



Financial Statement Presentation¹

Effective Date
Fiscal years beginning on or after January 1, 2012²

NOT-FOR-PROFIT ORGANIZATION

- A not-for-profit organization (NPO) is an entity, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. A NPO's members, contributors and other resource providers do not, in such capacity, receive any financial return directly from an organization.
- A NPO that applies the standards in Part III of the CICA Handbook - Accounting (ASNPO) also applies the standards for private enterprises set out in Part II of the CICA Handbook - Accounting (ASPE) when the standards in Part II address topics not addressed in Part III.
 - Refer to the *Introduction to Part III* in Part III of the Handbook for additional guidance.

OVERALL CONSIDERATIONS

FAIR PRESENTATION IN ACCORDANCE WITH GAAP

- Financial statements are required to present fairly in accordance with GAAP the financial position, results of operations and cash flows of an organization.
- Fair presentation in accordance with GAAP is accomplished by:
 - Applying Section 1101, *Generally Accepted Accounting Principles for Not-for-Profit Organizations*.
 - Providing sufficient information about transactions or events that are of a size, nature and incidence that their disclosure is necessary to understand their effect on the organization's financial position, results of operations and cash flows for the periods presented; and
 - Providing information in a clear and understandable manner.

GOING CONCERN

- Financial statements are required to be prepared on a going concern basis, unless management either intends to liquidate the organization or to cease trading, or has no realistic alternative but to do so.
- Management must disclose material uncertainties about an organization's ability to continue as a going concern.
- If the financial statements are not prepared on a going concern basis, this fact, the reason why the organization is not considered a going concern and the basis on which the financial statements are prepared must be disclosed.

GENERAL PURPOSE FINANCIAL STATEMENTS

- An organization selects one set of accounting policies in a period to use to prepare its general purpose financial statements in accordance with accounting standards for not-for-profit organizations (ASNPO). Any additional sets of financial statements prepared using alternative accounting policies in accordance with ASNPO must refer to the general purpose financial statements.

COMPARATIVE INFORMATION

- Financial statements are prepared on a comparative basis unless comparative information is not significant or the standards in Part III of the Handbook permit otherwise.

BASIS OF PREPARATION

- Financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations must state this basis of presentation prominently in the notes.

COMPONENTS OF FINANCIAL STATEMENTS

- **A complete set of financial statements comprises:**
 - Statement of Financial Position
 - Statement of Operations
 - Statement of Changes in Net Assets (can be combined with the Statement of Operations)
 - Statement of Cash Flows
 - Notes
 - Supporting schedules
- All statements are required to be presented with equal prominence.
- Notes and supporting schedules which the financial statements are cross-referenced to are an integral part of the financial statements. The same does not apply to information set out in other material attached to or submitted with the financial statements.

¹ Includes Section 1401 - *General Standards of Financial Statement Presentation for Not-for-Profit Organizations* and Section 4400 - *Financial Statement Presentation by Not-for-Profit Organizations*.

² Except as specified in paragraph 4400.43A.



FUND ACCOUNTING

- Comprises the collective accounting procedures resulting in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions of an organization. Elements of a fund can include assets, liabilities, net assets, revenues and expenses (and gains and losses, where appropriate). Fund accounting involves an accounting segregation, although not necessarily a physical segregation, of resources.
- An organization makes an accounting policy choice whether or not to use fund accounting.
- An organization that uses fund accounting must provide a brief description of the purpose of each fund reported in its financial statements. This description would include the types of expenses reported in the fund and the extent to which the fund is used to report restricted resources.
- Each fund reported would be presented on a consistent basis from year to year. A change in the revenues and expenses reported in a particular fund would constitute a change in accounting policy unless the change results from events / transactions clearly different from those that previously occurred or those occurring for the first time.
- When an organization uses fund accounting it may present its financial statements using the multi-column format where resources / similar groups of resources are each assigned to a separate column.
- Other financial statement formats may also be used when an organization is using fund accounting as long as the financial information of the organization as a whole is presented in accordance with this Section.
- Different formats for individual statements may also be used as long as the information is presented in a way that satisfies the requirements of this Section.

INTERFUND TRANSFERS AND BALANCES

- Interfund transfers must be presented in the Statement of Changes in Net Assets as transfers between funds / between funds and reserves during a reporting period do not increase / decrease the economic resources of an organization as a whole.
- An organization must disclose the amount and purpose of interfund transfers during the reporting period.
- An organization must disclose the amounts, terms and conditions of interfund loans outstanding at the reporting date.
- When a multi-column format is used to present an organization's financial statements, interfund loans and advances are presented in the individual funds and eliminated in the totals column of the Statement of Financial Position.
- When a single column format is used, only the notes to the financial statements would provide disclosure of interfund loans and amounts receivable.

CONTRIBUTIONS

- In accounting for contributions an NPO follows either the deferral method or the restricted fund method which are set out in Section 4410, *Contributions - Revenue Recognition*. Our publication "ASNPO AT A GLANCE - Contributions" also provides a discussion of these two methods. The choice an NPO makes in accounting for contributions has implications for its financial statement presentation.

STRUCTURE AND CONTENT

GENERAL

- An NPO's financial statements must include a clear and concise description of the organization's purpose, intended community of service, status under income tax legislation and legal form.

STATEMENT OF FINANCIAL POSITION

- Must present a total that includes all funds reported for each financial statement item.
- Must present the following:
 - Net assets subject to restrictions requiring they be maintained permanently as endowments;
 - Other restricted net assets;
 - Unrestricted net assets; and
 - Total net assets.
- Current assets are presented separately from non-current assets and current liabilities are presented separately from non-current liabilities in accordance with Section 1510, *Current Assets and Current Liabilities* in Part II of the Handbook.
 - Cash and other assets subject to external restrictions that limit their use to beyond one year from the date of the Statement of Financial Position are classified as non-current assets.



STRUCTURE AND CONTENT (CONTINUED)

STATEMENT OF OPERATIONS

- NPO's can classify expenses by object (i.e. salaries, rent), by function (i.e. administration, research) or by program. The classification that results in the most meaningful presentation should be used.
- **Statement of Operations - Deferral Method**
 - The Statement of Operations must present the following:
 - A total that includes all funds reported for each financial statement item; and
 - The total excess or deficiency of revenues and gains over expenses and losses for the period.
 - The statement should present similar items of revenue and similar items of expense grouped together in meaningful categories as financial statement items.
- **Statement of Operations - Restricted Fund Method**
 - The Statement of Operations must present the following for the period:
 - A total for each financial statement item recognized in the general fund;
 - The total for each financial statement item recognized in the restricted funds, other than the endowment fund;
 - The total for each financial statement item recognized in the endowment fund; and
 - The excess or deficiency of revenues and gains over expenses and losses for each of the general fund, restricted funds other than the endowment fund and the endowment fund.
 - The statement should present similar items of revenue and similar items of expense grouped together in meaningful categories as financial statement items.
- **Presentation of Revenues and Expenses**
 - When an organization is acting as the principal in transactions, revenue and expenses must be recognized and presented at their gross amounts.
 - When an organization is not acting as the principal in transactions, such as when it has earned a commission / fee or received the equivalent of a contribution, it recognizes only the net amount received.

STATEMENT OF CHANGES IN NET ASSETS

- Must present changes in the following for the period:
 - Net assets subject to restrictions requiring that they be maintained permanently as endowments;
 - Internally restricted net assets and, separately, externally restricted net assets other than those requiring that they be maintained permanently as endowments;
 - Unrestricted net assets; and
 - Total net assets.
- The amount of remeasurements and other items arising from defined benefit plans is required to be presented as a separately identified line item (see Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations*).
- In an acquisition of a not-for-profit organization, the difference between the fair value of the consideration transferred and the net assets acquired is recognized and presented separately in the statement of changes in net assets (see Section 4449, *Combinations by Not-for-Profit Organizations*).

STATEMENT OF CASH FLOWS

- Must be prepared in accordance with Section 1540, *Cash Flow Statement*, in Part II of the Handbook.
 - Refer to our publication "ASPE AT A GLANCE - *Financial Statement Presentation*" for information on what is included in the Statement of Cash Flows.
- Refer to paragraphs 4400.51-.52 for details on what would be included under the cash flows from operations, financing activities and investing activities sections of the Statement of Cash Flows.



20 Wellington Street East
Suite 500
Toronto ON M5E 1C5
416-865-0111
www.bdo.ca

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances. BDO Canada LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.