by their total revenue in the financial years 2019-20 and 2020-21. The data shows that there was minimal variation in revenue among the sampled charities across the two years. For instance, only 44 out of the 260 charities had revenue outside the range of \$0.5 million to \$3 million in the financial year 2020-21 (i.e., 28 had revenue below \$0.5 million and 16 had revenue exceeding \$3 million).

Table 2 Total revenue

Total revenue (\$ million)	FY2020-21		FY2019-20	
	Number	Percentage	Number	Percentage
Less than 0.5	28	10.77%	0	0.00%
0.5–0.75	50	19.23%	67	25.77%
0.75–1	33	12.69%	40	15.38%
1–1.25	30	11.54%	41	15.77%
1.25–1.5	25	9.62%	26	10.00%
1.5–1.75	19	7.31%	23	8.85%
1.75–2	17	6.54%	14	5.38%
2–2.25	13	5.00%	13	5.00%
2.25–2.5	10	3.85%	11	4.23%
2.5–2.75	10	3.85%	13	5.00%
2.75–3	9	3.46%	12	4.62%
More than 3	16	6.15%	0	0.00%
Total	260	100.00%	260	100.00%

Figure 1 Size distribution of sampled charities





2.3 Legal structure

The legal structure of the sampled charities is presented in Table 3 below. This information was obtained from the Australian Business Register (ABR) using the Australian Business Number (ABN) Lookup tool.⁷

Table 3 Legal structure

Incorporation/structure types	Number	Percentage
Australian private company	2	0.77%
Australian public company ⁸	79	30.38%
Co-operative	3	1.15%
Deceased estate	2	0.77%
Discretionary investment trust	9	3.46%
Discretionary services management trust	1	0.38%
Fixed trust	1	0.38%
Fixed unit trust	1	0.38%
Hybrid trust	1	0.38%
Other incorporated entity ⁹	141	54.23%
Other trust	6	2.31%
Other unincorporated entity	10	3.85%
N/A	4	1.54%
Total	260	100.00%

2.4 Subtypes

The *Australian Charities and Not-for-profits Commission Act 2012* (Cth) sets out 14 charity subtypes, which are:

- Public Benevolent Institution (PBI);
- Health Promotion Charity (HPC);
- Preventing or relieving the suffering of animals (animals);
- Advancing culture (culture);
- Advancing education (education);
- Advancing health (health);
- Promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a state, a territory or another country (law);
- Advancing the natural environment (environment);

7 <https://abr.business.gov.au/Tools/AbnLookup>.

8 Public company limited by guarantee.

9 The ABR does not provide the disaggregation of the “other incorporated entities” category. All entities that have the same characteristics as companies but are not incorporated as corporation's law companies are allocated under this category.



- Promoting or protecting human rights (human rights);
- Any other purpose beneficial to the general public that may reasonably be regarded as analogous to, or within the spirit of, any of the purposes mentioned in the subtypes above (other);
- Promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia (reconciliation);
- Advancing religion (religion);
- Advancing social or public welfare (social welfare); and
- Advancing the security or safety of Australia or the Australian public (security).

Charities can be registered with more than one subtype to reflect the multifaceted work with which they are engaged. Charities can also choose not to be registered with any subtype.¹⁰

Table 4 and Figure 2 illustrate that PBI (27.69%), Education (22.69%), and Social welfare (24.62%) are the most represented subtypes in the sample, while only a small proportion of charities in the sample are registered with the subtypes of Animals (0.77%), Law (1.73%) and Security (0.38%). This is consistent with the general characteristics of the population (as shown in Table 4), indicating that the selected sample charities are reasonably suitable for this study.

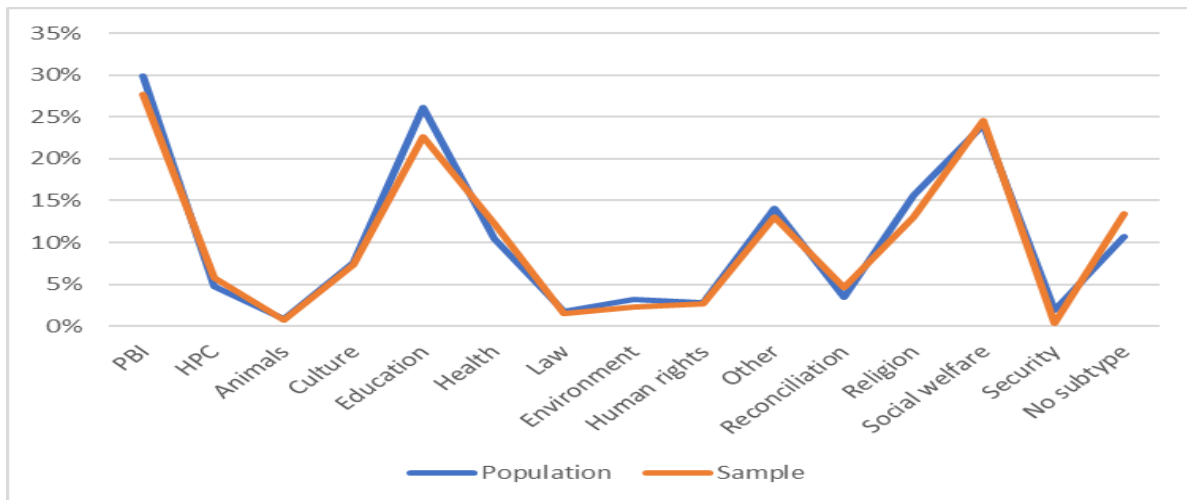
Table 4 Population and sample by subtype

Subtype category	Population		Sample	
	Number	Percentage	Number	Percentage
PBI	1960	29.91%	72	27.69%
HPC	313	4.78%	15	5.77%
Animals	58	0.89%	2	0.77%
Culture	502	7.66%	19	7.31%
Education	1711	26.11%	59	22.69%
Health	683	10.43%	32	12.31%
Law	113	1.73%	4	1.54%
Environment	210	3.21%	6	2.31%
Human rights	184	2.81%	7	2.69%
Other	921	14.05%	34	13.08%
Reconciliation	225	3.44%	12	4.62%
Religion	1022	15.59%	34	13.08%
Social welfare	1580	24.11%	64	24.62%
Security	125	1.91%	1	0.38%
No subtype	702	10.71%	35	13.46%

¹⁰ Section 25-5 of *Australian Charities and Not-for-profits Commission Act 2012* (Cwth).



Figure 2 Subtype distribution of the population and sampled charities



2.5 Types of financial statements

Table 5 shows the types of financial statements prepared by each sampled charity. The majority of charities (78.08%) prepared special purpose financial statements (SPFS). Out of the 57 charities that prepared GPFS, 41 prepared Tier 2 GPFS Reduced Disclosure Requirements (RDR).

Table 5 Types of financial statements

Types of financial statements	Number	Percentage
GPFS	16	6.15%
GPFS Tier 2 – RDR	41	15.77%
SPFS	203	78.08%
Total	260	100.00%

2.6 Recognition and measurement compliance

NFP private sector entities that prepare SPFS should disclose whether the financial statements overall comply with all the recognition and measurement (R&M) requirements in Australian Accounting Standards.¹¹ A summary of whether the sampled charities indicated their compliance with R&M requirements is presented in Table 6.

Overall, 43.35% of the charities that prepared SPFS disclosed whether they comply with R&M requirements.¹² Specifically:

11 AASB 1054 *Australian Additional Disclosures*, paragraph 9A.

12 Even though some sampled charities did not make the R&M compliance disclosures, the ACNC requires charities that submit SPFS to apply, as a minimum, the following six accounting standards: AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 124 *Related Party Disclosures*, AASB 1048 *Interpretation of Standards*, and AASB 1054 *Australian Additional Disclosures*.
<https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc/general-and-special-purpose-financial-statements>



- 82 charities stated that they fully complied with all R&M requirements;
- five charities stated that they did not comply with all R&M requirements; and
- one charity stated that it did not assess whether it complied with all R&M requirements.

Table 6 Type of R&M compliance disclosures

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

2.7 Consolidated financial statements

ACNC-registered charities are required to lodge financial statements if the charity meets the ACNC's 'medium' or 'large' size threshold.¹³ The ACNC may permit, on application, for such individual reporting obligation to be relieved where the medium or large charity is part of an approved ACNC reporting group that reports jointly or collectively. The ACNC may allow reporting groups to submit consolidated financial statements or combined financial statements.¹⁴ Where consolidated financial statements are submitted, these statements should comply with AASB 10 *Consolidated Financial Statements*.

Table 7 below shows whether the charities prepared consolidated financial statements based on their self-declaration in the ACNC 2020 AIS. About 6% of charities in both the population of 6,553 charities and the sample of 260 charities declared that they provided consolidated financial statements for multiple entities. However, as illustrated in Table 8, according to the financial statements of the 18 charities in the random sample which declared that they prepared consolidated financial statements, the vast majority of them (83.33%) actually prepared single entity financial statements, indicating that in practice, only a few charities prepared consolidated financial statements.

Table 7 Consolidated financial statements based on self-declaration

Consolidated financial statements	Population		Sample	
	Number	Percentage	Number	Percentage
Yes	404	6.17%	18	6.92%
No	6,149	93.83%	242	93.08%
Total	6,553	100.00%	260	100.00%

Table 8 Reconciliation

	Number	Percentage
Lodged consolidated financial statements	3	16.67%
Lodged single entity financial statements	15	83.33%
Prepared consolidated financial statements based on self-declaration	18	100%

13 Section 60-10 of *Australian Charities and Not-for-profits Commission Act 2012* (Cwth)

14 Section 60-95 of *Australian Charities and Not-for-profits Commission Act 2012* (Cwth)



2.8 Method used

The data of this research report were manually collected from the financial statements of the 260 charities in the sample. The collected data included all balance sheet line items, all income line items and three specific expense line items (bad debts expense, lease expense and impairment loss). These three expenses were selected because of the AASB Board's proposal to simplify the existing classification, recognition, and measurement requirements for those expenses.¹⁵ Furthermore, since many expenses are related to balance sheet items, duplication can be avoided by focusing on these three expenses.¹⁶

Further analysis was conducted to identify whether there are any differences in the common financial line items based on charities registered with different subtypes. However, no conclusion can be drawn as the number of charities in some subtypes is quite small.

In addition, data were also collected to understand how the sampled charities prepared their statements of changes in equity and statements of cash flows.

15 *AASB Discussion Paper – Development of Simplified Accounting Requirements (Tier 3 Not-For-Profit Private Sector Entities)* issued in September 2022 available at https://www.aasb.gov.au/admin/file/content105/c9/AASB_DP_Tier3NFP_09-22.pdf.

16 For example, if a charity has recognised property, plant and equipment on the balance sheet, it is expected to have incurred depreciation expenses.



3. Findings

3.1 Income statements and statements of comprehensive income items

Table 9 below provides a summary of all the financial line items (and the three expenses items)¹⁷ that were identified from the income statements and statements of comprehensive income of the sampled charities.

Table 9 Revenue, expense and other comprehensive income items identified

#	Items	#	Items
Revenue items		13	Other types of income
1	Interest income	14	Total other income
2	Donation income	15	Total revenue
3	Revenue from goods or services	Expense items	
4	Grants ¹⁸	16	Lease expenses
5	Government subsidies	17	Bad debt expenses
6	Membership income	18	Impairment loss
7	Rental income	Other comprehensive income items	
8	Gain (loss) on sale of non-current assets	19	Change in fair value of financial assets through other comprehensive income
9	Dividend income	20	Gain (loss) on sale of investment
10	Change in fair value of financial assets through profit and loss	21	Other types of comprehensive income ¹⁹
11	Rebates	22	Revaluation of PPE
12	Profit on disposal of investment	23	Prior period adjustments

The number of sampled charities that reported each identified item were used to determine the prevalence of the items. Figure 3 below shows the percentage of charities that recorded each of the items identified in Table 9. For the purpose of this study, an item is considered uncommon if it was reported by no more than 5% of the sampled charities.

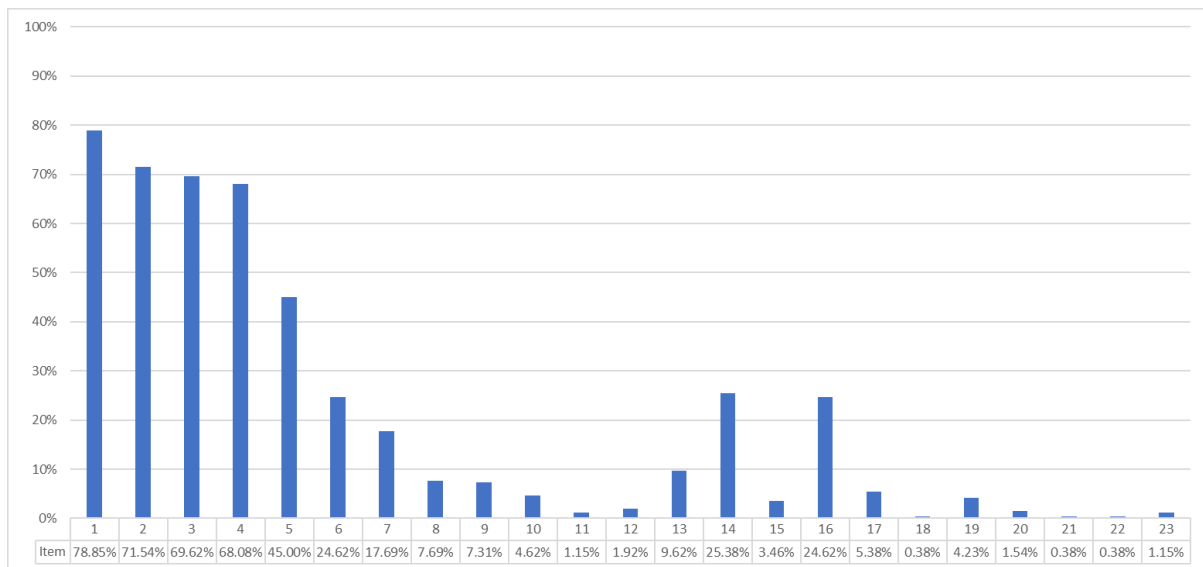
17 See Section [2.8](#).

18 Some charities may categorise sales income from services procured by governments as grant income. In this research, the capital payments made by governments and the payments for services and support made as a result of a procurement process were not separated.

19 Other types of comprehensive income include transfer from provision, provision refund and foreign exchange movements on investments.



Figure 3 The percentage of charities that recorded the items in Table 9



The analysis reveals the following findings:

- Interest income (78.85%), donation income (71.54%), revenue from goods and services (69.62%), grants (68.08%) and government subsidies (45%) were the most common revenue/income items.
- Of the sampled charities, 3.46% reported only their total revenue, without providing any breakdown of the revenue components.
- Of the sampled charities, 25.38% reported only their total other income, without providing any breakdown of the components.
- Of the sampled charities, 9.62% reported “other types of income”, which includes travel recoveries (0.38%), insurance recoveries (1.15%), imputation credit income (1.54%), franking credits (0.38%), incentive payments (0.38%), AASB 16 recharge (0.38%), one-off payments (0.38%), loan forgiveness (0.38%), adjustment for the prior year (0.38%), security levy (0.38%), recoupment of expenses (0.38%), foreign income (0.77%), loss on foreign exchange (0.77%), property income (0.38%) and investment income (1.92%).
- Lease expenses (24.62%) are commonly reported among sampled charities. Bad debts are less common, with only 5.38% of charities reporting them. Impairment loss was reported by only one sampled charity.²⁰
- Other types of comprehensive income (0.38%), including transfer from provision, provision refund and foreign exchange movements on investments, are considered not commonly reported by charities.

²⁰ The charity disclosed the subtotal of its impairment loss and the amortisation of its intangible assets. The two components cannot be separated based on the information in the charity’s financial statements.



- Change in fair value of financial assets through profit and loss, profit on disposal of investment, change in fair value of financial assets through other comprehensive income and gain/(loss) on sale of investment were recorded by less than 5% of the sampled charities individually. However, no conclusion can be made about whether financial assets were not common among sampled charities, because anecdotally, these transactions are not likely to occur in every reporting period for most charities.
- Overall, the following items were found to be infrequently reported by charities, as they were recorded by no more than 5% of the sampled charities:
 - rebates;
 - impairment loss;
 - revaluation of PPE;
 - prior period adjustments; and
 - other types of comprehensive income.

3.2 Balance sheet items

3.2.1 Assets

Table 10 below provides a summary of assets that were recorded on the balance sheets of the sampled charities.

Table 10 Asset items

#	Items	#	Items
1	Cash and cash equivalents	10	Equity investments
2	Trade and other receivables (including accrued revenues)	11	Managed funds
3	Fixed assets	12	Intangibles assets
4	Prepayments	13	Other types of assets ²¹
5	Right-of-use assets	14	Financial assets held at amortised cost
6	Inventories	15	Financial assets at fair value through profit and loss
7	Loan receivables (debts/bonds)	16	Financial assets at fair value through other comprehensive income
8	Tax assets	17	Investment property
9	Term deposits	18	Lease receivables

Figure 4 below shows the percentage of charities that recorded each of the identified items in Table 10. The analysis illustrates that:

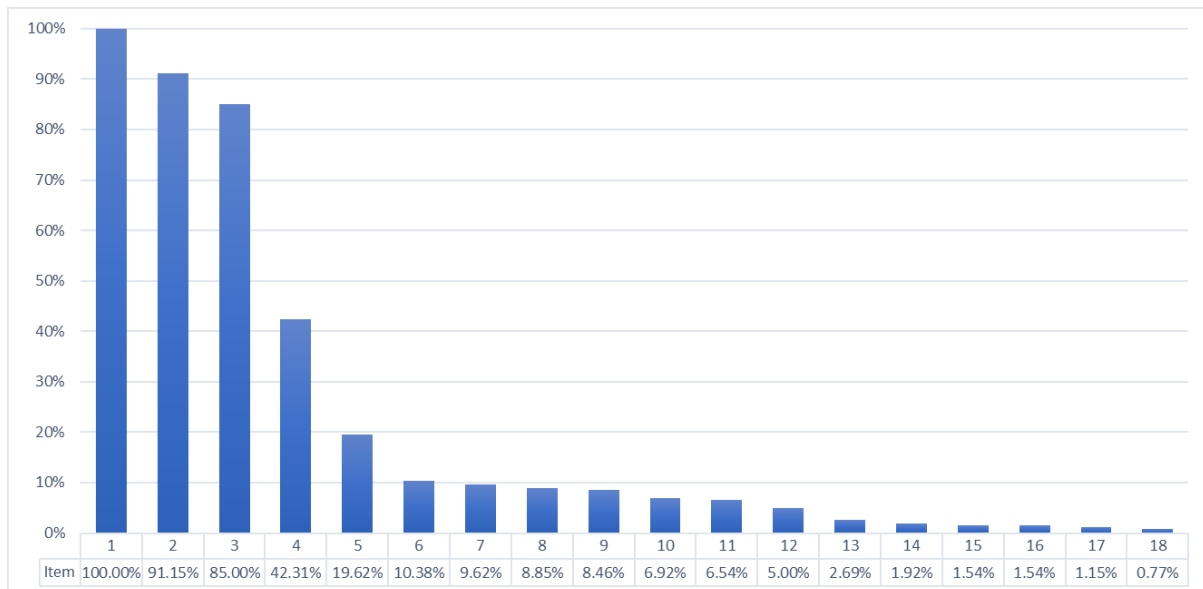
- Cash and cash equivalents (100%), trade and other receivables (91.15%), fixed assets (85.00%) and prepayments (42.31%) are the most commonly reported assets.

21 Other types of assets identified in the sampled charities include refundable franking credits, held-for-sale assets, gaming entitlements and total other assets without details.



- Right-of-use assets were reported by 51 charities (19.62%). As discussed in [Section 3.1](#), 64 charities (24.62%) reported lease expenses. Further investigation shows that only 14 charities (5.38%) reported both lease expenses and right-of-use assets.²²
- Although financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets held at amortised cost were recorded by less than 5% of the sampled charities, it is difficult to draw any definitive conclusions about these items. This is because they could potentially be related to equity investments and loan receivables categories.
- Overall, the following assets were recorded by no more than 5% of the sampled charities:
 - intangible assets (such as trademark, design at cost, goodwill, software and website development);
 - lease receivables;
 - investment property; and
 - other types of assets.

Figure 4 The percentage of charities that recorded the items in Table 10



3.2.2 Liabilities and equity

Table 11 below provides a summary of liabilities and equity items that were recorded on the balance sheets of the sampled charities.

²² The charities that reported right-of-use assets but did not report lease expenses might have categorised their lease expenses as other types of expenses. Also, charities that reported lease expenses but did not report right-of-use assets might not have adopted AASB 16 *Leases*.



Table 11 Liability and equity items

#	Items	#	Items
1	Trade and other payables (including accrued expenses)	9	Other types of provisions for employee benefits
2	Revenue received in advance	10	Total employee benefits provisions
3	Lease liability	11	Other types of liabilities ²³
4	Tax payable	12	Retained earnings
5	Borrowings	13	Members' funds
6	Provisions	14	Asset revaluation reserve
7	Long service leave provisions	15	Other types of reserves
8	Annual leave provisions		

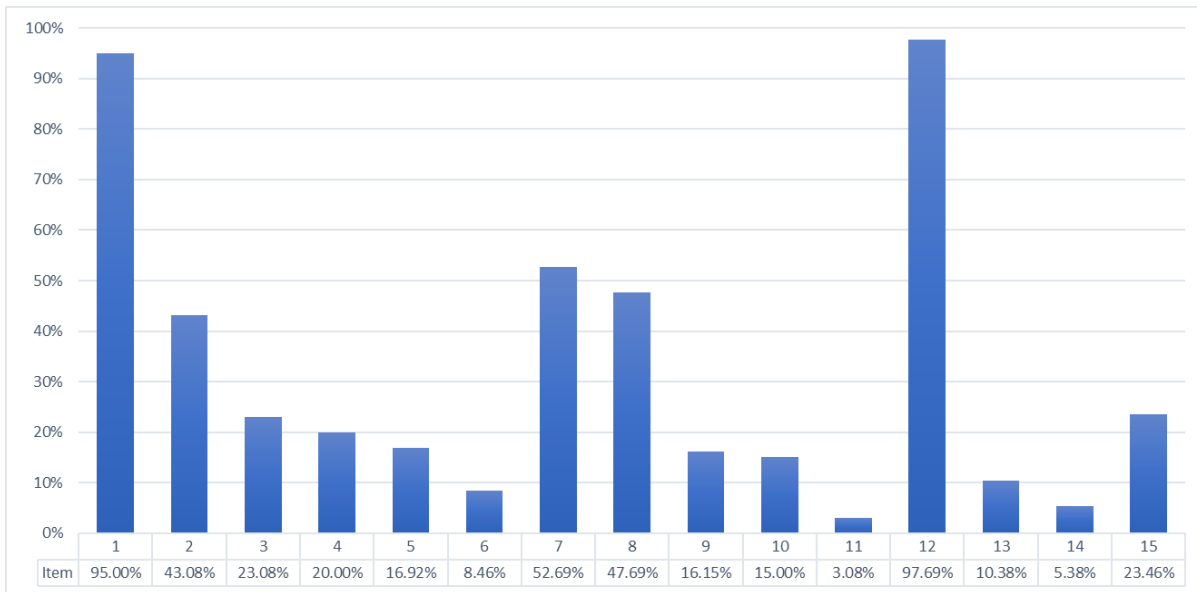
Figure 5 below shows the percentage of charities that recorded each of the identified items in Table 11. It illustrates that:

- Trade and other payables (95.00%), long service leave provisions (52.69%), annual leave provisions (47.69%) and revenue received in advance (43.08%) are the most commonly reported liabilities.
- Of the sampled charities, 15% reported only the total amount of employee benefits provisions with no details provided in either their balance sheets or the notes to their financial statements.
- Apart from long service leave provisions and annual leave provisions, 16.15% of sampled charities recorded other types of employee benefits provisions including sick leave provisions (3.46%), personal leave provisions (2.31%), holiday leave (4.23%), time in lieu (1.92%), staff bonuses (0.38%), enterprise bargaining agreements (0.38%), redundancy entitlements (0.77%), exempt fringe benefit accounts (0.38%), overtime accrued (0.38%), termination (0.38%) and other types of provisions for employee benefits without details (1.92%).
- Retained earnings (97.69%) is the most commonly reported equity item.
- Of the sampled charities, 23.46% reported other types of reserves which include funds foundation reserve (1.15%), housing registration project reserve (0.38%), capital reserve (2.31%), general reserve (1.15%), restricted reserve (0.38%), building reserve (0.77%), unrealised gain (loss) reserve (2.31%), donated asset reserve (0.38%), reserve for equipment (0.38%) and other reserves without any details (14.23%).
- Overall, other types of liabilities were found to be uncommon, as they were recorded by no more than 5% of the sampled charities.

23 Other types of liabilities in the sampled charities include mortgage-land and building, residents' ingoing capital sum, gaming entitlements liability and financial liabilities without details.



Figure 5 The percentage of charities that recorded the items in Table 11



3.3 Additional analysis

Additional analysis was carried out to determine whether there were disparities in the financial line items among charities of varying subtypes. The outcomes of the analysis for the income statement and statement of comprehensive income items are presented in Table 12 while the results for the balance sheet items are presented in Table 13. The results show that almost all charities in different subtypes recorded the following items in their financial statements:

- Interest income, donation income, revenues from goods and services, grants and government subsidies;
- Cash and cash equivalents, trade and other receivables, fixed assets and prepayments; and
- Trade and other payables, long service leave provisions, annual leave provisions and revenue received in advance.

Further, certain items are more prevalent in specific subtypes. For instance, all charities classified under the Animals subtype receive donation income and membership income.

Nonetheless, it is worth noting that, due to the small number of charities in some subtypes in the sample, conclusive findings could not be drawn.



Table 12 Income statement and statement of comprehensive income items by charity subtype

Subtype /Items	PBI	HPC	Animals	Culture	Educational	Health	Law	Environment	Human rights	Other	Reconciliation	Religion	Social welfare	Security	No subtype
Revenue															
Interest income	83%	87%	50%	84%	76%	81%	75%	67%	100%	82%	67%	65%	78%	100%	80%
Donation income	76%	73%	100%	79%	64%	75%	50%	83%	57%	62%	83%	88%	72%	0%	71%
Revenue from goods or service	68%	60%	50%	63%	78%	56%	50%	50%	57%	68%	67%	68%	70%	100%	77%
Grants	75%	33%	50%	74%	75%	53%	75%	50%	71%	62%	92%	59%	67%	0%	66%
Government subsidy	43%	60%	50%	63%	42%	34%	25%	50%	43%	50%	50%	41%	53%	0%	51%
Membership income	25%	40%	100%	26%	29%	25%	75%	33%	43%	32%	17%	12%	20%	0%	17%
Rental income	24%	27%	50%	5%	14%	9%	0%	0%	0%	18%	0%	24%	13%	0%	14%
Gain (loss) on sale of non-current assets	10%	13%	50%	5%	3%	3%	0%	0%	0%	0%	0%	15%	5%	0%	9%
Dividend income	7%	7%	0%	16%	5%	9%	0%	0%	14%	15%	8%	3%	8%	0%	9%
Change in fair value of financial assets through profit and loss	3%	0%	0%	5%	3%	6%	0%	0%	0%	12%	8%	0%	3%	0%	6%
Rebates	1%	0%	0%	0%	0%	3%	0%	0%	0%	12%	0%	0%	0%	0%	0%



Profit on disposal of investment	1%	0%	0%	0%	2%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other types of income	10%	7%	0%	5%	7%	9%	0%	0%	0%	12%	0%	6%	9%	0%	9%
Total other income	29%	27%	50%	37%	27%	25%	50%	0%	43%	21%	33%	12%	17%	100%	31%
Total revenue	1%	7%	0%	5%	2%	6%	25%	0%	0%	9%	0%	3%	5%	0%	3%
Expenses															
Lease expenses	29%	20%	0%	42%	27%	22%	25%	17%	29%	26%	25%	32%	30%	100%	17%
Bad debt expenses	6%	0%	0%	16%	5%	0%	0%	0%	57%	3%	8%	3%	6%	0%	0%
Impairment loss	0%	0%	0%	0%	2%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Other comprehensive income															
Change in fair value of financial assets through other comprehensive income	3%	13%	0%	11%	2%	3%	0%	0%	0%	3%	0%	0%	8%	0%	9%
Gain(loss) on sale of investment	1%	0%	50%	5%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	3%
Revaluation of PPE	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Prior period adjustments	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%
Other types of comprehensive income	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	6%



Table 13 Balance sheet items by charity subtype

Subtype /Items	PBI	HPC	Animals	Culture	Education	Health	Law	Environment	Human rights	Other	Reconciliation	Religion	Social welfare	Security	No subtype
Assets															
Cash and cash equivalents	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Trade and other receivables (including accrued revenues)	88%	93%	100%	89%	92%	94%	100%	83%	100%	94%	92%	71%	88%	100%	94%
Fixed assets	89%	73%	100%	79%	90%	66%	100%	50%	100%	74%	67%	97%	81%	100%	80%
Prepayments	42%	40%	50%	47%	42%	31%	75%	33%	71%	56%	33%	38%	34%	0%	34%
Right-of-use assets	26%	7%	50%	26%	15%	19%	50%	17%	57%	24%	17%	9%	22%	100%	17%
Inventories	10%	13%	0%	16%	12%	13%	0%	33%	14%	9%	17%	12%	13%	100%	3%
Loan receivables (debts/bonds)	7%	7%	100%	16%	7%	9%	0%	17%	14%	12%	8%	15%	9%	0%	14%
Tax assets	10%	7%	0%	5%	14%	9%	0%	0%	14%	0%	0%	12%	6%	0%	6%
Term deposits	8%	13%	50%	5%	5%	13%	0%	0%	14%	12%	8%	9%	2%	0%	9%
Equity investments	6%	7%	0%	21%	2%	9%	25%	17%	0%	9%	8%	6%	6%	0%	9%
Managed funds	7%	7%	50%	5%	0%	9%	25%	0%	14%	6%	0%	9%	6%	0%	6%



Intangibles assets	4%	27%	0%	0%	7%	13%	0%	17%	0%	6%	8%	0%	11%	0%	3%
Other types of assets	1%	0%	0%	5%	0%	3%	0%	0%	0%	6%	0%	6%	2%	100%	3%
Financial assets held at amortised cost	1%	0%	50%	0%	0%	0%	0%	0%	0%	6%	0%	3%	2%	0%	0%
Financial assets at fair value through profit and loss	1%	7%	0%	0%	2%	0%	0%	0%	0%	0%	0%	0%	2%	0%	3%
Financial assets at fair value through other comprehensive income	0%	7%	0%	0%	0%	3%	0%	0%	0%	0%	8%	0%	0%	0%	0%
Investment property	0%	0%	0%	0%	2%	0%	0%	0%	0%	9%	0%	0%	0%	0%	0%
Lease receivables	0%	0%	0%	0%	0%	3%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Liabilities															
Trade and other payables (including accrued expenses)	96%	93%	100%	95%	97%	84%	100%	67%	100%	94%	100%	88%	94%	100%	86%
Revenues received in advance	54%	53%	0%	58%	46%	38%	25%	50%	57%	50%	50%	15%	52%	0%	31%



Lease Liabilities	32%	7%	50%	21%	20%	16%	50%	17%	71%	24%	17%	12%	23%	100%	23%
Tax payable	18%	13%	50%	26%	19%	16%	25%	17%	29%	15%	0%	41%	19%	0%	14%
Borrowings	8%	20%	0%	37%	24%	19%	25%	0%	29%	12%	17%	38%	11%	0%	11%
Provisions	13%	13%	0%	5%	7%	13%	25%	0%	29%	15%	8%	6%	11%	0%	3%
Long service leave provisions	63%	47%	0%	47%	61%	44%	0%	33%	71%	38%	50%	44%	56%	0%	46%
Annual leave provisions	53%	67%	0%	32%	44%	44%	25%	33%	43%	44%	42%	44%	50%	0%	51%
Other types of provision for employee benefits	18%	0%	0%	21%	15%	3%	0%	0%	43%	26%	33%	9%	14%	0%	20%
Total employee benefits provisions	19%	0%	50%	21%	15%	13%	50%	0%	14%	26%	25%	6%	19%	100%	14%
Other types of liabilities	4%	7%	0%	0%	0%	6%	0%	0%	14%	3%	0%	9%	5%	100%	0%
Equity															
Retained earnings	99%	93%	100%	100%	97%	94%	100%	100%	100%	97%	100%	97%	97%	100%	100%
Members' funds	7%	7%	0%	0%	10%	19%	0%	17%	0%	18%	17%	6%	13%	0%	9%
Asset revaluation reserve	10%	0%	0%	5%	2%	3%	0%	0%	14%	6%	8%	9%	6%	0%	3%
Other types of reserves	17%	47%	0%	26%	15%	28%	0%	33%	14%	26%	8%	32%	34%	100%	23%



4. Presentation of statement of changes in equity and statement of cash flows

According to the AASB Discussion Paper, the AASB Board observed that, for smaller NFP private sector entities, there is less consensus about the usefulness of presenting movements in the entity's equity and preparers often regard the statement of cash flows challenging to prepare.²⁴ Accordingly, the AASB decided to consider possible simplification approaches for the statement of changes in equity and the statement of cash flows, and the presentation requirements for those statements. This section shows how the sampled charities are currently reporting the changes in their equities and cash flows.

4.1 Statement of changes in equity

Table 14 shows the methods used by charities to reflect the changes in their equities. Out of the 260 sampled charities, 211 (81.15%) prepared statements of changes in equity. Only two charities (0.77%) prepared a statement of income and retained earnings. The other 47 charities (18.08%) did not report changes in their equities.

Table 14 Method used to show changes in equity

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

Further investigation of the components of changes in equity shows that none of the sampled charities reported the “effect of changes in accounting policy”. With respect to “prior period adjustments”, the analysis of income statement and statement of comprehensive income items in [Section 3](#) shows that two sampled charities recorded their prior period adjustments. However, only one of them prepared a statement of changes in equity with adjustments made to the opening balance, whereas the other charity did not prepare a statement of changes in equity.²⁵

24 AASB Discussion Paper – *Development of Simplified Accounting Requirements (Tier 3 Not-For-Profit Private Sector Entities)* issued in September 2022 available at https://www.aasb.gov.au/admin/file/content105/c9/AASB_DP_Tier3NFP_09-22.pdf.

25 As shown in [Section 3](#), two charities had prior period adjustments of which one charity presented it under “other income” and the other charity presented it under “other comprehensive income”. The charity, which put the prior period adjustment under “other comprehensive income”, disclosed that the adjustment was made due to an error of double counting grants. This charity made the correction to the error by adjusting the opening balance of retained earnings without correcting comparatives. The other charity only presented “prior period adjustments” under “other income” without disclosing any detail of this adjustment.



4.2 Statement of cash flows

According to Table 15, the majority of sampled charities (85.38%) prepared a statement of cash flows. As illustrated in Table 16, 147 charities (56.54%) used both direct and indirect methods to present their cash flows from operating activities, 66 charities (25.38%) used only the direct method and 9 charities (3.46%) use only the indirect method.

Table 15 Statement of cash flows

Prepared statement of cash flows	Number	Percentage
Yes	222	85.38%
No	38	14.62%
Total	260	100.00%

Table 16 Method used to present cash flows from operating activities

Method used to present cash flows from operating activities	Number	Percentage
Direct and indirect methods	147	56.54%
Direct method only	66	25.38%
Indirect method only	9	3.46%
Total	222	85.38%



5. Conclusion and limitations

This research selected a sample of 260 ACNC-registered charities with total revenue between \$0.5 million and \$3 million and provided findings regarding the common items in the sampled charities' income statements, statements of comprehensive income and balance sheets. In addition, the findings also show how the sampled charities presented the movements in their equities and cash flows.

The analyses show the following items were commonly reported in the financial statements of those charities examined:

- revenue:
 - interest income;
 - donation income;
 - revenue from goods and services;
 - grants; and
 - government subsidies.
- assets:
 - cash and cash equivalents;
 - trade and other receivables;
 - fixed assets; and
 - prepayments.
- liabilities:
 - trade and other payables;
 - long service leave provisions;
 - annual leave provisions; and
 - revenues received in advance.
- equities
 - retained earnings.

The least common items were:

- rebates;
- impairment loss;
- revaluation of property, plant and equipment;
- prior period adjustments;
- other types of comprehensive income;
- intangible assets;
- lease receivables;
- investment property;



- other types of assets; and
- other types of liabilities.

It is worth noting that there are several limitations to the findings:

- This research only investigated charities registered with the ACNC. The result may not be generalised to other non-ACNC-registered NFP private sector entities across Australia.
- This research report was based on the analyses of financial statements for the 2020-21 financial year; research over time may provide different outcomes.
- The research did not consider the effect of materiality when identifying common financial statement items.

The findings, nevertheless, provide valuable insights for the AASB Board to make informed decisions regarding the development of simplified accounting requirements for smaller NFP private sector entities.



References

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