



ACFID Code of Conduct Financial Reporting FAQs

Below are questions that have been asked by members concerning compliance indicators 8.3.1 and 8.3.2 and the application of the financial definitions in the Quality Assurance Framework to the ACFID Code of Conduct.

- 1. Can depreciation of office buildings and depreciation of computer and IT equipment be shown as 'Other Expenditure' rather than 'Accountability and Administration Costs' in the Income Statement?**

 - Depreciation of office buildings and depreciation of computer and IT equipment would either be included in 'Program Support Costs' or 'Accountability and Administration Costs'.
 - 'Other expenditure' is for expense items that do not fit into any of the other categories in the Income Statement reporting templates (found at that. If an expense item can be included in any of the other categories, it should not be included in 'Other expenditure'.
 - If you have a reasonable basis for allocating a proportion of the depreciation expenses to your international aid and development or humanitarian program activities, then you can include them under 'Program Support Costs'. For example, allocating depreciation of office buildings by share of floor space occupied by project teams, or some other method that falls within accepted accounting practice.
 - If you are unable to allocate these costs to international aid and development or humanitarian program activities, then they should fall under 'Accountability and Administration Costs'. In the ACFID financial definitions, office accommodation expenses, including depreciation, are clearly included in 'Accountability and Administration Costs'.

- 2. Is rent received from rental of surplus office accommodation 'Commercial Activities Income' or is it 'Other Income'?**

 - 'Other Income' is for income items that do not fit into any of the other revenue categories in the reporting templates. If a revenue item can be included in any of the other categories, it should not be included in 'Other income'.
 - How the rental from surplus office accommodation should be classified will largely depend on your intentions. Generally, where there is an exchange of value with the intention of generating a surplus to contribute to your organisation's aims, the revenue should fall under 'Commercial Activities Income'. However, if your intent was never to rent out the surplus accommodation, and that this is a temporary situation, it could be argued that this revenue is incidental or opportunistic rather than from a commercial activity. If so, then it could be classified as 'Other Income', as there are no other categories in the reporting template in which it fits.
 - Essentially, it will depend on the particular circumstances.

2. Are realised losses on foreign exchange 'Accountability and Administration Costs' or 'Other Expenditure'?

- The principles in 2., above, apply here.
- If you have the intention or business purpose of generating income from changing values in foreign exchange to contribute to your aims, then the realised gains or losses would fall under 'Commercial Activities Income' or 'Commercial Activities Expenditure'. This is because the intent of these items is to capture and disclose forms of fundraising that are in use and outside the more 'traditional' public fundraising, donations, grants methods. In this regard, we appreciate that our members are using more diverse and innovative methods of fundraising.
- On the other hand, if the realised foreign exchange gains or losses are a just the product of your operational transactions to fund your international programs, rather than from a business intent to generate foreign exchange gains to fund your programs, then it could be argued that the income or losses are incidental. If so, they could be classified as 'Other Expenditure' or 'Other Revenue'.
- Again, it will depend on the particular circumstances.

4. Where should 'Office rent expense' be shown in our income statement?

- Office rent would either be included in 'Program Support Costs' or 'Accountability and Administration Costs'.
- 'Other expenditure' is for expense items that do not fit into any of the other categories in the reporting templates. If an expense item can be included in any of the other categories, it should not be included in 'Other expenditure'.
- If you have a reasonable basis for allocating a proportion of the office rent to your international aid and development or humanitarian program activities, then you can include them under 'Program Support Costs'. For example, allocating office rent by share of floor space occupied by project teams, or some other method that falls within accepted accounting practice.
- If you are unable to allocate these costs to international aid and development or humanitarian program activities, then they should fall under 'Accountability and Administration Costs'. In the ACFID financial definitions, office accommodation expenses, including rent, are clearly included in 'Accountability and Administration Costs'.

5. I would like to clarify whether Program Support Costs would include overheads for the staff in Program team (for example: apportion of rent, database / software licensing and

- If you have a reasonable basis for allocating a proportion of overheads such as rent, computer and IT expenses etc to your Program team then you can include them under 'Program Support Costs'. This could be share of floor space for allocating rent, or some other method that falls within accepted accounting practice. Head counts could be an acceptable method if it provides a reasonable basis for allocation as above.

maintenance, etc.). For example, if we have 5 program team members in our office of total 25 staff, would we apportion 20% of such overheads to Program Support Costs or should 100% of those costs be allocated to Administration? We would argue the former treatment because it reflects the true costs of our Program Support Costs, not just salary.

- If you are unable to allocate these costs to your Program team, say', because there is not a reasonable basis for their allocation, they would then fall under Accountability and Administration Costs. This category picks up costs that cannot be allocated to international aid and development activity as above.

6. Can Fundraising costs included overheads such as share of rent and IT costs?

- The principles set out in 5., above, also apply here. If you have a reasonable basis for allocating a proportion of overheads such as rent, computer and IT expenses etc to your Fundraising team then you can include them under 'Fundraising Costs'.
 - If you are unable to allocate these costs to international aid and development or humanitarian program activities, then they should fall under 'Accountability and Administration Costs'.
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7. Should we separately disclose funding received from State and Federal Governments to provide support to our business and employees during COVID 19 in the ACFID format Income Statement? If so, under what revenue item should it be categorised?

- At a principle level, clear and tailored disclosure about any form of material government support received and the conditions attached is important to ensure that your financial statements are not misleading and to provide statement users the information they need for their decision making. Disclosing sufficient information will enable users to understand the effects of COVID 19 support funding received from governments. For example, it will help them understand what your financial position would have been if the funding had not been received and what the impacts will be from reduction or withdrawal of the funding in the future.
- Information is material if omitting it or misstating it could influence decisions that users make on the basis of your financial information.
- For members' who have received government funding to support them through COVID 19, such as JobKeeper, it is most likely that this funding will be material and that the funding should be disclosed separately as a revenue item in the Income Statement.
- Due to the unique circumstances and nature of Government assistance for COVID 19, funding received should be included as 'Other Income' in the ACFID income statement format. It can be disclosed in a note that provides a breakdown of 'Other

Income' or shown as a separate line item under 'Other Income'.

- It is not appropriate to include Government COVID 19 funding as 'Grants' in the ACFID Income Statement format due to the unusual nature of the funding. Here, 'Grants' is intended to capture grants that more directly support your international aid, development and humanitarian objectives rather than the more general wage and business subsidies provided through Government COVID 19 funding.
- Much of the above has been sourced from the Australian Accounting Standards Board's publications:
 - *Staff FAQs – Accounting for Government Support*
https://www.aasb.gov.au/admin/file/content102/c3/Staff_FAQs_Gov_Grants_07_20.pdf - particularly see questions 11 and 12
 - *The Impact of Coronavirus on Financial Reporting and the Auditor's Considerations*
https://www.auasb.gov.au/admin/file/content102/c3/AASB19009_COVID19_FA.pdf
 - *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2*
https://www.aasb.gov.au/admin/file/content102/c3/ASB_AUASB_Joint_Bulletin_Finished.pdf