



ACFID Code of Conduct Financial Reporting Q & As

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.
- 3. 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**
- 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 team (for example: apportion of rent, database / software licensing and 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.

‘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.

- 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’.