

Government Not-for-Profit Strategy Consultation Paper II

Responses to Consultation Paper

September 2021

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Maureen Buckley CPA, CA

Assistant Deputy Minister and Provincial Controller

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Following is the Province of Ontario's response to PSAB's Consultation Paper II on Government Not-for-Profit Strategy

Response to the specific question is provided below:

1. Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

Ontario while supporting the removal of the PS 4200 series from the PSA Handbook recommends further improvements be made to Option 2 (PSAS incorporating the PS 4200 series with potential customizations). Ontario supports the following changes to Option 2:

- Removal of the GNFPPO classification from the PSA Handbook; and
- Not customizing standards specific for GNFPPOs

Ontario agrees PSAB needs to complete what was supposed to be done when the PS 4200 series was brought into the Handbook - PSAB brought the PS 4200 series into the PSA Handbook with the intention of reviewing those standards and either removing, amending or making available to all public sector entities the requirements as appropriate. To address inconsistencies between the PS 4200 series and other standards in the Handbook, a joint AcSB / PSAB Statement of Principles was issued in 2013 proposing significant amendments to the public and private sector NFP standards. GNFPPOs expressed concerns over these proposals and PSAB decided on the status quo for the time being. By completing a review of the PS 4200 series, inconsistencies between the PS 4200 series and other standards in the PSA Handbook can be addressed resulting in enhanced comparability and consistency. PSAB is not responsible for preparing sectorial accounting standards. All public sector entities should account and report for similar transactions in a consistent manner.

PSAB is proposing as Option 2 to incorporate the PS 4200 series into other standards within the PSA Handbook potentially customizing these standards to meet any special GNFPPO accommodations and needs. Ontario recommends the following changes be made to Option 2:

1. Removal of the GNFPO classification from the PSA Handbook

Paragraphs .061 to .067 of Consultation Paper II (CP II) address the need for the GNFPO classification. These paragraphs highlight there is no clear distinction and need for the GNFPO classification relative to other types of public sector entities. GNFPOs similar to other public sector entities have the same nature and purpose, are considered taxpayer supported and are part of the government reporting entity. However, under Option 2 (and all three options being considered by PSAB), the GNFPO classification is retained.

Ontario as previously communicated to PSAB, consider the division between the GNFPO and OGO classifications to be unnecessary. The current definition of a GNFPO is included in the INTRODUCTION TO PUBLIC SECTOR ACCOUNTING STANDARDS. Criteria (a), (c) and (e) are consistent with OGOs. Criteria (d) relates to the purpose of the organization but consistent with OGOs, GNFPOs provide good and services to the public, do not have a profit objective and are publicly accountable to legislators, special interest groups and the general public. The definition of a GNFPO also includes the need that it has counterparts outside the public sector (criteria b). This is a legacy criteria when GNFPOs were able to follow Part V of the CPA Canada Handbook – Accounting only if it was for purposes of comparison with private sector NFPO counterparts. Removal of the GNFPO classification would result in government controlled NFPOs being classified as OGOs.

PSAB previously through its International Strategy has decided to adapt IPSAS principles when developing future standards. IPSAS do not include a classification like GNFPOs. IPSASB has similarly determined that GNFPOs are not unique relative to other public sector entities to warrant a specific accounting framework, specific standards or accounting principles.

PSAB should therefore remove the GNFPO classification in conjunction with incorporating of the PS 4200 series into other standards within the PSA Handbook. GNFPOs would then be classified as OGOs and follow the PSA Handbook (unless PSAS do not meet their financial statement users' need). Paragraph .023 of CP II suggests OGOs have a choice to apply another accounting framework. This is not correct. Only if they can demonstrate users' needs are not met can they follow IFRS.

2. Not customizing standards specific for GNFPOs

Because there is no clear distinction between GNFPOs and OGOs, distinct accounting for GNFPOs is not required. Paragraph .087 of CP II indicates accountability and public interest are key objectives of GNFPOs, similar to governments. Therefore, all public sector entities should account for the same types of transaction similarly. GNFPOs may have types of transactions that are more common than for other public sector entities, but this does not mean that they should account for these transaction types differently. Not customizing standards would result in greater consistency and comparability amongst reporting by public sector entities including governments.

Customization of standards for GNFPOs would hinder comparability potentially significantly. It is unclear what substantive and distinct accountabilities would warrant a modification for GNFPOs. Significant customization of standards for GNFPOs would result in GNFPOs continuing to report and present their financial statements inconsistent with other public sector entities. It would potentially result in continued inconsistency amongst GNFPOs. The requirements of the PS 4200 series could still be included in the Handbook but just in different standards. Benefits of removal of the PS 4200 series could be significantly reduced through the customization of standards.

Paragraph .041 of CP II suggests potential customization for smaller GNFPOs who may not have the same resources and complex operations as larger GNFPOs and might benefit from reduced disclosures. Customizing standards based on the size of the GNFPO seems so arbitrary and inappropriate. It suggests some information is relevant for stakeholders of larger organizations but is not relevant for those of smaller organizations merely because of an arbitrary threshold. Existing standards in the Handbook do not include size thresholds. The PSA Handbook is based on accounting principles, not rules such as size limits.

PSAB issues standards for the “public sector” which refers to governments, government components, government organizations and partnerships. When PSAB develops standards including its conceptual framework it considers the financial reporting needs of all types of public sector entities. PSAS already reflect the needs of GNFPOs and therefore customization is not required.

The above two changes to Option 2 will result in PSAB completing its original intention when the PS 4200 series was included in the Handbook. It will recognize that GNFPOs are not unique from other public sector entities in nature and types of transactions. It will result in all public sector entities accounting for transactions on a similar basis. It will result in consistency and comparability amongst public sector entities. It would be consistent with IPSAS which does not have a GNFPO classification or customized standards.

Ontario does not consider Option 1 to be a preferred alternative. While retaining the PS 4200 series requires no transitional changes for GNFPOs, it does not address the inconsistencies caused by the PS 4200 series and does not complete the task of PSAB when the series was originally brought into the Handbook. It is unclear the long-term future of the PS 4200 series under the status quo option. PSAB is not responsible for preparing sectorial accounting standards. All public sector entities should account and report for similar transactions in a consistent manner. Therefore, there is not a need to retain the PS 4200 series.

Ontario does not support Option 3. Directing GNFPOs (or a subsector of GNFPOs) to an alternative source of GAAP is inconsistent with the prior decision of PSAB to bring GNFPOs into the PSA Handbook. PSAB was of the view that the PSA Handbook was appropriate for all public sector entities with the exception of those with a profit motive. Canada is consistent with both the US and internationally with the public sector standard setter being responsible

for public sector NFPOs and the private sector standard setter being responsible for private sector NFPOs. Directing GNFPOs to another source of GAAP is suggesting GNFPOs are different from other public sector entities and the PSA Handbook does not address their needs. GNFPOs influence over the standard setting process would be reduced as they would not have their own standard setter. PSAS are developed considering all types of public sector entities including GNFPOs. It is unclear which subsectors would be identified in Option 3B and what would be the rationale for those specific subsectors. Consistency and comparability across the public sector would be severely hindered under Option 3. NFPOs (both private and public) are closer to other public sector entities than they are to private enterprises. Private sector NFPOs should be considering following PSAS rather than what is proposed in Option 3.

In addition to recommending removal of the GNFPO classification from the PSA Handbook and not customizing standards specific for GNFPOs under Option 2, Ontario has the following additional comments regarding the content of CP II.

Defining public interest

Paragraph .01 of CP II indicates the objective of this project is to achieve implementation of “.. a public sector not-for-profit organization strategy that meets the public interest.” Additionally, stakeholders are being requested to respond to one question: Considering the criteria and options described in CP II, do you agree the proposed option best meets the Canadian Public Interest?

This concept of “public interest” is therefore very important to understand to determine whether the objective is achieved, and which option is most appropriate. PSAB has included the concept in other documents for comment but has not defined the term. The term does not have a general meaning.

PSAB should therefore define the term “public interest” so the options proposed can be evaluated based on the extent they achieve this objective.

Revisions to the reporting model

CP II includes potential reporting model changes that are currently out for comment through a separate exposure draft. It is important to note that these proposals have not been approved by PSAB nor commented on by stakeholders. Reading through CP II, the impression is that these proposals will be approved and made. Ontario has concerns regarding these reporting model proposals which will be communicated in our comment letter to the related exposure draft.

Ontario appreciates the opportunity to respond to PSAB to assist in their deliberations on this matter. I would be pleased to elaborate on any of the above comments. Thank you for your consideration.

May 10, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Michael Puskaric:

Thank you for the opportunity to comment on the Government Not-For-Profit (GNFP) Strategy Consultation Paper II released in January 2021. Our response to the question is provided below.

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

We agree with the proposed option to incorporate the PS 4200 series into the Public Sector Accounting Standards (PSA Standards). We believe that accounting standards and financial statement presentation should be consistent for all entities in the government reporting entity. This would allow for more efficiency in the consolidation process for both budget and financial statement preparation. Consistency in financial results and presentation would allow governments to more easily compare entities' financial results when making funding decisions and managing resources across the reporting entity.

We disagree with maintaining the Government Not-for-Profit Organization (GNFPO) classification. Every PSA Standard is subject to subsequent amendments to address future user needs. It is unclear what substantive and distinct accountabilities are inherent to only GNFPO users to justify maintaining a separate GNFPO classification for future customization of standards.

Sincerely,



Terry Paton, FCPA, FCA
Provincial Comptroller

cc: Chris Bayda, Assistant Provincial Comptroller, Ministry of Finance
Jenn Clark, Director, Provincial Comptroller's Office, Ministry of Finance
David Langen, Analyst, Provincial Comptroller's Office, Ministry of Finance



May 12, 2021

481017

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
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Dear Michael:

RE: Government Not-For-Profit Consultation Paper II

Thank you for the opportunity to provide comments on “PSAB’s Government Not-for-Profit Strategy”. The views expressed in this letter reflect the views of the Government of the Province of British Columbia, including central agencies, ministries and entities consolidated into the British Columbia Summary Financial Statements. The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards.

The Province of British Columbia does not classify any organizations within the Government Reporting Entity (GRE) as Government-Not-For-Profit Organizations (GNFPO). We do not believe that any organization within a GRE can be considered a Not-for-Profit organization because they are fundamentally different. Government organizations provide services that are funded by taxpayers and Not-for-Profit organizations are funded by voluntary contributions from individuals, businesses and governments. The use of GNFPO terminology obscures the underlying substance that government organizations are accountable to the taxpayer. We classify government organizations in BC as taxpayer-supported or self-supported. These classifications are more consistent with the public interest in British Columbia, specifically whether citizens are taxed to support policy objectives delivered through Crown organizations or whether government provides services on a fee basis leaving discretion to access those services with the consumer. The GNFPO label, and even the concept, is not part of the public discussion in British Columbia.

.../2

Taxpayer-supported organizations in British Columbia are required by regulation to report using PSAB standards without the PS 4200 series. This is necessary to fulfill the public accountability obligation of government to have all financial reports prepared consistently, to manage to the fiscal plan, and to support direct comparability at every level of operations.

All organizations controlled by a government should follow the same standard because it best supports comparability and understandability for the users. Accountability to the public is the focus of financial statements and the public needs should be given priority above all others. There is a clear difference between a service delivery organization funded by taxpayers and a not-for profit organization funded by contributions; therefore, it would be unreasonable to discuss the need for comparability between these two types of organizations.

If option 2 – *incorporate PS 4200 into PSAS with potential customizations* is selected as the best option to meet the Canadian public interest, then it is imperative that any future customizations to the standards have the appropriate consultation with all users following PSAB's due process.

Should PSAB have any comments or questions, please contact me at: 250-387-6692 or via e-mail: Carl.Fischer@gov.bc.ca, or Diane Lianga, Executive Director, Financial Reporting and Advisory Services Branch, at 778-698-5428 or by e-mail: Diane.Lianga@gov.bc.ca.

On behalf of the Government of British Columbia,

Sincerely,



Carl Fischer, CPA, CGA
Comptroller General
Province of British Columbia

Encl.

cc: Michael Pickup, FCPA, FCA
Auditor General
Province of British Columbia

Diane Lianga, CPA, CGA
Executive Director, Financial Reporting and Advisory Services
Office of the Comptroller General

May 12, 2021

Michael Puskaric, CPA, CMA
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Re: Government Not-for-Profit Consultation Paper II

Dear Mr. Puskaric,

We have read the above-mentioned Consultation Paper that was issued in January 2021 and are pleased to have the opportunity to provide responses to PSAB's specific question.

Please find our response to the proposed question attached following this letter. This response was prepared by the Colleges Ontario Finance Officers (COFO) organization in conjunction with Administrative Services Coordinating Committee (ASCC), on behalf of the 24 Colleges of Applied Arts and Technology in Ontario.

Thank you for your consideration of our response.

Yours sincerely,

Kelly Morrow, CPA, CA (on behalf of COFO)
Chair of Financial Reporting Subcommittee, Colleges Ontario Financial Officers
Director, Financial Services
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Colleges Ontario Financial Officers – Financial Reporting Subcommittee

RESPONSE TO GOVERNMENT NOT-FOR-PROFIT CONSULTATION PAPER II

Considering the criteria and option described in Consultation Paper II, do you agree the proposed option (see paragraphs .074 - .078) best meets the Canadian public interest? Please explain.

The Ontario College Sector does not believe that the proposed Option 2 – PSAS incorporating the PS 4200 series with potential customizations best meets the Canadian public interest. Instead, the Sector would propose Option 3A – Apply another source of GAAP for all GNFPO's, directing GNFPO's to follow Part III of the CPA Canada Handbook – Accounting Standards for Not-for-profit Organizations.

For an Option to best meet the Canadian public interest, it must meet financial statement user needs. The Sector believes that ***Option 3A would best meet financial statement user needs and thus best meet the Canadian public interest*** for the following reasons:

Comparability of financial information:

The Sector believes that comparability of financial information between other GNFPO's and other private sector NFPO's is important to the Sector's financial statement users.

It is not comparability with governments that Ontario College Sector financial statement users seek or demand, rather, it is comparability with their counterparts such as other Colleges, Universities and Private Career Colleges that is critical.

While Governments are subject to inherent public accountability, strongly tied to the power to levy tax, the College Sector does not have the ability to do so. Ontario Colleges are the recipients of government funding, similar to that of Ontario Universities which are not part of the government reporting entity. The ability to levy tax versus being the recipient of government funding is an important distinction to consider when determining the need for comparable financial information across governments versus other GNFPO's or NFPO's that receive similar government funding.

This comparability and accountability is also important to consider in the context of the presentation of approved budgets in financial statements. While the Sector is allocated government funding based on established funding models, Ontario Colleges earn a majority of revenues from sources other than government funding, such as through tuition fees. Similar entities in the not-for-profit sector receive similar funding allocations, with similar public accountability for the use of that funding and are not required to present budgets within their financial statements since Part III of the CPA Canada Handbook does not require them to do so.

Deferred capital contribution accounting:

PS 4410.33 of Part III of the CPA Canada Handbook provides specific guidance on restricted contributions for the purchase of capital assets, whereby the restricted contribution is deferred and recognized as revenue on the same basis as the amortization expense of the underlying asset.

PSAS does not currently have a similar standard outside of the PS 4200 series of standards, and while under Option 2, PSAB will review the existing PS 4200 series to determine if they should be retained and added to PSAS, this does not guarantee that deferred capital contribution accounting, similar to that under PS 4410.33 in Part III or PS 4210.33 will be maintained or customized for GNFPO's.

The Ontario College Sector directs the Board to our previous response to Consultation Paper I for further information on the importance of Deferred Capital Contribution Accounting to the Sector.

Directing GNFPO's to Part III of the handbook would allow these organizations to continue to use this type of accounting treatment without the requirement for PSAB to review and determine whether or not to retain the standard or customize it for GNFPO's.

Other considerations:

Option 3 is consistent with the Board's approach to determining appropriate standards for government business enterprises, who are directed to apply standards for publically accountable enterprises in Part I of the CPA Handbook. Similarly, other government organizations are directed to Part I of the CPA Handbook if the PSA handbook does not meet their financial statement users' needs, suggesting that these needs are paramount to selecting the most appropriate standard.

Other considerations:

Option 3 is consistent with the Board's approach to determining appropriate standards for government business enterprises, who are directed to apply standards for publically accountable enterprises in Part I of the CPA Handbook. Similarly, other government organizations are directed to Part I of the CPA Handbook if the PSA handbook does not meet their financial statement users' needs, suggesting that these needs are paramount to selecting the most appropriate standard.

As noted in the consultation paper, approximately 60% of GNFPO's use not-for-profit-specific accounting requirements, from the PS 4200 series. This suggests that there is a continued need for these standards to fulfil financial statement user needs. This need is fulfilled in Part III of the handbook and does not need to be considered to be duplicated under PSAS, as suggested under Option 2.

The College Sector agrees with the GNFP Strategy Subcommittee that a choice of GAAP is not desirable as it reduces comparability. Option 3 would increase comparability since it would remove the option of whether to apply PS 4200 series of standards.

The Sector is scoped into PSAS due to the definition of a government organization which centers around the concept of control. Other standard setters define control for the purposes of consolidation, not for the purposes of defining which organizations or entities should follow a certain standard. The Sector has been consolidated with the Province since 2006, which was based on a 2003 Provincial Auditors report that reviewed PSAS's indicators of control and determined that the Ontario College Sector should be consolidated. In 2006, the Sector was following Part III of the CPA handbook and provided financial information for the purposes of consolidation through internal information systems. Similarly, when the Sector was scoped into PSAS in 2013, PS 4200 series standards were brought into PSAS to support the transition and similarly, Ontario Colleges continued to provide financial information for the purposes of consolidation through internal information systems. Option 3 continues to be a viable option for general purpose financial statements since the information required for the purposes of consolidation is provided through internal systems.

Remarks on Option 1 – Status Quo:

Ontario Colleges do not believe Option 1 – Status Quo to be a sustainable option. This option would continue to allow GNFPPO's a choice as to whether to apply the PS4200 series, which results in the same or similar lack of comparability concerns currently experienced across the Province and Nationally.

Since this option would also require the PS 4200 series to be reviewed and maintained moving forward, it creates an additional layer of standard setting within PSAB which is not ideal or efficient since it will add unnecessary complexity in maintaining a separate set of standards.

Remarks on Option 2 – PSAS incorporating the PS 4200 series with potential customizations:

The Ontario College Sector believes that this option is the least desirable. In the absence of knowing which PS 4200 series standards would be retained or customized for GNFPPO's, the Sector does not believe Option 2 would best meet the Canadian public interest.

While a key feature of this Option is that there is no longer a suite of standards that GNFPPO's could choose to apply or not, the same also holds true for Option 3, directing GNFPPO's to Part III, and should also be considered a key feature of that Option.

As noted in the consultation paper, the comparability criterion is not met between GNFPPO's and private sector NFPO's, which is what financial statement users seek. Without this comparability, this Option is not viable for the Ontario College sector. The level of comparability between GNFPPO's and governments, other GNFPPO's and private sector GNFPPO's is entirely dependent on the extent of customizations, which have not yet been defined. This option does not address comparability between user groups, and since comparability of financial information is considered most important to GNFPPO financial statement users, the Sector does not believe Option 2 best meets the Canadian public interest (financial statement user needs).

May 6, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Government Not-for-Profit Strategy Consultation Paper II

Dear Sir,

Thank you for the opportunity to comment on the above-noted documents. MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms, with a significant focus on clients in the public sector. We believe that we are well positioned to provide feedback on this important issue.

We have reviewed the consultation paper and have provided our response to the specific question noted below.

Question: Considering the criteria and options described in Consultation Paper II, do you agree the proposed option best meets the Canadian Public interest?

We agree with the proposal of "Option 2 – PSAS incorporating the PS 4200 series with potential customizations" as the strategy for government not-for-profit organizations (GNFPOs) going forward. Use of a unified framework should improve comparability between GNFPOs and other public sector entities with similar type transactions.

While comparability is important, certain GNFPOs have distinct needs and operations influenced by the controlling government, and therefore, the requirement for some customization is crucial. Clarity around who the customizations would apply to (i.e. all GNFPO's or specific subsectors) should be addressed and may be required to vary depending on the standard.

We would be pleased to offer our assistance to the PSAB for any future proposed changes to PSAS.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed business in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizeable contingent of publicly traded companies.

Yours truly,

MNP LLP

A handwritten signature in blue ink that reads "J MacKenzie". The signature is written in a cursive style with a large, stylized initial "J".

Jody MacKenzie, CPA, CA
Director, Assurance Professional Standards

National Gallery of Canada
380 Sussex Dr., PO Box 427 Stn A
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June 21st, 2021

Financial Reporting and Assurance Standards Canada
Public Sector Accounting Board
277 Wellington Street W
Toronto ON, M5V 3H2

To the members of the Public Sector Accounting Board;

I am writing in regards to Government Not-for-Profit Strategy Consultation Paper II. I would like to thank you for the opportunity to provide input into this process. For reference, the National Gallery of Canada currently applies the 4200 series of standards.

In general, we agree with the goal of improving comparability and understandability of GNFPO financial statements by applying one common framework to all entities. We understand that this process may require modification to existing 4200 standards.

It is our preference that minimal changes are made to the 4200 standards. If changes are deemed necessary, we are hopeful that consideration of those changes would include consultation with GNFPOs affected.

Sincerely,



Trevor Dupuis
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Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

17 June 2021

Michael Puskaric, CPA, CMA
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Public Sector Accounting Board
277 Wellington Street West
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RE: Consultation Paper II – PSAB’s Government Not-for-Profit Strategy

Thank you for the opportunity to comment on the above Consultation Paper. I am responding on behalf of the Office of the Auditor General of Canada.

We are pleased to submit to the Board our response below to the specific question posed in the Consultation Paper.

Sincerely,

Lissa Lamarche, CPA, CA

Assistant Auditor General
Office of the Auditor General of Canada

Specific question posed by the Public Sector Accounting Board (PSAB):

Question 1

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest?

OAG response:

Yes, we agree that PSAB's proposed Option 2 (i.e. PSAS incorporating the PS 4200 series with potential customizations) best meets the Canadian public interest. While we think this option has many advantages, one of the significant advantages is that it provides a good opportunity for PSAB to align its government not-for-profit organization (GNFPO) accounting with its conceptual framework.

With that said, we would like to raise the following observations for further consideration as the Board finalizes its deliberations on this Consultation Paper:

GNFPO Definition:

As PSAB moves towards its final decision on its proposed GNFPO strategy, we think PSAB should also revisit the definition of a GNFPO as currently defined in paragraph .07 of the Introduction to Public Sector Accounting Standards.

In our experience, it is criterion (b) of the definition that is the most difficult to apply. This criterion requires "counterparts outside the public sector". We think this criterion helps distinguish between GNFPOs and OGOs with similar not-for-profit mandates. In practice, however, we have found inconsistencies and experienced challenges in the way this criterion is applied as the term "counterpart" is not defined and no application guidance is provided. For example, it is unclear how similar a counterpart needs to be in order to meet this criterion. We think that PSAB should consider including guidance as well as examples on how this criterion is intended to be applied in practice.

Since the proposed GNFPO strategy requires keeping the definition of a GNFPO, we think that PSAB should use this opportunity to improve understanding of how criterion (b) is to be applied as this will also help to ensure that PSAB's objective of comparability is ultimately achieved. On that basis, we strongly encourage PSAB to review the existing definition in conjunction with the implementation of its GNFPO strategy.

International Financial Reporting for Non-Profit Organizations:

We note that the International Federation of Accountants (IFAC) has sponsored the International Financial Reporting for Non-Profit Organizations (IFR4NPO) project with the goal of developing the world's first internationally applicable financial reporting guidance for the non-profit sector. A key milestone for the IFR4NPO project was the issuance of a consultation paper in the early part of 2021 that gives non-profit organizations and their stakeholders the opportunity to contribute to the development of international financial reporting for the sector.

While this development is not expected to have any significant impact on PSAB's GNFPO strategy, we think that PSAB should consider monitoring the IFR4NPO project as it could have an impact on PSAB's international strategy and future standard setting.

Review of GNFPO standards under Option 2:

We note that Option 2 requires PSAB to review the standards that currently exist in the PS 4200 series to determine whether they should be retained and added to PSAS.

There are many ways that PSAB could undertake this review. Given the current differences between the requirements in the PS 4200 series versus the requirements in other PSA Standards, we expect that many topics will generate a lot of feedback which could ultimately prolong the transition. That said, we think it is important for PSAB to take the necessary time to review and make changes, especially in areas that are currently inconsistent with the PSAS conceptual framework. On that basis, we would recommend that PSAB prioritize the following projects:

- Accounting for restricted contributions (including endowments and government transfers);
- Consolidation of controlled entities;
- Financial statement presentation (eliminate the choice in presentation); and
- Accounting for capital assets by small organizations.

While it might be ideal to implement all changes at the same time, a phased approach may be more practical. On that basis, we think that PSAB should also consider whether there are smaller projects such as intangible assets or collections that could be implemented more quickly.



June 24, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
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TORONTO, ON M5V 3H2

Dear M. Puskaric:

Re: Consultation Paper II: PSAB's Government Not-for-Profit Strategy, January 2021

We agree with the proposed option provided in paragraphs .074 to .078, Option 2 - PSAS incorporating the PS 4200 series with potential customizations, in the PSAB's Government Not-for-Profit Strategy Consultation Paper II as we think this option is practical and will improve comparability between public sector entities.

Yours truly,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

JR/dd



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277 Wellington Street West
Toronto, Ontario M5V 3H2

June 28, 2021

Re: PSAB Consultation Paper II - PSAB's Government Not-for-Profit Strategy

Dear Mr. Puskaric,

We have read the above-mentioned Consultation Paper that was issued January 2021 and are pleased to have the opportunity to provide responses to your specific question as outlined below.

1. *Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.*

Option 1

Based on the analysis in the consultation paper, we agree that option 1 is not the best option for the Board's Government Not-for-Profit Organization (GNFPO) strategy.

Option 2 & Option 3A

We can see the benefits of proposed option 2 as laid out in the consultation paper, including the benefit of having one set of standards public sector entities apply as this would provide PSAB with the ability to respond to future stakeholder needs. We also believe the proposed conceptual framework and proposed Section PS 1202, *Financial Statement Presentation*, could help to alleviate some GNFPO concerns around adopting pure PSAS (PSAS without the PS 4200 series), as the Board would have the ability to deal with items such as endowments through the accumulated other component of net assets. We also believe the removal of the net debt (net financial liabilities) indicator to its own separate statement and the new layout of the statement of financial position would make the financial statements easier for GNFPO stakeholders to understand than PSAS financial statements prepared under current Section PS 1201, *Financial Statement Presentation*. The ability to provide segmented disclosures in accordance with Section PS 2700 may also give GNFPOs another way to provide some information important to their stakeholders that is currently made available via fund accounting under the PS 4200 series.

While we understand the rationale for proposed option 2, we are not convinced it best meets the Canadian public interest related to GNFPOs and the users of their financial statements. There are several accounting issues that are very important to GNFPOs and their

stakeholders, including accounting for contributions. Under proposed option 2 it is not clear how the Board would deal with these accounting issues, which makes it difficult to ascertain whether option 2 will actually meet the Canadian public interest and stakeholder needs. While the proposals state that the Board would be able to provide some customizations within PSAS that are specific to GNFPOs, the proposals also state that these customizations would only be permitted in certain situations, such as when there are substantive and distinct accountabilities that warrant a modification from PSAS. Additionally, any modifications would need to be consistent with the PSAS conceptual framework.

Throughout the consultation paper the need for comparability is highlighted repeatedly. We agree that comparability is important, but any time there is any type of accounting policy choice comparability is reduced. However, that doesn't mean there should never be accounting policy choices as one choice may better meet the needs of the users of the financial statements of public sector entity A, while another choice may better meet the needs of public sector entity B's financial statement users. The most important thing is that the transaction is accounted for appropriately and the information provided meets user needs.

Additionally, comparability is only important amongst entities that are actually being compared to one another. We do not believe comparability between all public sector entities is important. For example, we do not believe comparability between controlling governments and GNFPOs is important as these entities are rarely compared to one another as they carry out different functions and the controlling government should not be considered a user of a GNFPO's financial statements as the controlling government has the ability to ask for any additional information it needs. Instead, comparability is more important amongst GNFPOs, particularly GNFPOs in the same subsector as those entities are more often compared by funders or donors when making resource allocation decisions. However, many GNFPOs have similar counterparts they are compared to in the private sector which follow ASNPO. As a result, option 2 would make it more difficult for financial statement users to compare these entities than it is currently.

As a result, we believe the option that would best meet the Canadian public interest for GNFPOs and the users of their financial statements, would be option 2 with a choice of option 3A. This would allow GNFPOs to choose the option that best meets the needs of the organization and the users of their financial statements. For example, some colleges and universities are controlled by their provincial government and currently follow PSAS with or without the PS 4200 series, while others are considered not to be controlled by their provincial governments (private sector NFPOs) and follow ASNPO as issued by the AcSB. Colleges and universities want their financial statements to be comparable to each other as they compete for resources and students. In such a situation, allowing option 3A would permit GNFPOs that believe it is critical their financial statements are comparable to their private sector counterparts to follow ASNPO.

The AcSB is currently undertaking a project to update various ASNPO standards and has devoted many resources to ensuring NFPO standards are still meeting user needs. While we recognize changes to these standards may result in changes to how NFPOs account for various transactions, including contributions, if GNFPOs had the option to follow ASNPO they would at least be able to present similar transactions in a manner comparable to their private sector counterparties.

Additionally, the PSA Handbook already has a precedent for permitting such a choice of frameworks to ensure user needs are met, as other government organizations (OGOs) usually apply PSAS, but are permitted to follow IFRS if that framework better meets the

needs of their financial statement users. In that situation, an OGO looks at a list of factors and applies professional judgment to determine which framework best meets the needs of its users. We believe allowing a similar process for GNFPOs, where GNFPOs could follow ASNPO if it would better meet the needs of their financial statement users would be very beneficial.

Option 3B

We do not think option 3B is the best strategy as PSAB would need to designate the specific GNFPO subsectors that would follow ASNPO. While this option may sound reasonable in theory, in practice we believe it would be difficult for PSAB to identify and define all the appropriate subsectors, which could result in some public sector entities inappropriately being scoped in and other public sector entities inappropriately being scoped out. As a result, stakeholder needs may still not be met under this option.

If the Board Proceeds with Option 2

If the Board decides to go ahead with option 2 as outlined in the consultation paper, we believe it is critical financial statement users and stakeholders are consulted on the incorporation of guidance from the PS 4200 series into the PSA Handbook. We believe this is key to ensure stakeholder needs are met by the guidance and any customizations that are developed.

We also believe that if this strategy is undertaken it is crucial that all changes become effective at the same time. We do not believe the Board undertaking this project in a piecemeal fashion will benefit GNFPOs or their stakeholders. If the Board decides to have GNFPO's move from PSAS with the PS 4200 series to pure PSAS without GNFPO specific customizations and guidance already having been incorporated into pure PSAS this will cause great difficulties for GNFPOs and will be confusing to their stakeholders. For example, under Section PS 4230, *Capital Assets Held by Not-for-Profit Organizations*, GNFPOs have the ability to recognize all intangible assets, including internally developed intangibles. Pure PSAS currently does not allow for the recognition of internally developed intangibles. Thus, GNFPOs would be forced to derecognize such intangibles and then if PSAB develops a full intangible standard in the future (which we highly encourage the Board to do) GNFPOs would then re-recognize those intangible assets in the future, which is not an outcome anyone would consider reasonable. Similar issues would arise related to endowments, contributions, and the recognition of controlled and related entities as the guidance is currently quite different in the PS 4200 series for these areas from the guidance in pure PSAS. Therefore, we believe it is very important all GNFPO customizations be developed and incorporated into the Handbook before GNFPOs are required to move from the PS 4200 series to pure PSAS.

We also believe it will be critical for the Board to incorporate helpful transitional options for GNFPOs that are moving from the PS 4200 series to the new guidance and for GNFPOs that were previously following pure PSAS, but are now permitted to follow GNFPO specific customizations. This move will likely create significant accounting changes for many GNFPOs, similar to first-time adoption of a new framework, and it is important the Board allows for practical transitional options to ensure this process is not unnecessarily onerous.

No matter what option PSAB chooses, it is critical that ensuring the needs of GNFPO stakeholders are met be kept top of mind by the Board. If the needs of financial statement users are not met, financial statements become irrelevant. If financial statements are seen as irrelevant, this may also lead to an increase in legislative accounting in the public sector. Standard setters have duty to ensure financial statements stay relevant and provide the information that users need.

Other Issues

Another issue we believe the Board should consider as part of the GNFPPO strategy is whether the current definition of a GNFPPO is still appropriate. Currently the GNFPPO definition outlined in paragraph .07 of the *Introduction to PSAS* is the same as the definition of an NFPO under ASNPO, except that the definition of a GNFPPO requires that:

- It must have counterparts outside the public sector as defined in paragraph .02 of the *Introduction to PSAS*; and
- It has to be a government organization, which means that it is controlled by only one public sector entity.

Both of these criteria have caused issues in practice. Some entities meet all the criteria except it is difficult to find counterparts outside of the public sector as the entity has been created for a unique purpose or carries out services that would never be undertaken by the private sector. As a result, we would encourage the Board to consider whether this criterion is still necessary.

Additionally, some entities should clearly be considered GNFPPOs, as they are clearly NFPOs carrying out public sector operations, but they are not controlled solely by one public sector entity. Instead, there are multiple public sector entities that have representation on the Board of Directors, but often the criteria for shared control is not met. As a result, such entities fail to meet the GNFPPO definition since they are not controlled by one public sector entity and they also fail to meet the partnership definition as there is no shared control. This results in such entities often classified as private sector NFPOs and following ASNPO, even though all the “partners” are public sector entities, which does not seem logical.

As a result, as part of the GNFPPO strategy we would encourage the Board to consider whether the current definition of a GNFPPO is still appropriate or whether any updates to it should be made.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Sayja Barton, Director National Accounting Standards (705-963-0824 or email sbarton@bdo.ca).

Yours sincerely,



Armand Capisciolto, FCPA, FCA
National Accounting Standards Partner
BDO Canada LLP
acapisciolto@bdo.ca
416-369-6937



Québec, le 30 juin 2021

Monsieur Michael Puskaric, CPA, CMA
Directeur, Comptabilité du secteur public
Conseil sur la comptabilité dans le secteur public
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

OBJET : Commentaires sur le document de consultation II « Stratégie relative aux organismes sans but lucratif du secteur public »

Monsieur,

Vous trouverez ci-joints nos commentaires concernant le document de consultation mentionné en objet.

Nous sommes en accord avec les propositions de ce document de consultation.

Nous espérons que nos commentaires vous seront utiles dans la poursuite de vos travaux et vous prions d'agréer, Monsieur, nos salutations distinguées.

La contrôlease des finances,

Lucie Pageau, CPA, CA

p. j. (1)

QUESTION DU CCSP - COMMENTAIRES DU CONTRÔLEUR DES FINANCES

- 1. Compte tenu des critères et des options décrits dans le Document de consultation II, êtes-vous d'accord que l'option proposée (voir paragraphes .074 à .078) sert le mieux l'intérêt public canadien? Veuillez préciser.**

Nous sommes en accord avec la recommandation du CCSP, soit de privilégier l'option 2, « Intégration aux NCSP des chapitres de la série SP 4200 avec des indications particulières s'il y a lieu ». Toutefois, nous aimerions proposer deux ajustements à cette option qui permettraient, selon nous, de servir encore mieux l'intérêt public canadien.

Premièrement, le paragraphe .123 du Document de consultation II indique que le CCSP déterminerait s'il est nécessaire de prévoir des indications particulières pour les OSBLSP ou certains sous-secteurs des OSBLSP. Nous croyons que les indications particulières nécessaires à certains OSBLSP, notamment en raison de leur taille, devraient également s'appliquer aux autres entités du secteur public ayant une situation similaire.

Deuxièmement, nous croyons que la préface du Manuel du secteur public devrait indiquer que, dans le cas où les NCSP ne répondent pas aux besoins des utilisateurs des états financiers d'un OSBLSP, l'utilisation des Normes comptables pour les organismes sans but lucratif de la Partie III du Manuel de CPA Canada - Comptabilité¹ doit être envisagée.

Cette exception serait cohérente avec celle octroyée aux autres organismes publics au paragraphe .19 de la préface du Manuel du secteur public. De plus, elle servirait au mieux l'intérêt public canadien, puisque l'utilisation d'un autre référentiel comptable serait permise que dans le cas où elle répondrait mieux aux besoins des utilisateurs des états financiers. Il ne pourrait pas s'agir d'un choix arbitraire de l'entité qui publie les états financiers.

Nous croyons que cette indication à la préface du Manuel du secteur public serait préférable à l'option 3B selon laquelle un ou des sous-secteurs particuliers d'OSBLSP seraient tenus d'appliquer la Partie III. En effet, les besoins des utilisateurs des états financiers d'un même sous-secteur d'OSBLSP pourraient être différents d'une juridiction à l'autre.

À titre d'exemple, au Québec, seule l'Université du Québec et ses constituantes (UQ) est contrôlée par le gouvernement du Québec. Les autres universités sont privées. Puisque toutes les universités québécoises reçoivent un financement public déterminé selon les mêmes bases, les principaux comparables à l'UQ sont les autres universités québécoises. L'UQ devrait donc appliquer le même référentiel comptable que celles-ci, soit la Partie III. Si, dans une autre juridiction, l'ensemble des universités est contrôlé par cette juridiction, l'application des NCSP par ces universités permettrait une comparaison entre elles. Ainsi, imposer l'application de la Partie III à toutes les universités ne permettrait pas de répondre aux besoins de tous les utilisateurs d'états financiers de ce sous-secteur.

¹ L'OSBLSP devrait également appliquer les Normes comptables pour les entreprises à capital fermé de la Partie II du même manuel lorsqu'une question n'est pas couverte par la Partie III.

Wayne Morgan
Ian Sneddon
Office of the Auditor General of Alberta

June 28, 2021

Public Sector Accounting Standards Board
Toronto, Ontario

Dear Michael Puskari,

Our response to PSAB's Government Not-for-profit strategy Consultation II is below.

Comments are requested on the question: *Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meetings the Canadian public interest? Please explain.*

In our view, we support Option 1 (status quo), for the following reasons:

1. Government not-for-profits (GNFPs) differ from their private counterparts in their primary accountability is back to the parent public sector entity, and ultimately that entity's stakeholders. Their financial reporting should line up with their primary accountability. We accept that government business enterprises are an exception to this, but that is because, by definition, GBEs sell goods and services and maintain their own operations (i.e. are self-sustaining), and generate profits for their owner. IFRS is the accounting framework for measuring profits from selling goods and services. However, GNFPs have much more complex, overlapping and nuanced accountabilities: they may operate complementary to government policy in particular areas, they may operate as an "arm" of government policy, and they may be dependent upon government funding. But it is likely they operate within some area that is a function of government. This requires GNFP's financial reporting to be based on a foundation of public sector accountability, which either PSAS or PSAS + 4200 series provides.
2. Option 1 permits the entity that controls the GNFP to make a decision whether it is in the public interest for that controlled GNFP to use PSAB or PSAB + 4200 series. This is an important decision that is within the definition of control in PSAS. The need for allowing this fundamental choice is that the controlling entity has to carefully balance issues of comparability and consistency with cost of preparation, while considering the ability of stakeholders to understand the financial reporting of all entities within the government's control.

3. We disagree with the “customizations” that option 2 proposes. Customizations will make the PSAS “main” series much more difficult to maintain, because every time a particular standard is subject to due process, PSAB will need to consider, invite comment on, and evaluate the GNFP customizations as well. This will increase costs on all participants in PSAB’s due process, and likely increase time to market. It may also reduce comparability among public sector entities that are not GNFPs because it will be unclear (notwithstanding changes in PS 1150) whether a public sector entity that is not a GNFP could use the “customizations” in a particular standard, or use the GAAP hierarchy in PS 1150 (which, pending recent amendments, would direct entities to IPSAS first).
4. We note that the approach of “customizations” is contrary to trends in standard setting, which is instead to “carve off” into a separate set those standards applicable to broad kinds of entities. This approach increases relevancy and reduces costs, while avoiding substantially fragmenting financial reporting that industry or sector approaches would cause. We note the IAASB’s audit of less complex entities project and IFRS for SMEs as examples.
5. We disagree with option 3 because it could result in further lack of comparability among the not-for-profit sector. Option 3A (directing GNFPs to Part III) is problematic because the reference standards for Part III are Part II of the Handbook, yet these are *government* not-for-profits, not *private* not-for-profits. Option 3B is problematic because allowing only specific sub-sector(s) to use Part III would reduce comparability across NFPOs even more. It is also difficult to determine what would constitute a sector for purposes of option 3B that would not soon run into conceptual or implementation difficulties, such as NFPOs that operate in several sectors.
6. We note that PSAB and the Accounting Standards Board (AcSB) of Canada may need to work more closely to ensure that changes to the PS 4200 series and Part III would be aligned. We are hesitant to suggest an approach similar to, for example, private sector companies that would report “US/Canadian GAAP” differences, but perhaps such an approach (describing PSAB 4200/Part III accounting differences disclosures) required under both the PS 4200 series and Part III standards may be useful. This may promote comparability that PSAB is emphasizing.
7. We agree with the Consultation Paper II that there are several key financial reporting concerns of GNFPs. Many of these impact other public sector entities as well, including endowments, net debt, intangibles, revenue recognition and deferred capital contributions. Option 1 will allow PSAB to best resolve these within public sector standards. Option 2 may make resolution of these issues much more difficult, as there may be specific GNFPs for which PS 4200 series currently provides the best approach to these issues, and PSAB would either need to accommodate these, or provide a “customization” on a case by case basis. The Consultation paper notes that once a GNFP strategy is decided, the next phase of the project will be to begin standards-level projects for these issues. We note that instead PSAB could maintain the status quo (option 1) and work to resolve many of these issues. They need to be worked on anyway because they are also important to other public sector entities, and

resolution of these issues may shift which of the three options in the Consultation paper is best.

Thank you for the opportunity to comment.

Wayne Morgan
Ian Sneddon

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

June 30, 2021

Dear Mr. Puskaric:

SUBJECT: PSAB's Government Not-for-Profit Strategy (January 2021)

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (hereinafter "we") would like to thank you for the opportunity to provide comments on the Public Sector Accounting Board's (hereinafter the "PSAB" or the "Board") Consultation Paper II entitled *PSAB's Government Not-for-Profit Strategy* (hereinafter the "CP"). We are somewhat supportive of the Board's recommendation and agree that Options 3A and 3B are not the appropriate choice; however, for Option 2 we believe there are too many unknowns related to the number of customizations that the Board may make in a number of areas such that we cannot currently fully support this strategy. The details are too important, and the paper did not provide clarity as to the areas in which the Board is willing to make revisions. For example, the CP references the Board's IPSAS strategy which is to draft new guidance in accordance with IPSAS guidance (for which there is no Government Not-for-Profit Organizations (hereinafter "GNPOs") guidance) which suggests there may be few customizations; on the other hand, the Board states that it will bring in the 4200 series, eliminate standards for which there is guidance in PSAS and consider customizations. Below please find our response to the general question asked in the CP:

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest?

While we are supportive of Option 2, we cannot fully endorse this solution without more information as to how and to what extent the PSAB will retain or revise the guidance in the 4200 series and/or make customizations to PSAS for GNPOs in major areas of importance to them and their users, such as:

- accounting for contributions (including consistency and clarity in the accounting);
- fund accounting; and
- accounting for controlled NPOs/for-profit entities and joint ventures.

In paragraph .056 of the CP, the Board states that comparability of financial information was considered most important to GNPO financial statement users and this requires consistent accounting standards for similar-type transactions. For governments, transfers and donations do not make up the majority of their revenue. For GNPOs, contributions (i.e., government transfers and donations) are generally their main source of revenue. For their financial statement users, contribution revenue is one of the most important areas of GNPO financial statements. We will concede that having an accounting policy choice related to contribution revenue in the 4200 series results in a lack of comparability; however, the guidance is very clear and results in comparability between entities that adopt the same policy. We believe it is also important to consider that GNPOs do not have all the same goals and objectives; some GNPOs have the main objective to provide specific services to the population while other GNPOs raise funds through donations and fundraising activities. This significant difference in GNPO's goals and objectives may justify different methods of accounting for contributions such as those currently allowed under the 4200 series, as their stakeholders may have different needs (i.e. how the GNPO financed the services it provided during the year versus how much in donations and contributions the GNPO was able to raise through its fundraising activities during the year). Currently, PS 3410 *Government transfers* is resulting in significant diversity related to capital contributions. A significant number of GNPOs have adopted PSAS plus the 4200 series and have an accounting policy to account for capital contributions using the deferral method which defers and amortizes contributions over the life of the related asset. Once adopted, the accounting is very clear. On the other hand, across the country, there have been varying positions by differing levels of governments as to whether capital contributions can be deferred under Section PS 3410 past the point of when the related capital asset is built or acquired. In addition, there appears to be differing guidance within PS 3410 as compared to Section PS 3100 which can result in different accounting treatment when the only difference may be that the amount came from a government as opposed to another party.

GNPOs can receive contributions from both governments and non-government sources. The insufficient clarity in PS 3410 has resulted in inconsistent treatment for similar transfers which contradicts the Board's goal in moving GNPOs into the PSAS Handbook (i.e., to achieve consistent accounting treatment). We strongly believe that the Board needs to deal with these issues before they move entities from standards that are clear and produce consistency, between entities that have adopted the same accounting policy in PS 4200), to those that have created significant differences in conclusions for similar transactions. Since contribution revenue makes up the majority of GNPO financial statements, the issues within PS 3410 and inconsistencies with PS 3100 will only be amplified. We need to better understand the impacts on GNPOs given the changes in the conceptual framework and IPSAS strategy and as a result, we do not feel we can adequately conclude as to whether we agree with the Board's chosen Option since it is unknown what the plan will be. If the plan is to conform the contribution revenue standards in the 4200 series to the PSAS guidance (PS 3410/PS 3100), we do not feel this is a better solution since, currently, these standards are problematic and result in a significant inconsistent treatment in practice. Thus, those issues could be amplified by bringing in numerous GNPOs into PSAS and result in a lack of comparability and consistency in application of the standard (i.e., the Board's criteria #2 and #3).

In addition, we do not agree with the Board's claim in paragraph .20 that Section PS 2700 *Segmented disclosures* would solve fund accounting concerns. The Board stated in paragraph .020 that stakeholders were concerned about the amount of information presented in the financial statements. The addition of segmented disclosures would just add to the amount of information in the financial statements and confuse users. We believe GNPOs should have the ability to provide funds in the main financial statements, and not only in notes or schedules as stated in paragraph PS 2700.26.

Currently, GNPOs do not consolidate all entities that they control (which would contradict the current and proposed conceptual framework). Without understanding if there is a possibility to allow exceptions if they were felt necessary, we also struggle to fully endorse the Board's proposed option.

In conclusion, we would only support Option 2 if PSAB made a number of customizations to reflect the needs of GNPOs such as the ability of show funds on the statement of financial position and statement of operations and clarity on the accounting for contributions (which we assume would fall under Section PS 3410 and PS3100). We believe the current requirements in the 4200 series for contributions and fund presentation provides clear guidance that should result in similar accounting by similar entities that have the same accounting policy. However, the move into the PSAS Handbook would result in a lack of comparability and inconsistencies related to contribution revenue and make the financial statements less useful to their users. We believe these criteria could be attainable, but PSAB needs to resolve the deficiencies in the two revenue standards mentioned earlier and be willing to provide customizations that may not exist in IPSAS or PSAS itself.

As one last comment, we would like to strongly recommend that the PSAB maintain a GNPO advisory committee on an ongoing basis through the development of the new strategy to ensure they are advised by those who are a part of that sector.

If you wish to discuss our comments or concerns, please contact Melanie Joseph (Melanie.Joseph@ca.gt.com, 416-607-2736) and/or Stéphane Landry (landry.stephane@rcgt.com, 418-647-5008).

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'MJ', with a long horizontal flourish extending to the right.

Grant Thornton LLP
Melanie Joseph, CPA, CA

A handwritten signature in blue ink, appearing to be 'S Landry', with 'CPA, CA' written in a smaller font to the right.

Raymond Chabot Grant Thornton LLP
Stéphane Landry, CPA, CA

June 30, 2021

Michael A. Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Government Not-for-profit Strategy Consultation Paper II

The National Museum of Science and Technology (NMST) appreciates the opportunity to comment on the Public Sector Accounting Board (PSAB) consultation paper.

The NMST supports the PSAB's efforts to simplify the accounting standards applicable to government not-for-profit organizations (GNFPOs) by presenting different options that are considering the comparability and consistency between the GNFPOs, and the needs of the financial statement users.

This document provides the NMST's comments on different aspects of the consultation paper including PSAB's recommendation to incorporate PS 4200 series with potential customizations and PSAB's proposed Section PS 1202.

Background

The National Museum of Science and Technology was established by the Museums Act on July 1, 1990, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The NMST represents one of the six national museums in Canada.

The NMST operates as the Ingenium - Canada's Museums of Science and Innovation. It manages three museum sites: the Canada Science and Technology Museum, the Canada Aviation and Space Museum, and the Canada Agriculture and Food Museum.

The NMST's financial statements are currently prepared in accordance with Section 4200 of the Canadian Public Sector Accounting Standards applicable to government not-for-profit organizations.

Comments

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option best meets the Canadian public interest?

The NMST agrees the PSAB's proposed option to incorporate PS 4200 series with potential customizations best meets the Canadian public interest. In order to provide additional insight into NMST's position towards PSAB's recommendation and any areas of concerns identified, NMST has included below a review of the criteria used by PSAB.

Users

Overall, the NMST agrees with the recommendation to apply a common reporting framework for all public sector entities with some customizations of standards to address specific matters associated to not-for-profit organizations. Therefore, we very much welcome PS1202 for all government entities with the exception of the presentation of the budget in the Statement of operations.

In our case, the inclusion of the budget in our financial statements would not bring valuable information to the users. This is due to the fact that the approved budget for federal Crown corporations includes some limitations that often create significant variances between the approved budget and the actual results. For example, non-voted appropriations can't be included in the budget even though the Crown Corporation knows it will be funded for specific items such as salary economic increases. In addition, significant timing differences between the budget and actuals can occur for expenditures related to large one-time projects depending when the contributions are received. Without comprehensive explanations, these variances can be misleading for the readers of the financial statements. Furthermore, the proposed PS 1202 section acknowledges the use of an amended budget when there is a change in governance or requires an additional disclosure when no budget is prepared or approved, which would not apply in our case. Although PS 1202 allows for the use of a restated budget when there are differences in the basis of accounting, accounting principles, scope or classification, it is not clear how and if this would apply to federal Crown corporations, or if this would be part of potential customizations. Additional guidance for federal Crown corporations would be appreciated.

Comparability

Greater comparability within the subsector would certainly be beneficial. From our point of view, having a common reporting framework proposed with option 2 would allow better comparability between the GNFPOs and between the GNFPOs and other government organizations. However, considering that entities from the same subsector are the more subject to be compared, notwithstanding if they are government or private sector NFPOs, efforts should be made to promote reconciliation with other sources of GAAP to ensure key financial information is provided in order to compare GNFPOs to private sector counterparts. For example, from our point of view, all universities, colleges and school boards should follow the same accounting reporting standards. The same can be said for all the national, provincial and municipal museums. However, in order to be beneficial, the comparability should not come

to the detriment of the elimination of some options that are possible only with the inclusion of PS 4200 series.

The NMST agrees that in terms of comparability, priority should be given to presentation and disclosure. However, although we are in support of a common reporting framework, we do not support that the common reporting framework endorses the inclusion of the budget information in the Statement of operations.

Consistency

Consistency within all public sector entities would most likely be beneficial. This would allow for better comparison within the GNFPO sector and possibly with NFPOs from the private sector. Increased consistency in standards would help compare similar entities for which the financial statement users often have a link with multiple GNFPOs. However, in order to be beneficial, the consistency should not come to the detriment of the elimination of some options that are possible only with the inclusion of PS 4200 series. In other words, our view is that it is more important to account for transactions in a way that is relevant than having consistency between all GNFPOs.

For example, NMST receives numerous contributions which are outside of PS 3400's scope and covered by PS 4210 which offers a choice between the deferral method and restricted fund method and provides guidance about contribution recognition, namely restricted contributions and contributed material and services. Deferred contributions and capital funding are NMST's most significant liabilities on its Statement of financial position. NMST uses the deferral method as it provides relevant and comprehensible information to its financial statement users. Therefore, it would be important to ensure such choices and guidance are incorporated in the PS 4200 series as a priority.

The NMST has acquired a considerable collection over the years that is used for education purposes in its three museums. Because of the practical difficulties in reflecting the collection at a meaningful value, NMST has recorded its collection at a nominal value and provides additional disclosure in accordance with PS 4240. Removing this option would mean that the costs incurred to obtain the information would be greater than the added value to the financial statement users.

Therefore, additional guidance should be provided in the standards to help ensure better consistency among all public sector entities for items such as contribution recognition, endowments and collections (measurement), without taking away GNFPOs' ability to provide consistent information to current and future financial statement users.

Sustainability

The NMST welcomes the idea that with option 2, PSAB should be in a better position to provide customized solutions to address upcoming issues public sector entities will be facing in the

future, while keeping in mind specific issues that apply to GNFPOs or to specific sectors through customizations.

Transitional considerations

If PSAB incorporates the PS 4200 series within the PSA Handbook available for all public entities to apply if appropriate, transitional efforts and costs should be relatively limited for the NMST considering that the NMST currently applies the PS 4200 series and will depend on the extent of the amendments made to PS 4200 series standards.

NMST appreciates that PS 1202 provided changes to terminology following feedback received and that the new structure, statements and presentation requirements in the financial statements will provide relevant information and be easier to understand for financial statements users.

Bianca Langelier, CPA, CA
Yannick Brazeau, CPA, CGA
National Museum of Science and Technology



June 30, 2021

SENT ELECTRONICALLY

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Mr. Puskaric:

We are submitting these comments in response to the callout for feedback on proposed changes to standards that affect Public Sector reporting and Government Not For Profit Sector reporting. Specifically, we are making comments on the three documents listed below:

1. The Exposure Draft of a proposed new conceptual framework, "The Conceptual Framework for Financial Reporting in the Public Sector";
2. The Exposure Draft of a proposed new reporting model, "Financial Statement Presentation, Proposed Section PS 1202"; and,
3. "Government Not-for-Profit (GNFP) Strategy Consultation Paper II".

Background on the First Nations Market Housing Fund

The First Nations Market Housing Fund (the "Fund") was established on March 31, 2008, through an Indenture of Trust with the purpose to facilitate the availability of financing for, and the accessible supply of, market-based housing in First Nations communities. The Fund also helps to create the capacity in First Nations communities to become self-sufficient in developing and sustaining market-based housing, thereby contributing to the social welfare and civic improvement of First Nations communities and their residents. The Fund operates on a not-for-profit basis and the beneficiary of the Fund is Her Majesty the Queen in right of Canada.

On April 28, 2008, the Fund received \$300 million contribution from Canada Mortgage and Housing Corporation (CMHC) on behalf of the Government of Canada. The Funding Agreement to the \$300 million provides additional direction of the Fund's not-for-profit activities, reporting obligations, permitted use of funding and duties of Trustees. The Fund has not received any other funding since then. As per the Funding Agreement, no amount of the contribution is expended on programs that have not been approved in accordance with the Trust Indenture (specifically, Credit Enhancement and Capacity Development programs as well as administrative expenses as outlined in the annual business plan). All income, gains, accretions, and all money or other property endowed or contributed in cash or in kind to the Fund, after expenses and other proper outlays, are accumulated in the Fund to provide for future non-profit activities of the Fund.

The Fund is a User of First Nations Financial Statements

On an annual basis, the Fund conducts annual reviews of financial statements for First Nations that have partnered with the Fund. The Fund has reviewed the annual audited financial statements of over 250 First Nations across Canada, many for multiple years. In our financial reviews, we apply numerous financial ratio calculations such as working capital, debt coverage ratio, own source revenue as a percentage of total revenue, to name a few. Our role is to determine if First Nations can safely guarantee home loans while pursuing their goals and meeting their other financial obligations. Changing the financial reporting standards for the public sector will have an impact on the First Nations financial statements, that we review each year.

The Fund is a Preparer of GNFP Financial Statements

The First Nations Market Housing Fund prepares its financial statements in accordance with the rules established for government not for profit organizations. The Fund has adopted the series 4200 standards of PSAS. Our feedback on the proposed new reporting model and the GNFP strategy paper are based on our experience as a government not for profit organization.

Feedback on Exposure Drafts and Strategy Papers

1. The Exposure Draft of a proposed new conceptual framework, “The Conceptual Framework for Financial Reporting in the Public Sector”.

We reviewed this exposure draft from the perspective that we are a user of Financial Statements. On an annual basis we review the audited financial statements from First Nations governments, and we analyze financial ratios that are relevant to the Fund. Two issues that we would like to highlight and recommend changes are as follows:

Issue with Terminology:

Section 2.42 states that “the Constitution recognizes and affirms existing Indigenous and treaty rights of the Indian, Inuit, and Metis people of Canada”. Although the term “Indian” is indeed used in the Canadian Constitution and some other pieces of legislation, it should be acknowledged that it is offensive to many and is most often replaced with the term “First Nations”.

Issue with Capital Transfer Reporting:

As discussed in the “Review of Section PS 3410” from BC8.29 to BC8.31, difficulties experienced by PSAB in treating capital transfers is understandable. However, from a user’s perspective, it is often challenging to isolate revenues related to the purchase of capital assets from the audited financial statements especially when supporting schedules are not provided or lack enough detail. When comparing multiple financial statements and/or analyzing financial performance from normal operations, it would be more beneficial if the reporting organization recognizes revenue over the useful life of the related asset as opposed to when the related asset is acquired or built. We would recommend that a guideline be set to **require** reporting capital transfer revenue over the useful life of the asset rather than give the preparer flexibility on how they report this.

2. The Exposure Draft of a proposed new reporting model, “Financial Statement Presentation, Proposed Section PS 1202”.

We reviewed this exposure draft from the perspective that we are a preparer of Financial Statements. The Fund was established, by Canada, through an Indenture of Trust as well as a Funding Agreement. As per the Funding Agreement, no amount of the contribution is expended on programs that have not been approved in accordance with the Trust Indenture. If the Fund is ever to be terminated, in accordance with the Indenture of Trust, all assets of the Fund will be transferred back to the beneficiary or whoever the beneficiary may appoint. For that we reason, we do not record any net assets for the Fund.

Revenue Recognition:

The Fund prepares its financial statements in accordance with Public Sector Accounting Standards (PS) including the use of the standards for government not-for-profit organizations (PS 4200 to PS 4270).

The Fund follows the deferral method of accounting for contributions. Initial contribution and subsequent investment income are deferred and recognized as revenue in the period in which the related expenses are recognized.

As the Fund did not receive any other unrestricted funding since inception, the Fund has never reported a surplus or deficit, which would have resulted in a net assets position.

Issue with Reporting Accumulated Remeasurement Gains and Losses:

On March 31, 2021, the Fund purchased equity investments for the first time. In accordance with PS 3450, these equity investments are measured at fair value and subsequent changes to the fair value are reported in the Statement of Remeasurement Gains and Losses. It should be noted here that the Fund did not apply PS 3100, which would have provided a more consistent way to recognize the unrealized gain or loss via deferred contribution instead. This is because PS 4210 is silent on the asset side of the transaction (i.e., there is no reference to PS 3100), and even if the Fund wished to apply PS 3100, the \$300 million contribution would have been scoped out as it should be considered a government transfer under PS 3410.

Therefore, at March 31, 2021, the Fund had accumulated remeasurement losses totaling \$112K. The issue here is that under the current and proposed PS, the accumulated remeasurement gains or losses are reported under an organization’s net assets.

This can create some confusion and mislead the readers about the availability of the Fund’s assets (e.g., the fluctuations in the market value of the Fund’s equity investments are not subject to any restrictions). Although the Fund can make some additional disclosures about the restrictions in its net assets as per PS 4200, this style of presentation is still a bit odd for the Fund to be in a net assets position just from changes in the market value of some of its investments.

Fund’s Solution:

To get around this issue, the Fund reported its accumulated remeasurement losses at March 31, 2021 under liabilities instead. Also, because of the unique nature of the Fund (i.e., no possibility of accumulating net assets), we would request that this approach be considered as a customization to the implementation of Option 2 of the GNFP Strategy Consultation Paper.

3. "Government Not-for-Profit (GNFP) Strategy Consultation Paper II".

We reviewed this exposure draft from the perspective that we are a preparer of Financial Statements.

It was noted that a lot of preparers had issue with the definition criteria for determining if an organization was a Government Not for Profit organization. In many cases the criteria that the organization has counterparts outside the public sector was the criteria that was not met.

The Fund also has an issue with this definition criteria. Because of the unique nature of the Fund, it is difficult to find a true private sector counterpart. The Fund has two products that it offers to First Nations, which are capacity development funding and for those that qualify, a Credit Enhancement guarantee (a 10% backstop guarantee on a First Nation's guarantee on home mortgages in their community). For these unique services, it is difficult to find private sector counterparts that offer all of the services (as one entity) like the Fund. As per 064., PSAB is planning on keeping the current definition of GNFP, but the impact of applying the definition under the three options varies; however, the Fund would like to note that if the GNFP definition does not change, then organizations that do not meet the criteria to have a private sector counterpart will still be unable to access customizations available to GNFPs under Option 2.

As such, the Fund is hoping that PSAB will provide more guidance on what it entails to have a private sector counterpart (and to what degree) or remove this specific criterion altogether.

In general, the Fund is in favour of implementing Option 2 and will be keen to take part in incorporating the current PS 4200 series and developing customizations for GNFPs such as the one mentioned above, which would allow us to continue reporting the accumulated remeasurement gains/losses in the liabilities section of our Statement of Financial Position.

Should you have any questions or comments regarding our feedback, or wish to discuss further, please feel free to contact our Director, Finance and Administration, Mr. Travis Seymour, CPA, CGA, MBA, CAFM.

Yours truly,



Deborah Taylor
Executive Director

c.c. Tae Kim, CPA CA, Senior Financial Analyst, FNMHF



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

June 30, 2021

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Mr. Puskaric:

Re: CONSULTATION PAPER II: PSAB'S GOVERNMENT NOT-FOR-PROFIT STRATEGY

Thank you for providing us with the opportunity to comment.

The public interest is best served when financial statement users are provided with information that is comparable for similar transactions. To achieve this goal, financial reporting standards should be consistent both within a jurisdiction and among jurisdictions. For government not-for-profit organizations, this is not presently the case. Within the same jurisdiction, the financial statements of government not-for-profit organizations applying the PS 4200 series are not comparable to government entities that are not eligible to, or choose not to, apply the PS 4200 series. In addition, the PS 4200 series is not used consistently by government not-for-profits across Canada, which makes interjurisdictional comparison difficult. Option II is the preferred choice as it is expected to eliminate inconsistencies between government organizations.

The Consultation Paper did not detail how PSAB plans to incorporate the PS 4200 series into the PSAB Handbook. It will be important for PSAB to achieve a balance when deciding on the best approach to proceeding with customizations. PSAB should endeavor to preserve certain aspects of accounting for not-for-profit organizations that are meaningful to financial statement users. This includes well-established practices, such as fund accounting, and guidance that cannot be found outside the PS 4200 series, such as accounting for donated goods and services. However, offering too many choices can weaken the level of consistency and comparability in financial reporting.

Responses to Requests for Specific Comments

Our responses to the matters on which you specifically requested comments are set out below.

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

Yes, we agree. Please see our response above.

Thank you for the opportunity to comment.

Yours truly,

Bonnie Lysyk
Auditor General of Ontario

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June 30, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5v 3H2

Dear Michael,

CAUBO is pleased to provide you with feedback on the Public Sector Accounting Board (“PSAB”) **Government Not-for-Profit Strategy – Consultation Paper II** dated January 2021.

The Canadian Association of University Business Officers (CAUBO) is a non-profit professional organization representing the chief administrative and financial officers at over 100 universities and affiliated colleges in Canada. CAUBO promotes professional management and provides support to member institutions in a broad range of administrative functions.

CAUBO has a broad membership, comprised of universities located in all regions of the country and of varying sizes and specialties. As such, CAUBO university members follow different accounting standards.

The comments enclosed reflect our national membership who apply either PSAB or the Accounting Standards Board (“AcSB”) frameworks on basis of facts addressing whether a university is in a jurisdiction of government control or one of institutional autonomy. Across Canada four provincial jurisdictions apply Public Sector Accounting Standards (“PSAS”), three do not apply PS 4200 and one does apply PS 4200. The universities applying PSAB fit the definition of Government Not-for-Profit Organizations (“GNFPOs”). The remaining six provincial jurisdictions are not government controlled and therefore apply AcSB, part III using either the restricted fund method or deferral method.

The proposed changes, will affect one jurisdiction, Newfoundland & Labrador, or one university who currently applies PS 4200 will shift to PSAS (whereby PS 4200 will be reviewed to determine if should be retained and added into PSAS at some yet to be determined prospective date). Further, British Columbia, Alberta and Manitoba or twenty-six universities will also likely have changes where PS 4200 matters are incorporated into PSAS. The benefit suggested is harmonization across GNFPOs. We believe universities should account for transactions according to the organization’s jurisdictional control or autonomy providing financial statements that serve the best interest of the readers, which does not necessarily mean applying the same accounting standards to an entire sector operating within different jurisdictions. Entities should be able to report differently based on the organizational facts by provincial jurisdiction. GNFPOs have fundamentally different control models and accountabilities, hence any further one size fits all approach across GNFPOs and autonomous university jurisdictions risks delivering misleading information. Converging practices under PSAS across all GNFPOs in the long term will reduce effort, promote sustainability, and enhance consistency, over maintaining two sets of similar standards.

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The harmonization benefit should be based on expressed financial statement user need, the consultation paper I and II have not provided any basis of an existing “expressed” need for consistency across provincial jurisdictions. In the absence of evidence, the harmonization at best, should be limited to PSAB GNFPOs and the resultant benefits should, in theory, better serve user needs and exceed the costs associated with any consequential accounting and reporting changes required. The harmonization efforts are limited within the university sector since eighty universities in six provincial jurisdictions are not GNFPOs due to their autonomy and therefore use AcSB.

In addition, the readers of the financial statements may not necessarily require cross-provincial comparability and consistency since the users of the financial statements tend to be mainly financing parties and credit rating agencies who understand the different acceptable accounting methods in Canada. Local provincial government has its greatest needs within jurisdiction and likely would have access to financial expertise for any comparability analysis with other jurisdictions. Donors might look at the financial statements, however, typically an advancement team will convey university financials and other matters with donors directly. It is unclear whether the federal government would have any use for financial statement consistency across the university sector given its accessibility to annual Statistics Canada financial reporting. The approvers of the financial statements, or Boards, are unlikely to require consistency across provinces as Boards typically have a series of financial reporting available to them and access to the universities chief financial officer to address any consistency questions.

Overall, CAUBO members are supportive of the harmonization efforts across GNFPOs PSAB is undertaking that will affect PSAS and PS 4200 users in the short and medium term. In the long-term maintaining one set of PSAS standards, with incorporation of appropriate PS 4200 matters, along with a revised conceptual framework should enable PSAB to address several core residual accounting concerns expressed during consultation paper I dated May 2019. Further clarification would be helpful in the next consultation paper or exposure draft on this subject that, in simple terms, identifies the proposed transition timeline along with explanation or justification for the magnitude of material changes proposed in January 2021 covering other matters such as the revised conceptual framework, consequential amendments, the financial statement presentation reporting model, further consequential amendments and more for comment by June 30, 2021. The materials, taken together, represent a significant undertaking to effectively, read, review, and respond. The original proposed four-month window during the pandemic and many organizations year-ends was simply too short. The quality and depth of responses might have been impaired consequently particularly given the detailed nature of the documents that did not have accompanying simplified summaries.

Finally, a comment worth repeating, defined GNFPOs are not the same as autonomous not-for profit organizations thus further harmonization efforts across all jurisdictions might result in misleading information. This comment is consistent with the response sent to PSAB by the Council of Ontario Financial Officers (“COFO”) on September 30, 2019, thus the point in the consultation paper II on page 4 paragraph 015 is factually incorrect.

Sincerely,



Nathalie Laporte
Executive Director,
Canadian Association of University Business Officers

June 22, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Michael:

Re: PSAB's Government Not-for-profit Strategy, Consultation Paper II.

The University of Alberta (UofA) is pleased to be able to provide its comments to the Public Sector Accounting Board (PSAB) on the Government Not-for-profit Strategy, Consultation Paper II.

The UofA overall agrees with the selection of Option 2 – Public Sector Accounting Standards (PSAS) incorporating the PS 4200 series with potential customizations. The UofA is in agreement with this option for the following reasons:

1. As mentioned in paragraph .042, this option will result in a consistent application of standards for all Government Not-for-profit Organizations (GNFPO). It will eliminate the inconsistent practice where some controlled GNFPO have been mandated to use 'pure' PSAS where other controlled GNFPO have been allowed a choice between 'pure' PSAS and PSAS with the PS 4200 series of standards. This should allow institutions to be able to implement consistent internal processes and ease consolidation concerns.
2. This option should allow for the most robust and efficient approach to develop new standards or amend existing standards that directly impact GNFPO. It should provide them with a louder voice in the development of new standards.
3. Option 2 has the benefit of being the most consistent in terms of application of accounting standards for GNFPO.
4. The ability for customizations gives this option more flexibility than the other two options. This flexibility is something that the UofA sees great value in as there are, on a regular basis, transactions that the university encounters that simply are not covered with existing PSAS available to it. (It should be noted here that the UofA was not provided the option of using the PS 4200 series by its parent government).

The UofA would like to make note of the following observations should Option 2 be selected:

1. It is important that consultations occur with GNFPO before a standard in the PS 4200 series is removed as not being compatible with the overall PSAB framework.
2. A stronger definition or examples of what could be considered a customization would be helpful. How would customizations be considered and how would a GNFPO go about using customizations? This clarity would prove helpful – especially for smaller GNFPO who may not have the resources available to them to assist in making these choices.

Thank you for the opportunity to comment on this paper. The area of GNFPO is one of keen interest to the UofA. Please contact me directly should you have any questions on the comments provided.

Sincerely

Brian Boytang
Director, Financial Reporting
Finance, Procurement and Planning
University of Alberta
780-492-0878
bboytang@ualberta.ca

cc. Martin Coutts, Associate Vice-President, Finance, Procurement and Planning

June 30, 2021

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Re: Government Not-for-Profit Consultation Paper II

Dear Mr. Puskaric,

Thank you for the opportunity to provide comments on the Government Not-for-Profit Consultation Paper II. Our comments are below:

Question

Considering the criteria and options described in Consultation Paper II, do you agree the proposed (#2) option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

We believe that a common reporting model for all public sector entities, including Government Not-For-Profit Organizations (GNFPOs), should be applied. GNFPOs should not be treated differently than other government units since they both have the same objective of serving the public and both are considered non-profit in nature. Distinguishing between them may be unnecessary as they are ultimately accountable to the public through government. Application of accounting policies should be consistent for similar types of transactions between all public sector entities, including GNFPOs, and there should be no differentiation. Common standards and a common reporting model would improve the comparability of GNFPO financial statements across all subsectors as well as comparability between governments and GNFPOs, which we view as a benefit to users. Also, we believe this option could improve the efficiency, consistency, and understandability of financial statements and interpreting standards, especially at year-end when the GNFPOs and controlling government financial statements are consolidated.

We agree with PSAB's recommended Option 2 of incorporating the PS 4200 series into PSAS with potential customizations. Out of the three options that were presented in Consultation Paper II, we agree that is the best option. First, this will eliminate a suite of standards that GNFPOs could choose to apply or not and will provide a common reporting model for all public sector entities. We believe this approach will enable the public sector entities to apply consistent accounting and reporting standards. It is our view this will make financial statements more understandable and will improve their usefulness. Moreover, having a common reporting model among all public sectors, will improve consistency and comparability of GNFPO financial statements across all subsectors as well as between governments and GNFPOs.

Nevertheless, we understand there is still some limitation with Option 2 when comparing between GNFPs and private sector NFPOs. However, we believe this limitation can be remedied, in some instances, with additional financial statement note disclosures and schedules.

We are cognizant of the fact that there are special cases where the size or other special circumstances of GNFPs may warrant different reporting requirements. To address this reporting requirement issue for some GNFPs, PSAB is encouraged to consider customizations to address GNFP-specific and unique needs by providing the option of alternative presentation/disclosure changes. For example, PSAB should consider the addition of a new financial reporting schedule that would accommodate the unique reporting requirements of GNFPs.

We feel that there are currently two main concerns with the application of PSAS without the option of the PS 4200 series – how to treat endowment contributions and the inability to defer and recognize contributions for the purchase of tangible capital assets. We acknowledge the issue of endowments could fit well with PSAB's proposed revised financial reporting model. This new reporting model could accommodate endowment assets being recognized directly in net assets and presented under non-financial assets in the financial statements. In order to realize that possible accommodation, there would need to be a standard to specify this treatment. In addition, we still feel that there might be inconsistent interpretation in the inability to defer and recognize capital contributions. We don't feel these issues are unique to GNFPs as both could impact other public sector entities, deferred capital contributions in particular. We would encourage PSAB to consider incorporating the areas of PS 4210 that address both endowments and revenue recognition into the PSA Handbook. We believe this would be relevant to all public sector entities ensuring consistency in financial reporting. We also feel incorporating these areas of PS 4200 into PSAS would fit well with the new proposed financial reporting model, although we appreciate there would be inconsistencies with the proposed conceptual framework. It is our view those inconsistencies could be justified in a new proposed standard should it not fit into the final conceptual framework.

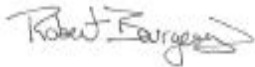
We do not believe that the current status quo in Option 1 is acceptable as current practice reveals that there are diverse accounting frameworks being applied. This diversity in accounting frameworks has compromised comparability and understandability of financial statements and information. We believe that the ability to choose from two different accounting frameworks impairs the understandability of the results for users. If a choice is permitted, as is currently the case with the option of applying or not applying the PS 4200 series for GNFPs, some GNFPs may continue to be mandated or legislated by their controlling government as to which accounting framework to apply while others may not. Even if this Status Quo Option 1 was chosen and the PS 4200 series was updated to meet the current accounting needs, this does not eliminate or reduce the issue of diverse accounting frameworks being used. If anything, these accounting standard choices should be reduced to help improve the comparability and understandability of financial statements.

Furthermore, it is our opinion that the introduction of another source of GAAP (Part III with Part II as reference standards) in Option 3 would not improve the understandability of financial statements. Both options (3A & 3B) would introduce additional guidelines and standards (Part III NPO Accounting and Part II ASPE) that are even less aligned with the current government reporting framework under PSAS. Under both of these options, comparability between governments and GNFPs would be impaired as

GNFPOs would apply a different accounting framework. Moreover, reference standards based on Part II (ASPE) of the Handbook may require additional consolidating adjustments when incorporating the GNFPOs into the financial statements of the controlling government. Allowing multiple accounting frameworks would be the option that meets the fewest number of criteria and thus wouldn't meet the Canadian public interest.

We thank you for this opportunity to respond to this Consultation Paper, and we appreciate the work PSAB has put into the Government Not-for-Profit Strategy.

Sincerely,



Robert Bourgeois, CPA, CA
Executive Director, Government Accounting
NS Department of Finance and Treasury Board

July 2, 2021

Michael Puskaric, Director
Public Sector Accounting Board (PSAB)
277 Wellington St. West
Toronto ON M5V 3H2

RE: Government Not-for-Profit Strategy Consultation Paper II

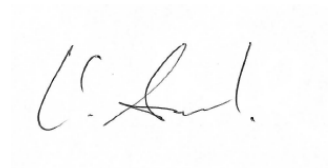
We are pleased to submit our views on PSAB's Government Not-for-Profit Organization (GNFPO) strategy.

Overall, we strongly support PSAB's recommended Option 2. We have provided additional comments for PSAB's consideration as it develops a GNFPO strategy.

We thank the Board for the opportunity to comment.

Sincerely,

Welch LLP



Umar Saeed, MAcc, CPA, CA

Partner

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cc: Clyde Maclellan, Chair, PSAB
Chris Meyers, Partner, Welch
Shawn Kelso, Partner & Director of Professional Standards, Welch

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

The GNFPPO strategy is a complicated project as stakeholders are quite diverse and have unique reporting environments. The evolution of the GNFPPO reporting environment has been fragmented as different provinces have made varying decisions on how PSAB's handbook may be applied by GNFPPOs.

As practitioners, we offer our comments with the view that consistent application of the standards across Canada will improve audit quality and streamline costs in the public sector. We believe that public sector entities and the governments they report to should account for similar transactions consistently. PSAB outlines many criteria to evaluate this strategic decision in its consultation paper. The goal of standardizing accounting for similar transactions underlie these criteria and is implicitly the most important objective of PSAB as a standard setter. Meeting this objective is in the public interest.

We support the proposed option 2

We view governments and their controlled entities similar to parent companies and their subsidiaries. The purpose of consolidating public accounts is to summarize assets and liabilities and report on the aggregated results of the government. It does more harm than good to permit one set of standards for the parent company, while directing subsidiaries to adopt a different set of standards.

We agree that the status quo (option 1) is not sustainable, given the feedback provided by the stakeholder community and the problems associated with having so many available reporting frameworks, variations of those frameworks, and optionality of accounting policy within those frameworks. The status quo prevents PSAB from standardizing accounting transactions. The new GNFPPO strategy must enable PSAB to standardize accounting transactions across the public sector.

We also believe that option 3 will not achieve the desired harmony across public sector entities in Canada.

It is unclear from the consultation paper what has changed in the PSAB environment that the Board would reverse the decision made by PSAB a decade ago (3A) and point all GNFPPOs to Part III of the handbook again. Further, option 3A may fall short of resolving the inconsistent application of accounting standards across the public sector. For example, the AcSB is currently consulting with its stakeholders to streamline revenue recognition standards. However, it is possible that NPO stakeholders convince the AcSB to maintain an option for entities to recognize revenues using different methods. This option does not enable PSAB to ensure the appropriate standardization of accounting transactions across the public sector.

Finally, we believe the sector-specific issues that may be addressed through option 3B may also be addressed through option 2. Guidance on endowments, for example, is of significant interest to post-secondary institutions (a sub-sector of GNFPPOs). However, we believe the application of endowment accounting should not depend on an entity meeting the definition of a post-secondary institution. Rather, any public sector entity of any type should be able to apply guidance on endowments if it meets the transactional definition for endowments.

GNFP Definition does not currently support meaningful classification of entities

Consider the following:

- A hospital in a small town Ontario may have no private sector counterpart, fail to meet the definition of GNFP entity, yet still apply the 4200 series;
- A crown corporation that delivers infrastructure for the entire province may meet the definition of a GNFP and use the 4200 series, but a similar crown corporation in a different province may not be permitted to use 4200 and therefore reports using a different framework;
- An Other Government Organization (OGO) may determine PSAS is not as suitable for its financial statement users and decides to use IFRS;
- An Indigenous Government may have a Government Business Enterprise (GBE) that follows IFRS, but finds the reporting requirements onerous, given the GBE operates a fairly simple business;

PSAB's current system of classification is driven by entity definitions in the introduction of the handbook. An entity follows the reporting framework based on its meeting certain definitions. However, we suggest that these definitions are not effective in classifying entities because within each definition, entities are permitted options. For example, an OGO may apply PSAB or IFRS, despite being classified as an OGO. Alternatively, a GNFP may apply 4200 or may not.

Regardless of the strategy PSAB decides to pursue for GNFPs, we believe streamlining the definitions available in the introduction of the handbook so that there are less classifications and less options within each classification will greatly reduce the number of similar entities using different reporting frameworks.

Revenue Recognition as an analogy for future GNFP strategy challenges

There are many challenges in streamlining revenue recognition standards available to public sector entities. While this is not the focus of the GNFP consultation paper II, analyzing this issue to identify principles needed in PSAB's GNFP strategy serves as a useful analogy for future standard setting challenges.

For example, PS 4200 series provides options to entities on revenue recognition methods for contributions (restricted fund v. deferral). Additionally, PS 4200 is not available to some public sector entities. This necessarily means that similar entities will account for the same contributed revenue transaction differently.

How can PSAB's GNFP strategy address this to increase consistent accounting?

1. Are contributions (PS 4210) and its definitions (contributed cash, contributed assets, contributed services) substantially different in nature from transactions that fall within the scope of Government Transfers (PS 3410), Restricted Assets and Revenue (PS 3100), or Revenue (PS 3400) such that they warrant new or specific guidance?
2. Where PSAB believes contributed revenues could fit under existing PSAB guidance, is existing guidance sufficiently robust and clear to address any interpretation and accounting challenges that may arise with contributions? Further, how might the application of the GAAP hierarchy

provide consistent guidance for contribution transactions that fall through the cracks in PSAB's handbook (note: IPSAS is at the top of PSAB's GAAP hierarchy and not AcSB Part III)?

3. If PSAB decides contribution revenue warrant new primary guidance, what reference standards should be used to develop this guidance? Would PSAB start with IPSAS principles, according to PSAB's international strategy? Would it utilize work performed by the AcSB, presuming AcSB develops a single method for revenue recognition? Or would it use IFR4NPO, which aims to be an international benchmark for accounting standards specifically for NPOs?

Similar to PSAB's international strategy, the GNFP strategy must fit within the overarching standard setting framework in the public sector and have appropriate "rules of the road" to answer some of the challenging questions ahead.

Ultimately, these rules of the road are constrained by the "parent-subsidiary" relationship governments have with their GNFPs (similar accounting for similar transactions across the government reporting entity is a goal). Where PSAB has provided too many options for accounting, senior levels of governments have not shown an appetite for those options – they would prefer a consistent set of accounting rules from top-to-bottom for the government reporting entity.

We believe PSAB's GNFP strategy has the opportunity to simplify accounting practices across the public sector with increased consistency.

June 30, 2021

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Government Not-for-Profit Strategy Consultation Paper II

Thank you for the opportunity to comment

Unfortunately, we don't agree that Option 2 - PSAS incorporating the PS 4200 series with potential customizations, would best meet the needs of the Canadian public interest. Any proposed customizations will create inconsistencies for the accounting, presentation, and/or disclosures in the financial statements.

A common set of standards should continue to be developed with the needs of all user groups being kept in mind consistent with PSAB's proposed conceptual framework. As a result, Option 1 - the status quo, should remain until these matters are fully addressed.

Sincerely,



Dan Stadlwieser
Controller

Attachment

Government Not-for-Profit Strategy Consultation Paper II

Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.

Disagree.

We disagree that Option 2, PSAS incorporating the PS 4200 series with potential customizations, would best meet the needs of the Canadian public interest. Any proposed customizations will create inconsistencies for the accounting, presentation, and/or disclosures in the financial statements amongst GNFPOs.

We also believe governments and GNFPOs should account and report for items in the financial statements similarly. Since GNFPOs are controlled by governments and are within the same government reporting entity, it is logical that there be uniform accounting standards without customizations. The consolidation of the financial results of GNFPOs into the financial statements of each respective government is most effectively achieved by having a consistent basis of accounting.

We believe it is important to not move away from the concept of general purpose financial statements. General-purpose financial statements are a key requirement in assisting with accountability, decision-making, and consolidation. Financial statement users benefit from all GNFPOs using the same set of financial reporting standards. This allows stakeholders to make informed decisions as GNFPOs can be compared on a level playing field. While recognizing the fact that certain users may rely on other sources of information for comparability to counterparts of certain organizations, providing general-purpose financial statements should remain the main objective.

In Alberta, for many years now we have been using PSAS without the 4200 series for public sector entities (with exception to government business enterprises who use IFRS) within the Province's government reporting entity. This achieves the objective of users for consistent and comparable financial reporting. Any potential mandatory introduction of the PS 4200 series with potential customizations would create confusion amongst users of financial statements.

In conclusion, we believe common financial reporting standards is in the best interest of everyone to achieve comparability and consistency. A common set of standards should continue to be developed with the needs of all user groups being kept in mind consistent with PSAB's proposed conceptual framework. As a result, Option 1, the status quo, should remain until these matters are fully addressed.

June 30, 2021

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5v 3H2

Dear Michael,

McMaster University is pleased to provide you with feedback on the Public Sector Accounting Board (“PSAB”) **Government Not-for-Profit Strategy – Consultation Paper II** dated January 2021. McMaster is a not-profit-profit organization operating in Hamilton, Ontario under the McMaster University Act. McMaster follows Part III of the CPA Canada Handbook, which falls within the Accounting Standards Board (“AcSB”) oversight. McMaster reviews both Public Sector Accounting Board (“PSAB”) exposure drafts and consultation papers with an objective of providing a provincial sectoral opinion or advice on practice evolution. Further, McMaster supports the Council of Ontario Financial Officers and the Canadian Association of University Business Officers in reviewing, soliciting broader constituency comments and drafting its responses for representative voice across the Ontario and Canadian university sector. This response builds upon the themes identified in our earlier response to **Government Not-for-Profit Strategy – Consultation Paper I**.

The comments enclosed reflect consideration of universities who apply either PSAB or the AcSB frameworks on basis of facts addressing whether a university is in a jurisdiction of government control or one of institutional autonomy. Across Canada four provincial jurisdictions apply Public Sector Accounting Standards (“PSAS”), three do not apply PS 4200 and one does apply PS 4200. The universities applying PSAB fit the definition of Government Not-for-Profit Organizations (“GNFPOs”). The remaining six provincial jurisdictions are not government controlled and therefore apply AcSB, part III using either the restricted fund method or deferral method.

The proposed changes, for universities, will affect Newfoundland/Labrador where those local universities who currently apply PS 4200 will shift to PSAS (whereby PS 4200 will be reviewed to determine if should be retained and added into PSAS at some yet to be determined prospective date). Further, British Columbia, Alberta, and Manitoba universities (26 organizations) will also have likely changes where PS 4200 matters are incorporated into PSAS. The benefit suggested is harmonization across GNFPOs. We believe universities should account for transactions according to the organization’s jurisdictional control or autonomy providing financial statements that serve the best interest of the readers, which does not necessarily mean applying the same accounting standards to an entire sector operating within different jurisdictions. Entities should be able to report differently based on the organizational facts by provincial jurisdiction. GNFPOs have fundamentally different control models and accountabilities, hence any further one size fits all approach across GNFPOs and autonomous university jurisdictions risks delivering misleading information. Converging practices under PSAS across all GNFPOs in the long term will reduce effort, promote sustainability, and enhance consistency, over maintaining two sets of similar PS standards.

The harmonization benefit should be based on expressed financial statement user need, the consultation paper I and II have not provided any basis of an existing “expressed” need for consistency across provincial jurisdictions. In the absence of evidence, the harmonization at best, should limited to PSAB GNFPOs and the resultant benefits should, in theory, better serve user needs and exceed the costs associated with any consequential accounting and reporting changes

required. The harmonization efforts are limited within the university sector since 80 universities in six provincial jurisdictions are not GNFPs due to their autonomy and therefore use AcSB.

In addition, the readers of the financial statements may not necessarily require cross-provincial comparability and consistency since the users of the financial statements tend to be mainly financing parties and credit rating agencies who understand the different acceptable accounting methods in Canada. Local provincial government has its greatest needs within jurisdiction and likely would have access to financial expertise for any comparability analysis with other jurisdictions. Donors might look at the financial statements, however, typically an advancement team will convey university financials and other matters with donors directly. It is unclear whether the federal government would have any use for financial statement consistency across the university sector given its accessibility to annual Statistics Canada financial reporting. The approvers of the financial statements, or Boards, are unlikely to require consistency across provinces as Boards typically have a series of financial reporting available to them and access to the universities chief financial officer to address any consistency questions.

Overall, McMaster supports harmonization efforts across GNFPs under PSAB acknowledging that this undertaking will affect PSAS and PS 4200 users in the short and medium term. In the long-term maintaining one set of PSAS standards, with incorporation of appropriate PS 4200 matters, along with a revised conceptual framework should enable PSAB to address several core residual accounting concerns expressed during consultation paper I dated May 2019. Further clarification would be helpful in the next consultation paper or exposure draft on this subject that, in simple terms, identifies the proposed transition timeline along with explanation or justification for the magnitude of material changes proposed in January 2021 covering other matters such as the revised conceptual framework, consequential amendments, the financial statement presentation reporting model, and further consequential amendments. The materials released in January 2021, taken together, represent a significant undertaking to effectively, read, review, and respond and more time in future would be useful to ensuring respondents can effectively review, consult, and respond. The initial proposed four-month window during the pandemic during what is a period for many organizations to undergo year-ends was simply too short. The quality and depth of responses might be impaired consequently particularly given the detailed nature of the documents that did not have accompanying simplified summaries.

Finally, a comment worth repeating, GNFPs are not the same as autonomous not-for profit organizations thus further harmonization efforts across all jurisdictions might result in misleading information. This comment is consistent with the response sent to PSAB by the Council of Ontario Financial Officers (“COFO”) on September 30, 2019, thus the point in the consultation paper II on page 4 paragraph 015. is factually incorrect.

Sincerely,



Deidre (“Dee”) Henne, CPA, MBA, CA, Hons. B. Comm
AVP (Administration) & Chief Financial Officer
McMaster University

Cc: Planning and Resources Committee, McMaster University

June 30, 2021

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5v 3H2

Dear Mr. Puskaric,

The Council of Ontario Finance Officers (“COFO”) is pleased to provide you with feedback on the Public Sector Accounting Board (“PSAB”) **Government Not-for-Profit Strategy – Consultation Paper II** dated January 2021. COFO is an affiliate of the Council of Ontario Universities, comprised of the senior financial officers from Ontario’s twenty universities that promotes communication, information exchange, and cooperation among its members. Ontario universities are autonomous not-for-profit organizations (“NFPOs”) that are financially assisted by the Province of Ontario through an operating grant and a domestic tuition setting framework. However, Ontario universities have other sources of diversified revenues not governed by the province. Further, Ontario universities operate under the formation of independent and individual university legislations. Accordingly, Ontario universities follow Part III of the CPA Canada Handbook, which falls within the Accounting Standards Board (“AcSB”) oversight.

COFO members review both AcSB and Public Sector Accounting Board (“PSAB”) exposure drafts and consultation papers with an objective of providing a provincial sectoral opinion or advice on practice evolution. This response builds upon the themes identified in COFO’s earlier response to **Government Not-for-Profit Strategy – Consultation Paper I** issued September 30, 2019.

The comments enclosed reflect consideration of universities who apply either PSAB or the AcSB frameworks on basis of facts addressing whether a university is in a jurisdiction of government control or one of institutional autonomy. Across Canada four provincial jurisdictions apply Public Sector Accounting Standards (“PSAS”), three do not apply PS 4200 and one does apply PS 4200. The universities applying PSAB fit the definition of Government Not-for-Profit Organizations (“GNFPOs”). The remaining six provincial jurisdictions are not government controlled (by definition) and therefore apply AcSB, part III using either the restricted fund method or deferral method.

The proposed changes, for universities, will affect Newfoundland & Labrador where those local universities who currently apply PS 4200 will shift to PSAS (whereby PS 4200 will be reviewed to determine if should be retained and added into PSAS at some yet to be determined prospective date). Further, British Columbia, Alberta, and Manitoba universities (affecting 26 organizations) will also have likely changes where PS 4200 matters are incorporated into PSAS. The benefit suggested is harmonization across GNFPOs. We believe universities should account for transactions according to the organization’s jurisdictional control or autonomy providing financial statements that serve the best interest of the readers, which does not necessarily mean applying the same accounting standards across an entire sector operating within different jurisdictions. Entities should be able to report differently

based on the organizational facts by provincial jurisdiction. GNFPOs have fundamentally different control models and accountabilities, hence any further one size fits all approach across GNFPOs and autonomous university jurisdictions risks delivering misleading information. Converging practices under PSAS across all GNFPOs in the long term will reduce effort, promote sustainability, and enhance consistency, over maintaining two sets of similar PS standards.

The harmonization benefit should be based on expressed financial statement user need, the consultation paper I and II have not provided any basis of an existing “expressed” need for consistency across provincial jurisdictions. In the absence of evidence, the harmonization at best, should limited to PSAB GNFPOs and the resultant benefits should, in theory, better serve user needs and exceed the costs associated with any consequential accounting and reporting changes required. The harmonization efforts are limited within the university sector since 80 universities in six provincial jurisdictions are not GNFPOs due to their autonomy and therefore use AcSB.

In addition, the readers of the financial statements may not necessarily require cross-provincial comparability and consistency since the users of the financial statements tend to be mainly financing parties and credit rating agencies who understand the different acceptable accounting methods in Canada. Local provincial government has its greatest needs within jurisdiction and likely would have access to financial expertise for any comparability analysis with other jurisdictions. Donors might look at the financial statements, however, typically an advancement team will convey university financials and other matters with donors directly. It is unclear whether the federal government would have any use for financial statement consistency across the university sector given its accessibility to annual Statistics Canada financial reporting. The approvers of the financial statements, or Boards, are unlikely to require consistency across provinces as Boards typically have a series of financial reporting available to them and access to the universities chief financial officer to address any consistency questions.

Overall, COFO supports harmonization efforts across GNFPOs under PSAB acknowledging that this undertaking will affect PSAS and PS 4200 users in the short and medium term. In the long-term maintaining one set of PSAS standards, with incorporation of appropriate PS 4200 matters, along with a revised conceptual framework should enable PSAB to address several core residual accounting concerns expressed during consultation paper I dated May 2019. Further clarification would be helpful in the next consultation paper or exposure draft on this subject that, in simple terms, identifies the proposed transition timeline along with explanation or justification for the magnitude of material changes proposed in January 2021 covering other matters such as the revised conceptual framework, consequential amendments, the financial statement presentation reporting model, and further consequential amendments. The materials released in January 2021, taken together, represent a significant undertaking to effectively, read, review, and respond and more time in future would be useful to ensuring respondents can effectively review, consult, and respond. The initial proposed four-month window during the pandemic during what is a period for many organizations to undergo year-ends was simply too short. The quality and depth of responses might be impaired consequently particularly given the detailed nature of the documents that did not have accompanying simplified summaries.

Finally, a comment worth repeating, GNFPOs are not the same as autonomous not-for profit organizations thus further harmonization efforts across all jurisdictions might result in misleading information. This comment is consistent with the response sent to PSAB by the Council of Ontario Financial Officers (“COFO”) on September 30, 2019, thus the point in the consultation paper II on page 4 paragraph 015. is factually incorrect.

Sent on behalf of Josh Tonnos, COFO Chair (May 1, 2021) by COFO Past chair (May 1, 20219 to April 30, 2021).

Sincerely,



Deidre (“Dee”) Henne, CPA, MBA, CA, Hons. B. Comm
AVP (Administration) & Chief Financial Officer
McMaster University

Cc: Council of Ontario Financial Officers from:

- Algoma University
- Brock University
- Carleton University
- University of Guelph
- Lakehead University
- Laurentian University
- Nipissing University
- OCADU
- Ontario Tech University
- University of Ottawa
- Queen’s University
- Ryerson University
- University of Toronto
- Trent University
- University of Waterloo
- Western University
- Wilfred Laurier University
- University of Windsor
- York University

Montréal, le 30 juin 2021

Monsieur Michael Puskaric, CPA, CMA
Directeur, Comptabilité du secteur public
Conseil sur la comptabilité dans le secteur public
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Monsieur,

Vous trouverez ci-joint les commentaires du Groupe de travail technique Secteur public R Comptabilité dans le secteur public de l'Ordre des comptables professionnels agrés du Québec, concernant le document de consultation II intitulé « *Stratégie du CCSP relative aux organismes sans but lucratif du secteur public* ».

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veillez prendre note que ni l'Ordre des comptables professionnels agrés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veillez agréer, Monsieur Puskaric, mes salutations distinguées.

Annie Smargiassi, CPA auditrice, CA
Représentante du groupe de travail technique Secteur public R Comptabilité dans le secteur public

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les groupes de travail de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître leur opinion sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail de l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via le Groupe de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux, dans l'industrie et dans l'enseignement ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires ont fait l'objet d'un consensus parmi les membres des groupes de travail ayant participé à cette analyse.

Les commentaires formulés ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

QUESTION SPÉCIFIQUE DU CCSP ET AUTRES COMMENTAIRES

Compte tenu des critères et des options décrits dans le Document de consultation II, êtes-vous d'accord que l'option proposée (voir paragraphes .074 à .078) sert le mieux l'intérêt public canadien? Veuillez préciser.

Oui, les membres sont d'accord que l'option 2 proposée par le CCSP est l'option la plus appropriée pour les OSBLSP, soit l'intégration aux NCSP des chapitres de la série SP 4200.

Pour eux, cette approche est celle qui permettra une meilleure adaptabilité des normes applicables. De plus, cette approche, comme elle est décrite dans les propositions, permettrait qu'un OSBL qui ne répond pas à la définition stricte d'un OSBL du secteur SP, car il n'a pas d'homologues dans le secteur privé, puisse appliquer les mêmes traitements comptables que les OSBLSP qui ont des opérations analogues, ce qui répond à l'une de leurs préoccupations déjà soumises au CCSP lors des consultations antérieures.

Ils ont toutefois soulevé des préoccupations relativement à l'harmonisation ou la réconciliation de certains traitements comptables entre eux, notamment la comptabilisation des paiements de transfert et le report des apports affectés.

Concernant les critères de comparabilité et d'uniformité énoncés dans les propositions, certains membres ont aussi soulevé des préoccupations relativement à une harmonisation trop stricte des méthodes comptables. Comme ils les ont soulevées dans leurs précédents commentaires sur la stratégie pour les OSBLSP, les membres sont d'avis que les deux méthodes de comptabilisation des apports sont appropriées selon les contextes particuliers dans lesquels ils sont utilisés. Selon eux, les OSBL, dont les activités représentent principalement des levées de fonds et les OSBL dont l'objet est de procurer des services à la population, n'ont pas les mêmes objectifs et les utilisateurs n'ont pas les mêmes besoins d'information. Ainsi, selon eux, une harmonisation de toutes les méthodes n'est pas nécessairement requise et la comparabilité et l'uniformité ne sont pas toujours utiles.

Ils ont indiqué être d'accord avec les enjeux soulevés au paragraphe .018 des propositions, mais ont aussi indiqué que les apports affectés et reportés autres que ceux afférents aux immobilisations font aussi partie de leurs préoccupations.

Concernant les prochaines étapes et la transition, les membres proposent au CCSP de regrouper certains sujets pour les fins de consultation et par la suite d'assurer la mise en œuvre aux fins de l'application par les entités au même moment, de façon à faciliter la transition et assurer une certaine uniformité entre les projets de révision des normes. Ils sont toutefois d'avis que la période proposée pour soumettre des commentaires doit être plus soigneusement analysée et qu'elle doit permettre aux membres du secteur public d'en faire une analyse approfondie, ce qui a été difficile avec les trois dernières consultations.

July 2, 2021

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2
mpuskaric@psabcanada.ca

Dear Mr. Puskaric:

Re: PSAB's Government Not-For-Profit Strategy

We would like to thank the Public Sector Accounting Board for the opportunity to comment on the consultation paper (CP) on *PSAB's Government Not-For-Profit Strategy*.

Under Canadian public sector accounting standards (PSAS), Government Not-For-Profits Organizations (GNFPO) are allowed to choose between PSAS with the 4200 series or PSAS without the 4200 series. Beginning for the year ended March 31, 2019 the Province of Manitoba (POM) required its (GNFPO) to stop using PSAS with the 4200 series and apply only PSAS without the 4200 series.

The POM chose to limit GNFPO to PSAS (without the 4200 series) for several reasons. The POM better understood the financial statements of GNFPO because our own Summary Financial Statements (SFS) are prepared in compliance with PSAS. This made it easier to determine the effects of large GNFPO on the SFS for both government officials and the public. The comparability of the financial statements was enhanced because all entities with the Government Reporting Entity (GRE) were using consistent accounting policies and a common reporting model.

In the CP, PSAB presents and discusses three options:

Option 1 – Status quo, which would continue to allow GNFPO to select between PSAS with or without the 4200 series.

Option 2 - PSAS incorporating the 4200 series with potential customizations available for all public sector entities to apply if appropriate. The existing 4200 series would be reviewed to determine if it should be retained. PSAB would be able to provide customization within PSAS to accommodate GNFPO in demonstrating accountability to their users.

Option 3 – Allow GNFPO to apply another source of GAAP. Under this option all GNFPO would be required to use Part III and Part II of the CPA Canada Handbook. A variation of this option would be for PSAS to identify and direct certain subsectors

For the POM, Option 2 is the best of the three options; however, it does have certain weaknesses. It could still possibly allow GNFPO to choose their accounting standards and continue to create inconsistencies between financial statements of public sector entities within the GRE, particularly between GNFPO and the sovereign government they are a part of.

The POM does agree that Option 2 would be an improvement over the status quo. The changes that PSAB has proposed for conceptual framework and new reporting model would establish a common foundation and help public sector entities alleviate their reporting challenges. The number of current differences would be reduced and improve overall financial reporting in the public sector.

Should PSAB have any comments or questions, please contact me at 204-471-5760 or via e-mail: Andrea.Saj@gov.mb.ca, Treasury Board Secretariat, Office of the Provincial Comptroller.

Yours truly,



Andrea Saj, CPA, CGA
Acting Provincial Comptroller
Government of Manitoba

June 30, 2021

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

**Re: Response to PSAB Consultation Paper II
PSAB's Government Not-For-Profit Strategy**

Dear Mr. Puskaric,

We agree with Option 2, as presented by PSAB, as the strategy going forward – PSAS incorporating the PS 4200 series with potential customizations.

Thank you for the opportunity to comment.

Yours truly,



Paul Martin, FCPA, FCA
Comptroller
Office of the Comptroller, Finance and Treasury Board





First Nations
**FINANCIAL
MANAGEMENT
BOARD**

**CONSEIL
DE GESTION
FINANCIÈRE** des
Premières Nations

Response to ‘PSAB’s Government Not-for-Profit Strategy – Consultation Paper II’

July 9, 2021

July 9, 2021

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Michael:

Re: Responses to PSAB's Government Not-for-Profit Strategy - Consultation Paper II

The First Nations Financial Management Board ("the FMB") is pleased to provide the Public Sector Accounting Board ("PSAB") with its comments on the Consultation Paper II, 'PSAB's Government Not-for-Profit Strategy', dated January 2021.

The FMB agrees with the Consultation Paper II that Option 2 would provide the most comparability in financial statements of Indigenous Not-for-Profit Organizations with the least effort and cost for the organizations to transition. We have provided comments on each option proposed in the Consultation Paper II and responded to your proposed question.

We thank you for the opportunity to express our support for this Exposure Draft. Please contact us if you have any questions or would like to discuss any of our comments in more detail.

Sincerely,

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: 

Geordie Hungerford, CFA, CAIA, MBA, LLB
Chief Executive Officer

Comments Requested

Question	FMB Response
<p>1. Considering the criteria and options described in Consultation Paper II, do you agree the proposed option (see paragraphs .074-.078) best meets the Canadian public interest? Please explain.</p> <p><i>.074 PSAB proposes as its Government Not-for-Profit Strategy, Option 2 – PSAS incorporating the PS 4200 series with potential customizations. This recommendation resulted from:</i></p> <ul style="list-style-type: none"> • <i>a thorough analysis of the feedback received to Consultation Paper I; and</i> • <i>the evaluation of the three options against the decision-making criteria identified.</i> <p><i>075. PSAB has also determined that the Board, subject to its own due process, should incorporate the PS 4200 series into PSAS, after a thorough review of the existing standards to ensure consistency with PSAB’s conceptual framework. This is based on the Board’s expectation its proposed Conceptual Framework will set a foundation for financial statement presentation that could help to alleviate some of the GNFPFO stakeholders’ concerns raised during the 2017-2018 consultations and in response to Consultation Paper I.</i></p> <p><i>076. In developing proposed Section PS 1202, on financial statement presentation, PSAB’s Concepts Underlying Financial Performance Task Force considered all stakeholder groups. The proposed common reporting model for all public sector entities that apply the PSA Handbook would be applied and used as a benchmark from which the Board can deviate if appropriate.</i></p> <p><i>077. A key feature of this option is that if and when PSAB identifies substantive and distinct accountabilities warranting special consideration from a pure PSAS model, the Board could develop a customized solution specific to GNFPFOs, subject to its due process.</i></p>	<p>From a different scope of work, the FMB has previously reviewed a sample of financial statements available for the 47 Indigenous not-for-profit organizations (“NFPOs”). The FMB noted following observations:</p> <ul style="list-style-type: none"> • 2 Indigenous NFPOs applied the 4200 series of standards; • 16 Indigenous NFPOs applied Public Sector Accounting Standards (“PSAS”) without the 4200 series; and • 29 Indigenous NFPOs applied accounting standards from Part III of the CPA Canada Handbook – Accounting Standards for Not-for-Profit Organizations (“Part III”). <p>We recognize that some of these Indigenous NFPOs may not be a government organization, therefore, they had to apply Part III.</p> <p>As FMB is preparing to work with many Indigenous NFPOs in the future, we recommend an option that considers following factors:</p> <ul style="list-style-type: none"> • comparability in financial statements; • sustainability and responsiveness to arising accounting issues; and • the least financial burden for Indigenous NFPOs. <p>Based on FMB’s analysis of each option proposed by the PSAB in the Consultation Paper II (“CP”), the FMB believes that Option 2 would be the best option for Indigenous NFPOs.</p> <p>Option 1 – Status Quo</p> <p>The FMB agrees with the CP that status quo would not remediate the comparability issue for the users of Government NFPOs’ financial statements. The FMB recognizes that 89 percent of the Indigenous NPFOs applied PSAS without 4200 series when they elected to use PSAS. As mentioned above, the FMB will be working with many Indigenous NFPOs in the future; hence becoming one of the main users</p>

Question	FMB Response
<p>078. <i>Also, the guidance retained and incorporated into PSAS from the PS 4200 series standards will be available for all public sector entities that have similar type transactions.</i></p>	<p>of the Indigenous NFPOs' financial statements. We agree that Option 1 does not provide comparability for FMB to consistently assess financial statements of the Indigenous NFPOs.</p> <p>Option 2 – PSAS incorporating the PS 4200 series with potential customizations</p> <p>The FMB agrees with the CP that Option 2 would provide the most comparability for Indigenous NFPOs if they elect to apply PSAS. By eliminating the option to apply 4200 series of standards, it will improve the comparability of financial statements for those Indigenous NFPOs.</p> <p>From a sample of 47 Indigenous NFPOs, 17 NFPOs were Tribal Councils or NFPOs incorporated by the Tribal Councils, and we noted following observations:</p> <ul style="list-style-type: none"> • 2 Tribal Councils applied the 4200 series of standards • 11 Tribal Councils applied PSAS without the 4200 series of standards; and • 4 Tribal Councils applied the Part III. <p>A Tribal Council is established by a group of Indigenous governments in Canada to act as a fundamental government unit for each member of Indigenous governments. As the FMB is also preparing to work closely with the Tribal Council's financial statements, Option 2 would provide the most comparability if they elect to apply PSAS. However, the FMB also recognizes comparability issues will not be fully eliminated within the Tribal Council sector because they may still apply Part III. The FMB is not aware of any legislative requirement for Tribal Councils to apply PSAS when preparing their annual general purpose financial statements, however, there may be a requirement to do so in a Tribal Council's contribution funding or grant agreement.</p> <p>Although it may not provide direct comparability, the FMB believes that incorporating PS 4200 series of standards in PSAS would still increase some comparability with those financial statements prepared in accordance with Part III. This is because PS 4200 series of standards</p>

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	<p>include similar concepts such as fund accounting, deferral method, restricted fund methods, and accounting for endowments.</p> <p>In addition, we agree that this option would provide high sustainability for PSAB by responding to any future issues. We believe that this is the least costly option for Indigenous NFPOs in terms of transition, while it still increases some comparability in financial statements with those prepared under Part III.</p> <p>Option 3a – Direct Government NFPOs to follow Part III of the Handbook, using Part II of the Handbook as reference standards</p> <p>The FMB recognizes that Option 3a would provide the most comparability across all Indigenous NFPOs financial statements as they will be using the same accounting framework. However, we agree with the CP that these options would provide the least sustainability as the PSAB would lose the ability to respond to issues. In addition, requiring those Indigenous NFPOs to transition from PSAS to Part III would be pose significant financial and time burdens on those NFPOs that are already operating on a limited budget and resources.</p> <p>Option 3b – Direct a specific Government NFPO subsector(s) to follow Part III of the Handbook, using Part II of the Handbook as reference standards</p> <p>The FMB recognizes that Option 3b would increase comparability in Indigenous NFPOs financial statements depending on which subsector(s) are directed to the Part III. However, this option does not eliminate current issues related to comparability. With various subsector(s) still using different accounting frameworks, PSAB may run into further issues with inconsistencies or unfair designation of subsector(s) that may be frustrating for stakeholders. As mentioned under Option 3a, requiring an Indigenous NFPO to transition from PSAS to Part III would pose significant financial and time burdens on those NFPOs that are already operating on a limited budget and resources. As a result, the FMB believes Option 3a or 3b might not be optimal.</p>

Consultation Paper II – PSAB’s Government Not-for-Profit -Strategy

Thank you for the opportunity to provide comments on this strategy. In reviewing the information from this document, as well as others prior to it, my thought process goes to the question of why we have a separate PSAB and a separate set of standards. To me, this is a key question. If the Public Sector is unique and different enough to have a separate board and standards/handbook, then to me, it logically flows that entities within the public sector would/should follow those standards as opposed to standards within the private sector or within a specific industry.

Next, the PSAB, through its international strategy (which ties in with the GNFP and Conceptual framework) adopted Option #2 to adapt IPSAS Principles. This is a step in the direction of international harmonization. While Canada maintains autonomy to develop its own standards, it will base new standards on IPSAS except when a departure is warranted. This decision doesn’t preclude Canada from going back and revisiting past standards as well. If we are ever to get to a place where there is comparability between countries (within reason) we need comparability within the Public Sector within our own country. Again, the public sector is fundamentally different from the private sector which is a generally accepted fact internationally.

I believe the comparability and the two above concepts/decisions are driving factors in standard setting. If we go down the path of allowing a diversity of standards, dependent on the industry then that suggests the alignment is more important between industries than between governmental/public sector entities. Even within GNFP within industries, there isn’t general agreement on an approach other than the exception of Colleges and Universities. While I understand the interest in comparable financial reporting within this industry, I still believe there is a difference between privately funded and publicly funded educational institutions. Having a set of standards for GNFP that follows PSAS does not preclude this industry from having a set of comparable statements wherein there could be a clear line of sight from PSAS F/S to the differences with the PSAS to make it easy for the user to be able to compare.

The entity to which I belong allows one consolidated group to use the 4200 series in places where it makes a significant difference to them/their users. We then request enough detail to be able to adapt the data back into PSAS for consolidation. There are multiple ways this could be accomplished in either direction:

- Status quo where they use 4200 sections and are consolidated after PSAS adjusting entries are made
- Create their F/S as status quo but then also prepare a set per PSAS for the different users (the differences in this situation aren’t highly complex but matter to the entity)
- Create PSAS statements but include information that shows a clear line of sight from the section 4200 information and the PSAS so that a reasonable user could do a comparison – this could be included in the F/S or annual report or provided separately
- Modify PSAS to include some of the specific areas of concern or difficulty such that any entity

I favour the last option where specific situations and issues of concern are address directly in the PSAS. This is in alignment with Option 2 though the specifics haven’t been determined. In considering some of these issues, I believe that any standards related to these should be available to all public sector entities and the accounting/reporting treatment should be consistent across the public sector. Further, certain of the issues are being address or work to address them is likely to occur in the foreseeable future. Net

Debt is confusing to many users and is being address through the proposed new Financial Reporting Model. Intangible Assets and related issues such as natural resources are being considered or have been noted as items to be considered. The narrow scope amendment for purchased intangibles already has addressed some of this issue while discussions around climate change risk, green accounting, carbon budgets, and other sustainability issues are likely to be topics of discussion not just within the GNFP sector/industries. The solutions/discussions and recommendations or standards could/should apply to all governmental/public sector entities. Fund accounting can be handled through the segmented reporting requirements within the PSAS and can be consistent to/balance to the information provided in the face of the statements themselves.

In many instances, the issues of revenue recognition, deferred capital contributions and balanced-budget legislation are intertwined. Revenue recognition will be handled by the new revenue standard PS 3400 which provides guidance for revenues that aren't already specifically handled in other standards. This obligation focused standard should apply to all public sector entities to show that the obligations have been met in order to record the revenue. The other two, deferred capital contributions and some others issues are allegedly caused by balanced-budget legislation.

A primary purpose of deferred contributions is to match the revenue received for the asset against the amortization expenses. The purpose of that, in many situations, is to smooth income and avoid significant fluctuations in surpluses or deficits either due to balanced-budget legislation or because these items are not intuitive or easy to explain to a board or other stakeholders and can impact the entities' appearance of financial strength which can be detrimental regardless of the direction (too much revenue and they don't seem to be a non profit but large losses can look like poor decision making and a going concern risk). In the private sector, a clear purpose of smoothing income is due to income taxation, impact on shareholders, dividends, and the impact on financial ratios which can be impacted by large swings in revenue streams and how they are recorded. These issues are worthy of further discussion around budgets and their compatibility with PSAS and/or mechanisms to show revenue streams per PSAS but also a mechanism to manage fluctuations through reserves, or other method of reporting appropriations of surplus as well as ways to show/prove going concern. The accountability and transparency is key to reporting in the public sector and that is a primary purpose of budget requirements as well as PSAS. The deliberation of this and its relevance will depend on the direction the board goes, but will likely require a dive into the underlying issues causing the concerns to come up with a suitable solution.

In summary, I believe Option 2 is the best option and can best align across the criteria noted in the consultation paper as well as aligning with upcoming standards, the new conceptual framework and reporting model as well as the direction regarding IPSAS. While this does not support comparability between GNSPO's and private sector NFPO's, I believe the fundamental differences make this criteria secondary to the others and, further, this option does not preclude those industries from including supplemental information in their annual reports or in another reporting mechanism.