



International Financial Reporting
for Non Profit Organizations

Paper 2 – Background to IFR4NPO Project

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Session Overview

- Background:
 - CCAB-funded 2013/14 research
 - October 2015 CIPFA seminar
- IFRS Foundation 2015 consultation
- IFASS Working Group
 - Background and membership
 - International NFP platform

CCAB-funded research

Aims

- Investigate current financial reporting practice internationally and perceptions about the purpose of NPO financial reporting
- Explore perceptions about the development of international financial reporting standards for the sector
- Highlight specific issues that are perceived to be important for NPO accountability

NPO Focus

- Constituted on a not-for-profit basis / for public benefit
- Self-governing
- In many jurisdictions this corresponds to the understanding of “charities” or organisations established “for public benefit”

Results

- <http://www.ccab.org.uk/documents/IFRNPO-FullReport-Final-07022014.pdf>

Initial literature review conclusions

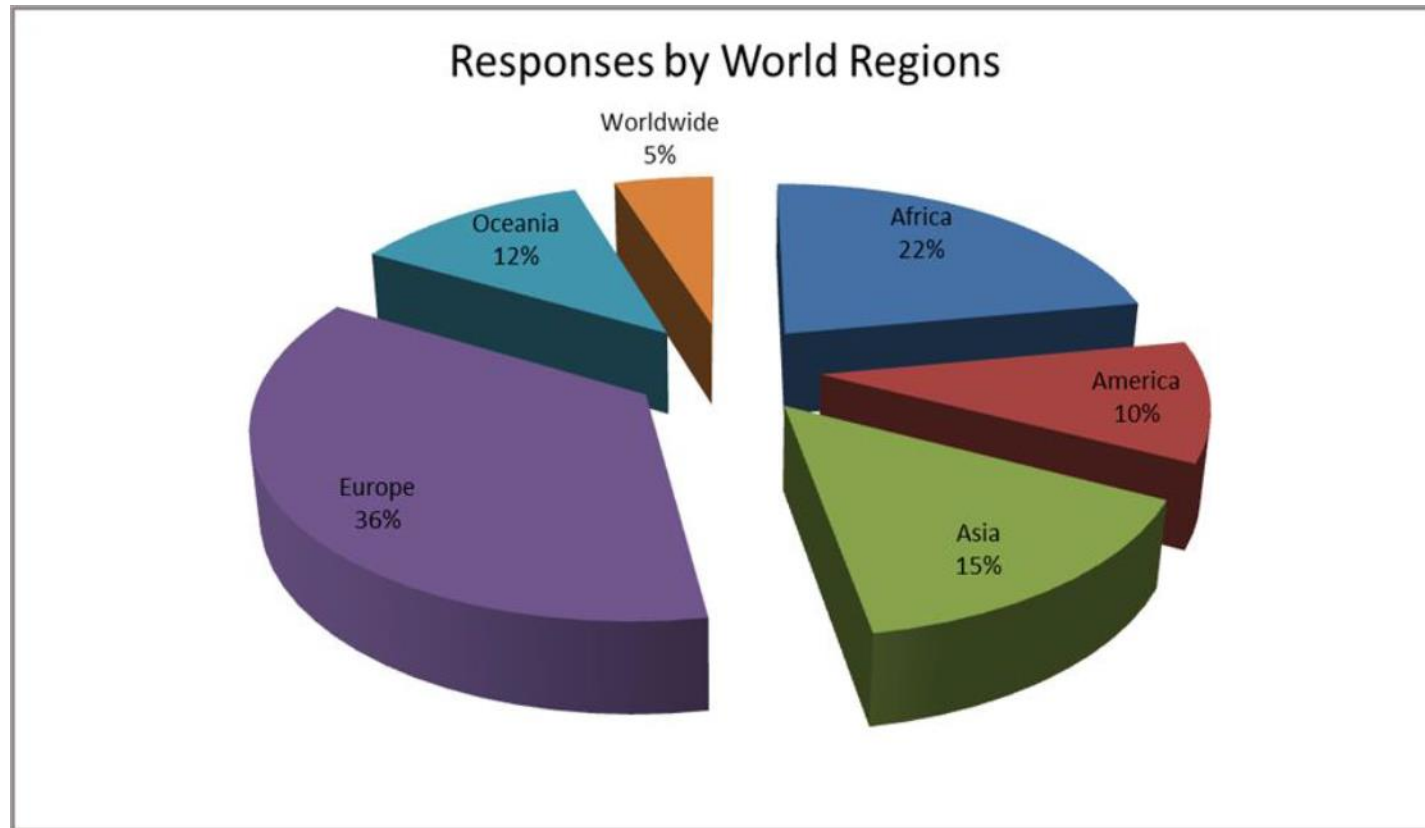
- Diversity of requirements often linked to NPO's legal form
 - Many jurisdictions place requirements on NPOs structured as companies which may not apply to other NPOs
- Requirements range from very specific NPO standards to no standards at all:
 - UK Charities SORP (Accounting and Reporting by Charities: Statement of Recommended Practice) – very detailed and specific
 - Australia –sector neutral approach
- Some countries require application of IFRS
 - But extent of application especially by small NPOs is questionable
- Several countries have reporting “tiers”
 - UK (all three jurisdictions)
 - New Zealand

On-line survey

- Online survey: 1 month to respond: Nov/Dec 2013
 - 19 questions (most with sub-divisions)
 - Profile; attitudinal
 - Closed questions
 - Open questions (allowing narrative comments)
- Compulsory and optional questions –but English only
- Circulation
 - International contacts and CCAB steering group
 - Lists created of individuals & gatekeepers
- Responses
 - Much detail in narrative responses: two third completed most of the narrative questions: 63,000 words of comments
 - NPOs of all sizes
 - 605 usable responses with direct experience of NPO financial reporting in 179 countries



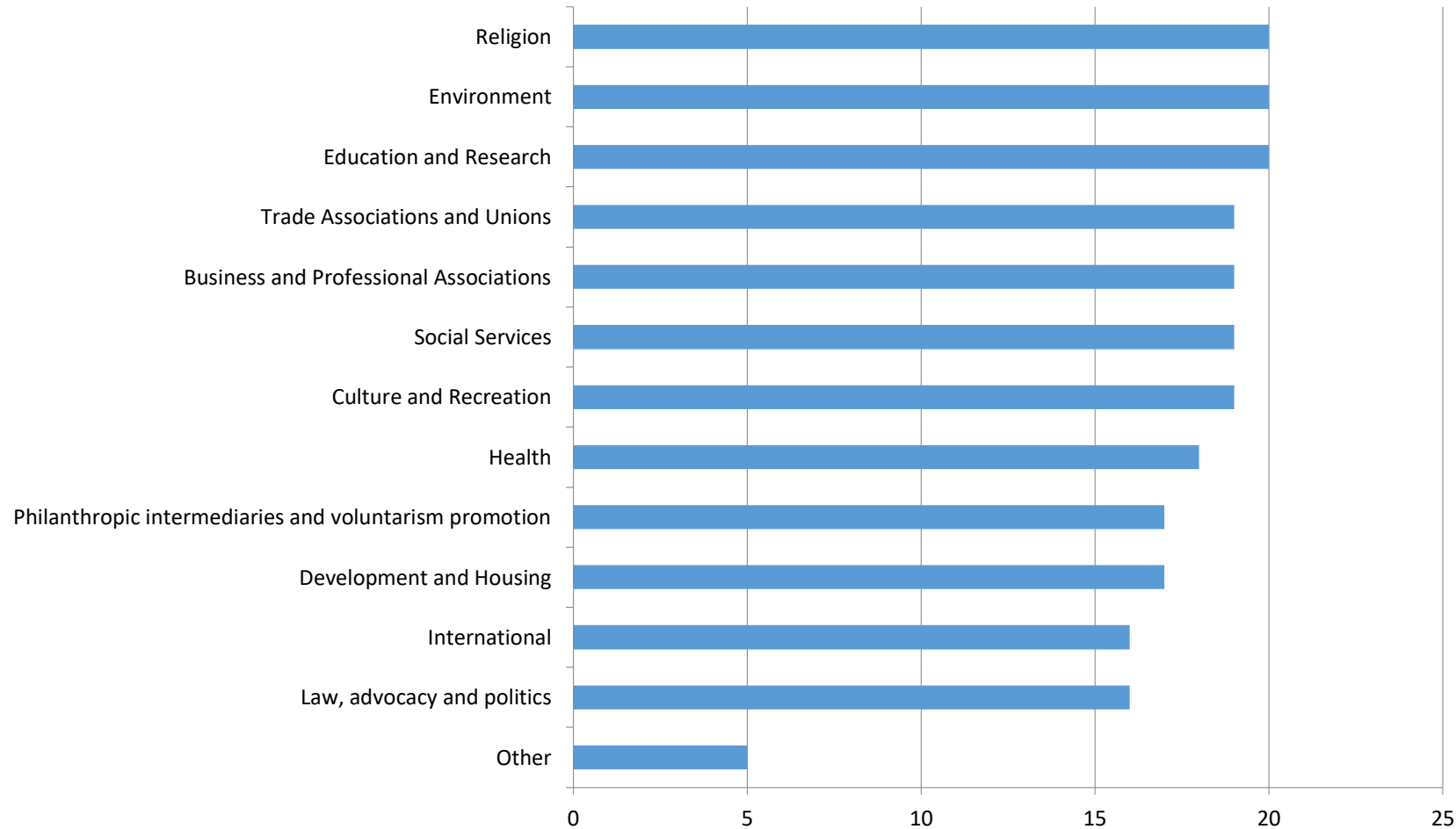
Responses to on-line survey by region



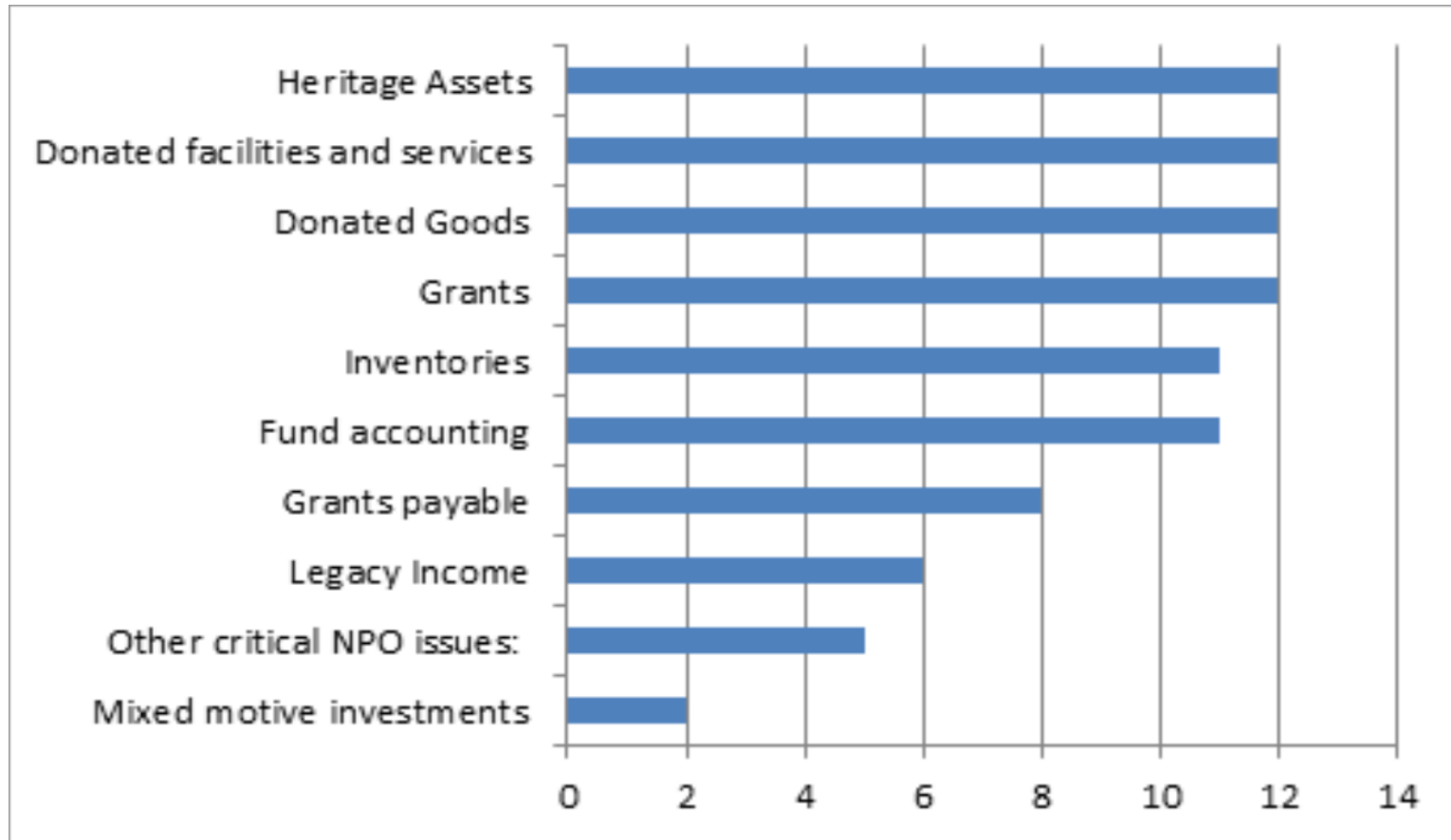
Comparisons by region

- Cash accounting most prevalent in Africa (41%) and Asia (34%)
- African NPOs more influenced by funder requirements
- Use of sector specific standards more evident in Americas and Europe (both 13%)
- Use of IFRS more evident in Asia (15%) and Africa (12%)
- IFRS for SMEs contributes more to determining reporting requirements in Oceania (10%)
- IPSAS rarely implemented in any region of the world
(n.b. subsequent introduction of IPSAS-based PBE framework in New Zealand)
- 72% 'agreed' or 'strongly agreed' an 'international standard' for NPOs would be useful

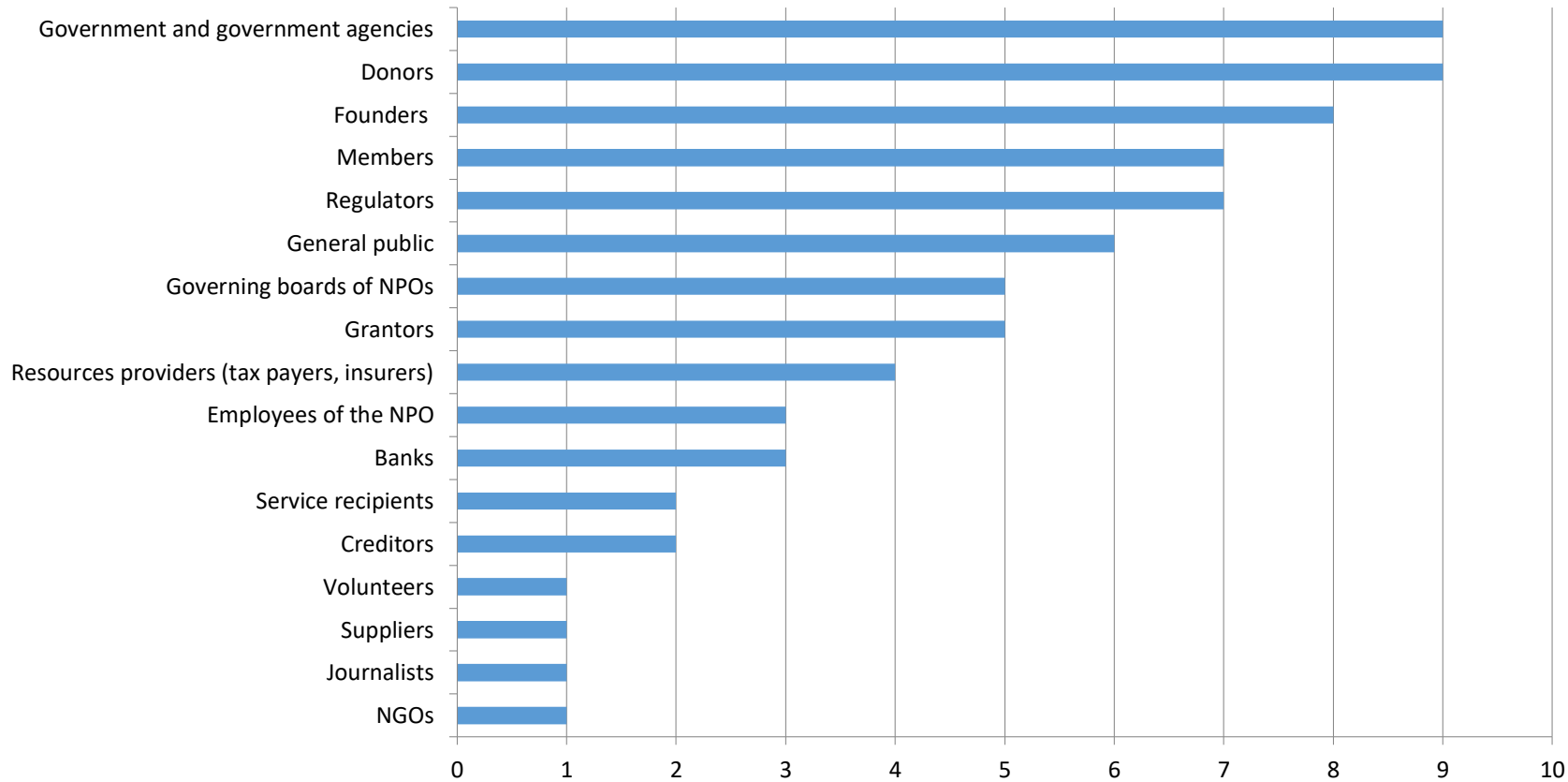
2015 CIPFA Seminar: Types of NPO activities



Key measurement and recognition issues



Views on users of NPO financial reports



IFRS Foundation 2015 consultation

- Considered the extension of IASB's remit to develop standards for entities in NPO sector
- Feedback Statement issued June 2016
- Decided not to expand the IASB's remit to the NFP sector
- The Trustees will *'continue to support the need for transparent financial reporting requirements for NPO bodies'*
- Reasons given:
 - Current pressures on resources of Foundation's resources
 - Agenda for reporting by for-profit entities remains full
- IASB should be involved and contribute to any initiatives or working groups in this area – referencing IFASS group
- IFAC Board 2016 discussion on potential demand for IPSASB remit expansion, but change unlikely in foreseeable future



IFASS NFP Working Group

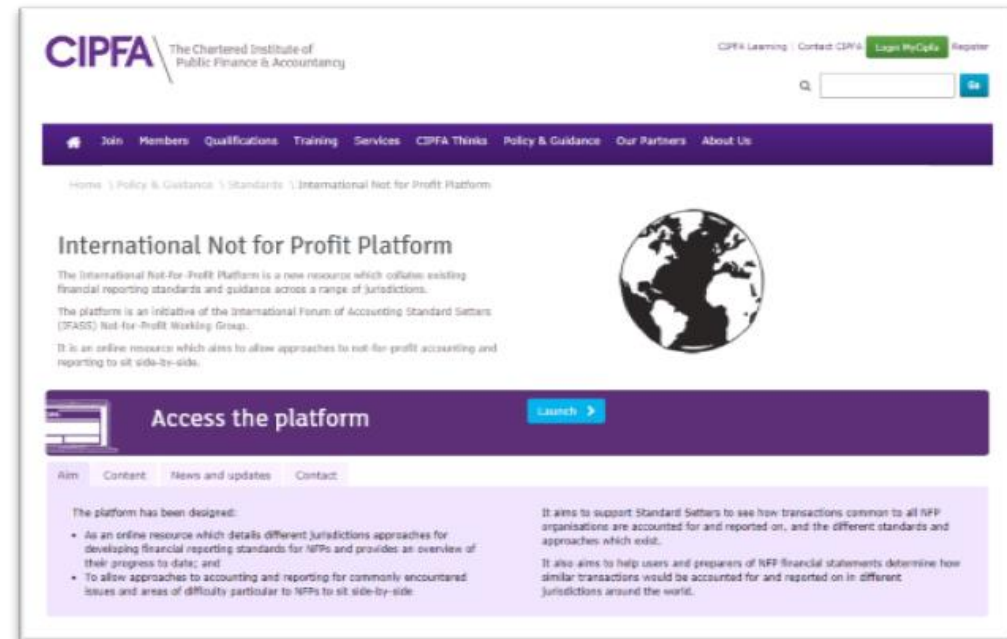
- Informal group established following April 2016 IFASS Meeting in Toronto
- Forum for sharing ideas, experience and best practice
- Representatives from:
 - Australian Accounting Standards Board
 - Accounting Standards Board (AcSB) of Canada
 - Consejo Tecnico de la Contaduria Publica, Colombia
 - Dutch Accounting Standards Board
 - New Zealand Accounting Standards Board
 - Pan African Federation of Accountants (PAFA)
 - Audit Service of Sierra Leone
 - US Financial Accounting Standards Board (FASB)
 - UK Financial Reporting Council
- Secretariat provided by CIPFA
- Initial discussions on nature of 'problem', potential solutions and common issues

IFASS NFP WG: International NFP Platform

- International NFP website launched at 2017 IFASS Meeting
- IFASS NFP WG members provided content
- Intended users:
 - Users of NFP financial statements
 - NFPs operating internationally
 - National standard setters
 - NFP regulators

- Freely accessible via CIPFA's website:

www.cipfa.org/policy-and-guidance/standards/international-not-for-profit-platform



Questions and discussion

