



-ADDING TO YOUR MINISTRY

## NEWSLETTER – FEBRUARY 2019

### **Associations Incorporations Act: -**

The Clock is ticking with 30 June 2019 looming much closer. Associations that have not already taken action towards having their Rules (Constitution) upgraded are now running out of time. On 1 July the Mines Dep't Model Rules for Associations will take precedence over your Rules where there is a conflict between the two.

In a recent phone discussion with Associations Branch, they advise that only 25% of all incorporated associations had completed the process needed to change their Rules. This suggests that there will be an immense last-minute scramble to bring matters up to date. If you have not already acted the time is NOW.



### **DGR legislative Reform: -**

The major review being undertaken in respect to DGRs is still incomplete. It appears unlikely that the proposed date of change of 1 July will be met due to the forthcoming federal election.

### **Peppercorn Lease Relief: -**



In our April 2018 Newsletter we advised of a new accounting standard which would impact on the reporting consequences for peppercorn leases. The standard indicated that where a lease 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".

The Australian Accounting Standards Board agreed recently that they would provide temporary relief for not-for-profit lessees to not initially impose fair value reporting obligations on such a "right of use" asset. This arises from a lease that has a book value that is significantly below market value. This news will be welcomed by many charities, even if this simply defers the day when a valuation arrangement would become necessary.

### **Ancillary Funds Statistics: -**

An ancillary fund is a Deductible Gift Recipient (DGR) structure which enables tax deductible donations to be collected by such a fund and then distributed to other DGR entities. Such a legal structure has attractions to a number of organisations. It is therefore interesting to note that with Public Ancillary Funds (PAFs) the number of approved funds has increased by 12 in the last year to 1,449. In the same period private Ancillary Funds (the preferred vehicle for philanthropists) have increased by 424 to 1,426. This suggests that philanthropy is not dead but very much alive.

### **Incorporated Associations Check List: -**

Associations Branch of Mines Dep't have issued a check list for incorporated associations which cover a range of governance matters. It may well be useful to newly appointed officers of associations in particular. It can be recovered through a Google search as 'associations self-check list' and then select 'documents'.

### **Australian Financial Complaints Authority: -**

This new Federal Government Authority headed by an ombudsman was established to provide a single place to go with financial complaints where previously there would have been a choice of going to either the Financial Ombudsman Service, the Credit and Investment Ombudsman or the Superannuation Complaints Tribunal. This new Authority replaces these three organisations. This simplifies the way forward when struggling with the legal labyrinth of dealing with financial problems. It provides organisations including charities with a dispute



resolution facility with banks, insurance companies, superannuation funds and the like without the necessity of having to go to Court. The newly appointed Chief Ombudsman, David Locke (formerly the Deputy Commissioner with ACNC) has advised that it was an important facility for charities that work with people in financial difficulties and offers access to justice for many people who have no other avenue for help.

### **External Conduct Standards: -**

Major reforms are in progress for the administration and oversight of charities operating overseas and organisations with Deductible Gift Recipient endorsement. Charities who work overseas will be subject to the new standards of governance. They cover: -

- Activities and control of resources;
- Annual review of overseas activities and record keeping;
- Anti-fraud and anti-corruption; and
- The protection of vulnerable individuals.

It is anticipated these Standards will come into effect on 1 July 2019. Key features of the new Standards include a requirement for a charity to obtain and to keep records necessary to prepare a summary of its activities and operations outside Australia on a country by country basis. This will be known as an “Overseas Activities Statement” and is to be maintained for each financial year during which it operates outside Australia, and/or gives resources including funds, to third parties outside Australia. Also, the requirement for ensuring the safety of vulnerable individuals goes beyond the registered charity to include arrangements made by that charity with third parties. The objective is the protection of children and other vulnerable people from harm and therefore emphasises the importance of:



- a) having an appropriate policy and
- b) keeping appropriate records and
- c) ensuring the policy is appropriately governed.

### **2018 Annual Information Statement: -**

Charities with a balance date of 30 June have been given an extension to 31 March 2019 to lodge their AIS.

### **“Essential Issues for Church Treasurers”:-**



A reminder regarding this Seminar on 9 March to be held at Vose Seminary. See the Add-Ministry website for registration details.

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