

Intro music fades in

Voiceover 1 – Intro music overlaid

You're listening to the In Brief podcast.

In this episode, hear from Ali Ahmed, Principal with the Public Sector Accounting Board and Daniella Girgenti, Communications Manager for Financial Reporting & Assurance Standards Canada, discuss results of the 2017-2018 Government Not-for-Profit (GNFP) consultations.

Voiceover 2 – Silence

DG: Hello and thank you for listening to the second of three podcasts on the GNFP project. My name is Daniella Girgenti, and I am the communications manager for FRAS Canada. I am here with Ali Ahmed, principal with the Public Sector Accounting Board and project lead for PSAB's GNFP Project.

DG: Ali, can you explain what was the purpose of the 2017-2018 GNFP consultations?

AA: As part of initiating the GNFP project, PSAB wanted to consult with GNFP stakeholders to:

- Better understand the financial reporting and the regulatory environment in which GNFPs operate; and
- Understand the financial reporting concerns and needs of the GNFP stakeholder.

DG: What did you hear from the GNFP stakeholders?

AA: The GNFP stakeholders shared different financial reporting needs and concerns. The needs and concerns were different by jurisdiction and the subsector. The top 3 concerns heard from GNFP stakeholders were relating to:

- (1) Financial reporting diversity in GNFP subsector.
 - (2) Presentation of financial statements.
 - (3) Guidance relating to endowments.
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DG: Can you expand more on the financial reporting diversity?

AA: Sure. Most GNFPs started using Public Sector Accounting Standards in 2012. At the time of implementation, PSAB provided GNFPs an option to follow Public Sector Accounting Standards, which we refer to it as PSAS, with or without the inclusion of PS 4200 series. PS 4200 series is very similar to private sector not-for-profit 4400 series.

Providing a financial reporting option resulted in diversity in the financial reporting practices within the GNFP sector. During the consultations, some GNFP stakeholders raised financial reporting diversity as a concern. Stakeholders articulated that:

- Financial reporting diversity results in difficulty in comparing financial information of similar organizations;
- Similar organizations account for and present similar transactions differently; and
- Diversity requires readers of the financial statements to be aware of the differences between different accounting and presentation methods.

DG: What concerns did GNFP stakeholders have on the presentation of the financial statements

AA: There were two major concerns regarding the presentation of financial statements:

- (1) Net debt – GNFP stakeholders feel that net debt is an important indicator for the governments but not for the GNFPs. In their opinion, the inclusion of net debt in the statement of financial position confuses the users of the financial statements.
- (2) Fund accounting - Some GNFPs are mandated through the balance budget legislation in their jurisdiction to balance their actual results against the budget. Balanced budget legislation is different by jurisdiction. Some balance budget legislation require balancing just the operating results, while some require balancing the total results. GNFPs that follow PSAS without the inclusion of PS 4200 series articulated a need for an option to present results in funds (for example, operating, capital and restricted) to assist in demonstrating compliance with the regulation.

I invite listeners to check out the Conceptual Framework and reporting model project that address some of the concerns raised by the GNFPs.

DG: You mentioned some GNFPs had issues relating to endowments. Can you please elaborate

AA: Typically, hospitals, foundations, colleges, and universities receive endowments from donors, organizations, and foundations. These endowments are generally held in

perpetuity and any income generated on those endowments are used per the endowment agreement.

Currently, there is an absence of guidance specific to endowments for organizations following PSAS without the inclusion of PS 4200 series. Universities, colleges, and hospitals in British Columbia, Alberta and Manitoba prepare financial statements using PSAS without the inclusion of PS 4200 series, those organizations do not have specific guidance relating to endowments

However, Organizations that follow PS 4200 series have general guidance under PS 4210. However, it does not address complexities in the endowment arrangements. Such as, accounting for capital preservation, and accounting for any unrealized gains/losses on initial endowment funds.

Voiceover 1 – Extro music overlaid

DG: Stay tuned for the next podcast, which will provide an overview of the topics PSAB is seeking feedback on.

Extro music continues and fades