

Where you want to be.



# The future for not-for-profits

▶ Advisors    ▶ Accountants    ▶ Auditors

# Disclaimer



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# What we will cover



- Changes to financial reporting
- Navigating corporate governance
- Payroll & GST

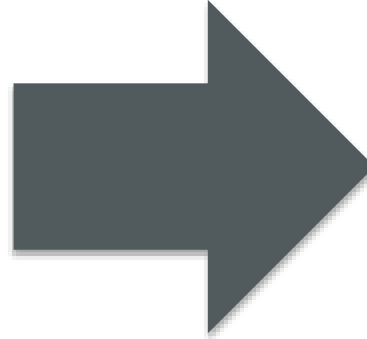


# Australian Financial Reporting Framework

# Changes



Special  
Purpose  
Financial  
Reports



General  
Purpose  
Financial  
Reports (RDR  
Tier 2)

# What will be the impact?



AASB 15  
Revenue from  
Contracts with  
Customers

AASB 1058  
Income of Not-  
for-profit Entities

AASB 16  
Leases

# 5 kicks to revenue recognition

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as the performance obligation is met



# Volunteer services





# AASB 16: Leases

Balance  
sheet

Right **of** Use  
Asset

Lease liability

P&L

Interest **and** depreciation  
expense

Impairment **of** right-of-use  
asset

Variable lease payment **not**  
dependent on an index

# The exceptions



Short term  
leases

Low value  
assets



# Case Study:

## The Untouchaballs

- The Untouchaballs have entered into a lease for a vehicle commencing **1 July 2019**.
- The lease is for a period of **3** years with an option to extend for a further **2** years, with monthly payments of **\$1,000**.
- The interest rate is **5%**.

# The Untouchaballs



Assessment	Yes/No	Comment
Is there an identified asset	Yes	Yes the motor vehicle
Does the Club have the right to obtain the benefits from using the asset	Yes	Use of the vehicle
Is the contract greater than 12 months	Yes	
Is the Club virtually certain they will exercise the extension option	??	Subjective - will impact the term of the lease 3 vs 5 yrs
Is the lease of a low value asset	No	>US\$5,000
Does a lease exist	Yes	

## Initial Entry

Dr Right of Use Asset (Non-current)

\$52,991

Cr Lease Liability

(\$52,991)

*Being the NPV of the lease liability on assumption that it is virtually certain that extension will be exercised*  
**Month 1**

Dr Interest Expense

\$204

Dr Lease Liability

\$796

Cr Bank

(\$1,000)

*Recognising the payment of the monthly instalment and the interest expense.*

Dr Depreciation Expense

\$883

Cr Right of Use Accumulated Depreciation

(\$883)

*Depreciating the Right of Use Asset over the term of the lease (including the extension option)*

*NB had the extension option been unlikely to be exercised it would have resulted in a Lease Liability and ROU on inception of \$33,366*

# What now?



- What leases are in place?
- What are the current terms & conditions?
- Do either of the exemptions apply?
- Do bank covenants, bonus schemes need to be renegotiated?

# Peppercorn leases



- Originally leases were required to be measured at fair value
- Temporary option



# Navigating corporate governance



# Principles snapshot



Purpose &  
strategy



Roles &  
responsibilities



Board  
composition



Board  
effectiveness



Risk  
management



Performance



Accountability  
& transparency



Stakeholder  
engagement



Conduct &  
compliance



Culture



# Top 10 tips



1. Functional relationships
2. Review powers
3. Training
4. Engagement
5. Advocacy
6. Conflict awareness
7. Future focused
8. Financial position focus
9. Payroll, PAYG, Super, GST on time
10. Documentation

# Insolvency

- Directors duty to prevent insolvent trading
- **Warning signs of insolvency**
- Director Penalty Notices for GST from 1/4/20



# Great governance



- **Accountable**
- Transparent
- **Law abiding**
- Responsive
- **Effective and efficient**

# Don't end up like George!



## George Calombaris' fine for multi-million-dollar wages scandal too low, Attorney-General says

Posted 24 Jul 2019, 11:31am

Attorney-General Christian Porter says former MasterChef judge George Calombaris' fine for underpaying staff \$7.8 million in wages was too "light".

The celebrity chef's hospitality group MA&E backpaid current and former employees the lost wages and will make a \$200,000 "contribution payment" under a court-enforceable undertaking made with the Fair Work Ombudsman.

"I think that ... fine, myself, is light," Mr Porter said.

"I have said that is an area where we will review penalties."

"I am open-minded to submissions that there should be firmer penalties there, inclusive of potentially criminal penalties reserved for repetitious breaches."



PHOTO: Calombaris' hospitality group MA&E will pay a \$200,000 fine. (AAP/Joel Carrett)

RELATED STORY: MasterChef stars to go, after Network 10 fails to reach new deal.

RELATED STORY: Major sponsor axes George Calombaris after restaurant underpayment scandal

RELATED STORY: He should be taken off MasterChef: Calombaris's group fined \$200k for \$7.8m underpayment

Key points:

- Know your risk
- Don't rely on your employees to know their rights
- Don't trust the software
- Time sheets



Address a critical business issue.  
**Gain efficiency.** Achieve strategic  
growth. **Propel your organisation's  
success.**

**Contact a Bentleys advisor.**

Thank you

