




**The Accounting Times—
They Are A-Changin'!**

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Agenda

- Who sets accounting standards?
- Brief history
- Current issues
- The future
- How to prepare your Foundation and your Board



Who Sets Accounting Standards?

- Accounting Standards = GAAP
- Generally Accepted Accounting Principles
- Basis of all Financial Reporting
- Established by Country historically
- Enron fiasco changed the landscape

Cdn Accounting Standards





- Set by Accounting Standards Board—not the CICA
- Funding by CA's
- Volunteers supported by paid staff
- Represent all interested parties
- Due process all inclusive






Non-Canadian Standards

- US—Funded by Corporations
- International—Funded by Corporations
- US used to be the gold standard
- Rules based vs principle
- International has recently made large improvements


Brief History of Standards

In the beginning...

- Cost for assets
- Matching for income
- Income > Balance Sheet


AE (After Enron)

- Market for assets
- Balance Sheet > Income



International or US?

- Canada has a unique position
- Tied to US markets
- Principle based vs rule based
- Choice was International
- Many implications




Not-for-Profit Standards

- Who sets standards?
- Current issues
- Current changes in process
- Future changes




Who sets NFP standards?

- NFP Advisory Committee
- Recommends changes to Accounting Standards Board
- Represents all NFP types
- Foundations, Universities, National Charities, Academics, Auditors
- Meet as required




Why are NFP's different??

- Goal is to provide a service vs make a profit
- Stakeholders are donors/recipients vs shareholders/customers
- Volunteer Board vs paid
- Donors often determine how gifts are spent







Current Issues

- Consistency
- Comparability
- Too many options
- Transparency
- Accountability







Current Issues

- Investments
- Implemented in 2007
- All investments at market value
- Formerly cost or market
- Part of focus on balance sheet





Current Issues

- Exposure Draft
- Responses under review
- Hope to implement Jan 1/09
- 9 proposals for change
- 3 are viewed as significant
- 1 is very controversial for some charities (eg churches)


Main Topics

- Consolidation of “controlled” entities
- Do Hospitals “control” Foundations??
- Control=the continuing power to determine its strategic operating, investing, financing policies
- Who appoints the NFP’s Board?


Main Topics

- Netting of revenue/expenses
- Mainly applies to special events
- No netting when NFP acts as “principal”
- Third Party events can still be recorded “net”
- Impact on Cost Per Dollar Raised




Netting and CPDR

- Special event revenue of \$100k and event costs of \$50K
- With netting-CPDR = 0
- Without netting-CPDR = \$.50
- Disclosure in notes is not viewed as transparent
- Strong industry response against this change




Main Topics

- Fundraising vs General Support Costs
- Disclosure rules
- No requirement to allocate expense in this manner
- But if you do, there are new requirements




Fundraising vs Support

- Need to disclose what costs are allocated, why they are allocated, and how they are allocated
- Examples of "how"—direct hours, per capita, usage
- Changes have to be recorded retroactively




Move to International Standards (IFRS)

- For publicly traded companies ..“enormous challenge”
- Some Board members will be asking
- Effective Jan 1/2011
- Must provide comparative statements for 2010
- Private companies and NFP's are permitted but not required to change at the same time
- ..but...




NFP's and IFRS

- Our Committee is working on a recommendation for NFP's
- Not final at this stage
- Direction is similar to private companies
- Could be a choice of GAAP 1,2 or 3!




Choices under IFRS

- #1—same as public companies with similar adjustments as today for NFP's (Section 4400)
- #2—less complexity as required by private companies
- #3—very simple—basically cash, but may not be “GAAP”



What to do now??

- Keep up to date on the form of the change for NFP
- www.acsbcanada.org
- If there are choices, ensure your Board understands the impacts
- As “publicly accountable” organizations, strive for the best GAAP available



Conclusion

- Change is happening
- Timing and content are not finalized
- Respond to upcoming NFP exposure draft on IFRS implementation
- **BE PREPARED BY BEING KNOWLEDGEABLE**
