

ED 260

General comment:

Accounting Standards need to take into account all the NFPs using them – and the purposes for which they use their financial reports. Many NFPs, especially smaller NFPs, do not employ accountants and do not fully understand their financial requirements. For this reason they use Special Purpose Financial Reporting so they don't have to comply with all of the Accounting Standards. I am aware of some large NFPs who do the same.

I had the impression some years ago that the aim is to encourage all NFPs to transition to General Purpose Financial Reports and I fully support this. I have encouraged the NFP I work for to do this and we transitioned some years ago. I also encourage others where I am on their Boards to do the same, but have met with some resistance, due to the staff and other Board members' concerns about their ability to comply and maintain compliance over time with limited knowledge about accounting within the organisations.

If we want to encourage GPFR and less reliance of SPFR we need to make sure the Accounting Standards for NFPs are as clear as possible and minimise the complexity of compliance and unintended consequences of compliance.

I like the idea of using performance obligations to decide if funding should be carried forward or not. However there are some scenarios where obtaining required documentation may not be possible and this may cause some concern for them.

NFPs need to provide up to three years of financial reports to many grantees when applying for grants. We have to explain any significant variances and deficits. If we receive recurrent funding from State or Commonwealth Government departments, there is generally little or no allowance for retaining funding for infrastructure costs or growth. Therefore many NFPs operate with very small margins.

If a grant or significant donation is received by an NFP (particularly smaller NFPs) in May or June before (EOFY 30th June) and there is a commitment to purchase something specific with that donation or grant but no obligation to return it if not, there arises a potential for financial variances between years ie. strong surplus this year, deficit the following year. This also occurs when a grant is received for purchase of depreciable assets, where a surplus is recorded in the year of receipt of the grant and then deficits each year until the assets are fully written off, unless the NFP has been fortunate in obtaining other income to offset this.

If an NFP has these types of ups and downs it reflects poorly on their ability to manage funding effectively when applying for future grants, tenders or recurrent funding, which limits their success in obtaining these.

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