



-ADDING TO YOUR MINISTRY

NEWSLETTER – APRIL 2018

ACNC Act Review: -

One of the undertakings given by Government with the introduction of the ACNC Act of 2012 was that there would be a review at the completion of its first five years of operation. That review is currently under way. Public comments have now closed and it is anticipated that a report on the review will be available later in 2018.

Basic Religious Charities: -

Some submissions to the ACNC Act Review have raised the issue that Basic Religious Charities are not required to report their financial details. Concern was expressed that this means there is not a level playing field. Medium and large charities that are Basic Religious Charities should not be free from the exemption to lodge their financial reports. However, there seemed to be an understanding that the exemption has relevance for the smaller charities. No doubt more will be learned about this matter when the report comes out.

DGR Legislative Reform: -

The Commonwealth Treasury are currently reviewing the legislation relating to Deductible Gift Recipients (DGR) with a view to streamlining matters where possible. This project is well advanced and it is expected that amending legislation will be introduced later in 2018.

This review includes: -

- DGRs that are not already registered with ACNC are to become registered. This mainly relates to DGRs which are either controlled or substantially funded by State or Federal Government. Examples are public universities and public ambulance services but there are a number of others.
- Currently there are four DGR registers which not only require approval by ACNC and ATO but first need to have approval by a separate Government department. These registers are: the Cultural Register; the Environmental Register; the Overseas Aid Register and Harm Prevention Charities. The requirement to obtain approval first from the relevant Government Department is a very laborious process with time delays, sometimes exceeding twelve months. The aim is to transfer responsibilities for DGR approval to ACNC in the first instance, which will reduce the time frame for approval enormously. This change will be welcomed by all concerned. It is



anticipated that this specific area will be law later this year. There may be a benefit to a charity planning to make an application for DGR approval in one of these four areas to delay the application so that it can be made direct to the ACNC as the result will be faster. We are aware that ACNC are already planning for an influx of applications in this area.

- There is also consideration being given to providing DGR endorsement for work being done with indigenous languages.

Associations Incorporations Act: -

Associations, including charities, registered under the WA Associations Incorporations Act, are required to upgrade their Constitution (Rules) by 30 June 2019. That is when the 3-year transition period ends. The Department of Mines (formerly Dep't of Commerce) has the oversight of the Act and has developed a set of Model Rules some small associations may find it beneficial to adopt. The format of the Model Rules is not suitable for a charity, as only minimal additions can be made to the Model document. It is designed for a much larger group of associations such as community groups and sporting clubs. Significant variations to the document need to be made to comply with the requirements for charity registration. As a consequence, registered charities will need to develop their own set of Rules to meet the specific needs of their organisation.

Add-Ministry has developed three documents which may be useful to modify in assisting you to comply with the new law. They can be found on the Add-Ministry website on the Publications page. The models would be Model Rules for a Board (charities other than churches); Model Rules for Church and also Model Rules for an unincorporated small church.



Remuneration of Management Committee: -

One matter that is not included in the examples referred to above relate to remuneration of Management Committee/ Board Members, where a member of a Management Committee/Board is also paid a remuneration for services as an employee. That payment needs to be authorised by resolution of members of the association. Many associations have a CEO who is also a voting board member. Future changes to the CEO's remuneration in such cases will need to be first approved by members. In instances where a peak body or other external organisation is currently recommending remuneration rates that are regularly reviewed, this seems to be a way forward whereby a resolution of the members to adopt those periodic salary scales should be sufficient to meet the requirements. Please note this is not a legal opinion but appears to have some merit.

AASB 1058: Income of Not-for-profit entities: -

The Australian Accounting Standards Board (AASB) have introduced a new Accounting Standard AASB1058. It is effective from 1 January 2019 for entities with a 30 June balance date. Therefore, it applies for the financial year 1 July 2019 – 30 June 2020. Charities need to consider the impact of comparative figures from the prior 2019 year. A discussion with your auditor may be beneficial.

Two matters of special concern arising from this Standard are peppercorn leases and volunteer services.

Peppercorn leases: - where a lease, (whether from a Government or other source), is entered into below market value, the new Standard requires the difference between the cost to the entity and its reasonable market value to be determined and provided for as a “Right of Use” asset. This rule would apply whether the lease consideration is the proverbial “peppercorn” or some other fee lower than normal market rates. The Standard imposes an obligation for an entity to determine the difference between the cost to the entity and market value from time to time and treat the difference as income in Profit & Loss account.



“These are the Commandments – over there are the Government regulations that go with them.”

Volunteer services – The Standard will introduce a requirement to measure the fair value of services provided by volunteers – where those services can be reliably measured. Given the very considerable contribution made by volunteers to the Not-for-profit Sector, this will represent a significant burden to many entities. Each organisation will need to determine to what extent this affects their organisation and establish a reasonable approach to measuring it. Examples given of volunteer services include: -

- Schools receiving voluntary services as teachers’ aides;
- Persons convicted of offences performing community services;
- Local governments receiving the services of volunteer firefighters;
- Free professional accounting or legal services;
- Hospitals receiving the services of volunteers;
- Donations of goods such as food or clothing.



The intended purpose behind the new Standard is to have a reliable measure of income and expenses of Not-for-profit entities. Time will tell whether it achieves that purpose or has other detrimental consequences.

IFRS 16: Accounting for Leases:

Another new Standard, IFRS 16, removes the distinction between a financial lease and an operating lease. This change will also become effective from 1 January 2019. The full value of the property to which the lease relates will then need to be recorded as both an asset and a liability on Balance Sheet and provision made for depreciation and interest. The change in reporting arising from these changes will create difficulties in the transition year for treasurers and their advising accountants.

.....

P O Box 175

BAYSWATER WA 6933

Ph: (08) 9271 1844

E-mail: administry@hardingthornbury.com.au

Visit our website at:

www.addministry.org.au

Previous copies of this newsletter are also available on our website.