

PSAB's Proposed Government Not-for-Profit Strategy

Extract, PSA Discussion Group Report on the Public Meeting – April 8, 2021

In January 2021, PSAB issued Consultation Paper II, "[Government Not-for-Profit Strategy](#)." The Consultation Paper proposes a strategy for the Board's future work with GNFPs and requests input on the strategy and its implementation. The Board asked the Group to discuss select issues in a public forum:

1. Do you agree that the proposed GNFP Strategy of PSAS incorporating the PS 4200 series with potential customizations best meets the Canadian public interest?
2. Recognizing that the PS 4200 series needs to be reviewed, how should that review be undertaken? For example, is there a standard or topic that should be addressed first given the need for additional guidance on that topic, such as accounting for endowment revenue and assets? Or should the less-complex topics be addressed first to begin the process?
3. What are the advantages and disadvantages of providing customizations within PSAS for GNFPs and what are the implications for providing accounting customizations versus disclosure or presentation customizations only?

Given the short time for discussion, the Group was asked to consider concurrently all three questions in their comments.

One Group member asked for clarification of the term "customization" used in the Consultation Paper, noting it could be interpreted as meaning a different due process for PSAB setting GNFP standards. The submitter explained that customization of the due process is not intended; all the Board's projects follow the same robust due process. Instead, any proposed customizations would be subject to the due process, including consulting stakeholders. Customizations could involve, for example, financial statement presentation specific to a type of entity, or including specific accounting principles or disclosures for a type of entity or transaction within a generally accepted accounting principles (GAAP) standard. In the case of GNFPs, customizations could respond to input received from those entities. The Board is exploring whether one size fits all, and if not, what disclosures, accounting treatments or presentation requirements might address GNFP issues.

Another Group member asked for clarification of the weighting, if any, used in the criteria for evaluating the options. Although the Consultation Paper deliberately did not weight the criteria, the submitter indicated that in his view, the following broadly reflects the criteria's order of importance:

- financial statements users;
- comparability;
- consistency;

- sustainability; and
- transitional considerations.

A few Group members suggested that PSAB take a “big-bang” (i.e., all at once) approach to establishing the new GNFP standards, even if the initial proposals take longer to issue for comment than a piecemeal approach. This would allow entities to adopt an integrated set of standards at one time. Others suggested the Board take the time to do it right, looking at individual standards to ensure they meet the needs of GNFP users.

Two Group members discussed identifying the primary users, as this would drive the approach. If governments are the primary users, then less customization is likely appropriate because these users want comparability for the use of public funds within the government and for ease of audit and consolidation. If GNFPs are the primary users, more customization may be appropriate because these users may want consistency among all of one type of organization (e.g., universities) for which accountability to donors is key. Another Group member identified citizens as the ultimate users of GNFP financial statements, arguing the standards should focus on providing accountability to them. A few Group members noted the reporting model changes PSAB proposed focus on the public and their elected representatives as the primary users and may address some GNFP issues. So, PSAS may require less customization to meet their needs. One Group member suggested GNFPs should transition their own financial statements to the government’s accounting policies for consolidation purposes.

The submitter reflected that PSAB’s Government Not-For-Profit Strategy Committee evaluated comparability:

- for ease of audit and consolidation,
- by sector,
- by type of entity, and
- for private sector not-for-profit organizations (NFPOs).

The Committee concluded that no option would satisfy all comparability possibilities.

One Group member indicated that Option 1 still leaves open the question of what to do with the PS 4200 series in the PSA Handbook. Also, that Option 3 would result in too many GAAPs within one reporting entity, leading to user confusion and less accountability.

The Group supported the Consultation Paper’s recommendation for PSAB to adopt Option 2 as the go-forward strategy for GNFPs. One Group member suggested the Board consider whether each customization proposed should be required or optional and for which types of public sector entities. Further, the Board should consider the reality that a government, through control of its GNFPs, can get whatever information it wants; but donors cannot.

The Group asked PSAB to consider transitional implications to any new proposals for GNFPs that apply either PSAS alone or with the PS 4200 series.

The Group also suggested that if the Board takes a standard-by-standard approach, it should first address revenue recognition, including endowments. The submitter clarified that any new standards transitioned from the PS 4200 series to the main body of PSAS would be tested against the Board's proposed Conceptual Framework for consistency.