Nexia Australia

Changes to financial reporting for not-for-profit (NFP) entities

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From 1 July 2029, new financial reporting requirements will affect many registered charities, companies limited by guarantee and other NFP entities.

The changes are introduced by AASB 2026-2 *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to prepare Special Purpose Financial Statements*.

AASB 2026-2 amends the Conceptual Framework and other Australian Accounting Standards. It limits when NFP entities can continue to prepare special purpose financial statements.

For financial years commencing on or after 1 July 2029, all NFP entities will be required to prepare general purpose financial statements (GPFS) if they are required:

a) By legislation to comply with either Australian Accounting Standards or accounting standards; or

b) Only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2029.

These criteria mirror those applying to for-profit entities from 1 July 2021.

NFP entities that do not meet these criteria from 1 July 2029 or do not otherwise prepare GPFS in accordance with Australian Accounting Standards, may continue to prepare special purpose financial statements based on the financial information needs of their users.

Which NFP entities are affected

The following summarises the common types of NFP entities that will be affected for financial years commencing on or after 1 July 2029:

Entity	In scope (GPFS required)
Medium and large charities registered with the Australian Charities and Not-for-profits Commission (ACNC).	**GPFS required**
Medium and large companies limited by guarantee reporting under the *Corporations Act 2001*.	**GPFS required**
Indigenous corporations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* with consolidated gross operating income ≥ $100,000, medium corporations, and large corporations.	**GPFS required**
NFP **incorporated associations** not registered with the ACNC: • New South Wales (NSW) – Tier 1; • Victoria – Tier 2–3; • Western Australia (WA) – Tier 2–3; • Northern Territory (NT) – Tier 3 and some Tier 1–2 associations.	**GPFS required**
NFP large **co-operatives** and directed small co-operatives required by the Co-operatives National Law applied in each State and Territory to prepare financial statements.	**GPFS required**
NSW charitable fundraising-authority holders (regardless of registration with ACNC).	**GPFS required**
An approved authority, block grant authority or non-government representative body for a **non-government school** receiving recurrent Commonwealth funding under the *Australian Education Regulations 2023 (Cth)*.	**GPFS required**
NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards – but the relevant document was created or amended **on or after 1 July 2029**. *For example, a trust established in 2024 but the relevant document is amended on or after 1 July 2029.*	**GPFS required**

Entity	In scope (GPFS required)
Small charities registered with the Australian Charities and Not-for-profits Commission (ACNC).	Not in scope
Small companies limited by guarantee incorporated under the *Corporations Act 2001*.	Not in scope
NFP incorporated associations not registered with the ACNC: • NSW – Tiers 2–3; • Queensland; • Australian Capital Territory (ACT); • South Australia (SA); • WA – Tier 1; • Tasmania.	Not in scope
Fundraiser not registered with the ACNC but subject to State or Territory charitable fundraising legislation (other than NSW).	Not in scope
NFP entities that are required only by their constituting document or another document created before 1 July 2029 to prepare financial statements that comply with Australian Accounting Standards, provided that document is not amended on or after that date. *For example, a trust established in 2024 with no amendments to the relevant document on or after 1 July 2029.*	Not in scope
NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with 'accounting standards' or 'generally accepted accounting principles or practices' or similar, regardless of when the document was created or amended. *For example, a foundation whose constitution does not clearly require the preparation of financial statements that comply with 'Australian Accounting Standards.'*	Not in scope



A new Tier 3 GPFS framework

Alongside this change, the Australian Accounting Standards Board also introduced a new Tier 3 general purpose financial reporting framework for private sector NFP entities.

Commencing from financial years beginning on or after 1 July 2029, AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* provides a simplified recognition, measurement and disclosure alternative to the Tier 1 compliance with Australian Accounting Standards and the Tier 2 Simplified Disclosure framework.

What this means for NFP entities

NFP entities affected by AASB 2026-2 will be required to prepare GPFS from 1 July 2029.

From that date, the general purpose financial reporting framework for private sector NFP entities will comprise:

a) Tier 1 – full compliance with Australian Accounting Standards;

b) Tier 2 – Simplified Disclosures in accordance with AASB 1060; and

c) Tier 3 – Simplified Accounting in accordance with AASB 1061.

AASB 1061 can be applied by NFP private sector entities that do not have public accountability and that are not prohibited from applying Tier 3 reporting requirements by legislation, their constituting document, or another document.

However, eligibility under AASB 1061 does not, by itself, establish that an entity may use Tier 3. The determination of which NFP private sector entities may use Tier 3 will be subject to the requirements of relevant State and Federal regulators.

At the date of this publication, the Australian Securities and Investments Commission (ASIC), the Australian Charities and Not-for-profits Commission (ACNC) and the Office of the Registrar of Indigenous Corporations (ORIC) have not indicated whether they will permit or prohibit Tier 3 for the different categories of NFP entities they regulate.

What should NFP entities do next?

If your organisation currently prepares special purpose financial statements, now is the time to start planning. Consider:

- Whether your organisation will be required to prepare GPFS for financial years beginning on or after 1 July 2029;
- Which financial reporting tier is likely to apply;
- How the changes may affect existing accounting policies, recognition and measurement, presentation and disclosures;
- What changes may be necessary to internal policies and procedures; and
- How you will develop an implementation plan, including comparative information and transition adjustments.

We recommend that NFP entities do not early adopt AASB 1061 until the relevant regulator confirms whether AASB 1061 will be permitted or prohibited.

To understand how these changes may affect your organisation and how you can prepare, speak with your Nexia Advisor.

Visit nexia.com.au for further information.

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