

# New accounting standards for not-for-profit organizations

Special – March 2011

## Flash

To our new readers welcome!

To our existing loyal readers welcome back!

So far, 2011 has been a very busy year, with lots of changes, news, and information, and there will likely only be more to come in the months to come. With that in mind we look forward to continuing to bring you our Flash bulletins with news from the standard-setters to help keep you up-to-date with all the current available information. Though we are not changing the type of information we provide, we are slightly changing the topics that will be covered.

Going forward, *Flash* bulletins will provide a brief summary of recent news and publications from standard-setters on the topics of Accounting Standards for Private Enterprises (ASPE), Not-for-profit Organizations (NFPO) and Pension plans. International Financial Reporting Standards (IFRS) will not be covered by the *Flash* bulletins, but we will continue to issue *IFRS Newsletters*, dedicated exclusively to new IFRS developments, and *Adviser Alerts* on topics that may be of interest.

This publication is intended to keep readers informed of recent developments in accounting, but is not intended to be all inclusive. Readers should refer to the original publications in question before making any decisions on the basis of the developments summarized in *Flash*.

### **Not-for-profit organizations in the private sector**

On December 1, 2010, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) published Accounting Standards for NFPO in the private sector. These new standards are incorporated into Part III of the *CICA Handbook – Accounting (CICA Handbook)* and will be effective for fiscal years beginning on



or after January 1, 2012, with early adoption permitted. Until then, these organizations will continue to apply Part V of the *CICA Handbook*.

To the extent that such an election meets the needs of financial statement users, organizations may choose instead to apply IFRS if they so wish; they would then use Part I of the *CICA Handbook*. It is important to note that IFRS do not have an equivalent to the 4400 series of Sections included in accounting standards for NFPO (which are described later in this bulletin). Adoption of IFRS by an NFPO that chooses this framework is for fiscal years beginning on or after January 1, 2012, with early adoption permitted.

From now on, organizations presenting their financial statements in accordance with Part I or Part III must disclose which set of standards were applied in their accounting policies note. Thus, organizations presenting their financial statements in accordance with Part III must state compliance with Canadian accounting standards for NFPO.

### **Contents of Part III of the *CICA Handbook***

The contents of Part III are detailed as follows:

- An Introduction to Part III that describes the accounting standards for NFPO;
- The existing 4400 series of Sections in Part V. The AcSB decided to make no substantive changes to these sections, other than splitting the current Section 4430 *Capital Assets Held by Not-for-profit Organizations*, into two separate sections, which are Section 4431 for capital assets and Section 4432 for intangible assets held by NFPO. These changes clarify the fact that the provisions on the recognition of acquired or developed intangible assets in Section 3064 *Goodwill and Intangible Assets*, in Part II of the *CICA Handbook*, apply to NFPO. With respect to the write-downs of intangible assets, Section 4432 states that the organization reduces the asset's carrying amount to its residual value when the asset no longer has any long-term service potential. The 4400 series of Sections in Part III are:

Section 4400 *Financial Statement Presentation by Not-for-profit Organizations*

Section 4410 *Contributions – Revenue Recognition*

Section 4420 *Contributions Receivable*

Section 4431 *Tangible Capital Assets Held by Not-for-profit Organizations*

Section 4432 *Intangible Assets Held by Not-for-profit Organizations*

Section 4440 *Collections Held by Not-for-profit Organizations*

Section 4450 *Reporting Controlled and Related Entities by Not-for-profit Organizations*

Section 4460 *Disclosure of Related Party Transactions by Not-for-profit Organizations*

Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations*

- New sections taken from sections in Part V that relate to both private enterprises and NFPO. These Part V sections have been adapted for NFPO and the resulting new sections are as follows:

Section 1001 <i>Financial Statement Concepts for Not-for-profit Organizations</i>
Section 1101 <i>Generally Accepted Accounting Principles for Not-for-profit Organizations</i>
Section 1401 <i>General Standards of Financial Statement Presentation for Not-for-profit Organizations</i>
Section 3032 <i>Inventories Held by Not-for-profit Organizations</i>

- Section 1501 First-time Adoption by Not-for-profit Organizations.

The Introduction to Part III states that organizations must also apply those accounting standards for private enterprises in Part II addressing topics not covered in Part III and that generally apply to all entities.

Emerging Issues Committee (EIC) abstracts currently in Part V and applicable to NFPO have not been included in Part III, with the exception of certain examples from EIC-123 *Reporting Revenue Gross as a Principal Versus Net as an Agent*, which were integrated into Section 4400.

### **Scope**

The definition of an NFPO remains unchanged:

“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. Not-for-profit organization's members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.”

Government NFPO are not within the scope of Part III. For more information, see section “Government not-for-profit organizations” near the end of this *Flash* bulletin.

### **First-time adoption**

Section 1501 sets out specific transitional provisions for first-time adoption of standards included in Part III. Section 1501 requires that organizations apply the new accounting standards on a retrospective basis. However, Section 1501 includes mandatory exceptions and optional exemptions regarding retrospective application related to certain standards for which the costs of application, according to the AcSB, would exceed the related benefits. These exceptions and exemptions are discussed below. Adjustments resulting from the adoption of the new accounting policies at the date of transition are recognized directly in net assets (or fund balances) at that date.

A significant date for organizations in connection with their transition to the new standards is the “date of transition.” This is the date at the beginning of the earliest period

for which an organization presents full comparative information under accounting standards for NFPO. According to Section 1501, an organization is required to prepare and present an opening statement of financial position (opening balance sheet) at its date of transition to accounting standards for NFPO. This opening statement of financial position is the starting point for the organization's accounting under Part III accounting standards.

Naturally, several transition-related disclosures will need to be made in the financial statements in the year an organization adopts accounting standards for NFPO. An organization must therefore:

- indicate the amount of each charge to net assets at the date of transition resulting from the adoption of these standards and the reason therefor; and
- prepare a reconciliation of the excess of revenue over expenses reported in the organization's most recent previously issued financial statements under existing accounting standards and the excess of revenue over expenses under accounting standards for NFPO for the same period.

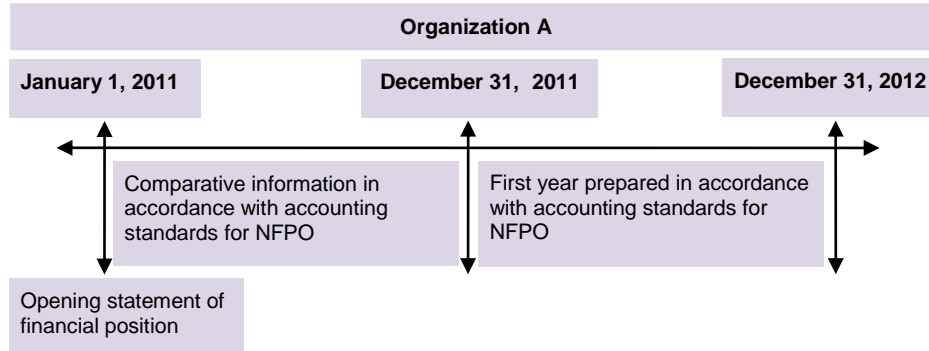
It should be noted that these disclosures must provide sufficient detail to enable users to understand material adjustments to the statement of financial position and the statement of operations. An organization that presented a cash flow statement under its previous accounting policies must also explain material adjustments to that statement.

Lastly, when the organization elects to use one or more of the exemptions in Section 1501, it must disclose those elections in its financial statements.

**Adoption examples for an organization with a December 31 year-end**

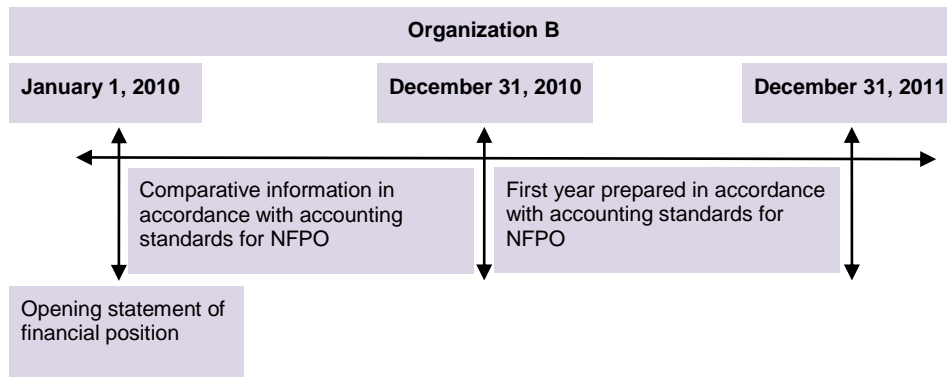
**Non-early adoption**

Organization A, which has a calendar year-end, decides not to early adopt accounting standards for NFPO thus adopting them for its fiscal year ending December 31, 2012. Its date of transition to these standards is, therefore, January 1, 2011, the date on which it must prepare an opening statement of financial position using the new standards. Organization A will have to present for the year ending December 31, 2012: its opening statement of financial position as at January 1, 2011 and its financial statements for the years 2012 and 2011 (for comparative purposes), all prepared in accordance with accounting standards for NFPO in effect at December 31, 2012. The financial statements include a statement of financial position, a statement of operations, a statement of changes in net assets and a statement of cash flows. For 2011 and previous years, Organization A has already presented its financial statements under their previous accounting standards. The 2012 year is the first year in which the financial statements are presented under accounting standards for NFPO.



**Early adoption**

Organization B, which has a calendar year-end, decides to early adopt accounting standards for NFPO for the fiscal year ending December 31, 2011. Its date of transition to these standards is, therefore, January 1, 2010, the date on which it must prepare an opening statement of financial position using the new standards. Organization B will have to present for the year ending December 31, 2011: its opening statement of financial position as at January 1, 2010 and its financial statements for the years 2011 and 2010 (for comparative purposes), all prepared in accordance with accounting standards for NFPO in effect at December 31, 2011. The financial statements include a statement of financial position, a statement of operations, a statement of changes in net assets and a statement of cash flows. For 2010 and previous years, Organization B has already presented its financial statements under their previous accounting standards. The 2011 year is the first year in which the financial statements are presented under accounting standards for NFPO.



### Exceptions and exemptions on initial application

Section 1501 establishes exceptions and exemptions to the general principle of retrospective application of accounting standards for NFPO on an organization's opening statement of financial position. Mandatory exceptions and optional exemptions from retrospective application relate to certain requirements of the standards in Part II and in Part III.

The following table summarizes the mandatory exceptions, i.e., certain requirements of the new standards where Section 1501 **prohibits** retrospective application:

Mandatory exceptions	Summary
<b>Estimates</b>	Estimates made before the date of transition are not adjusted, unless there is objective evidence that those estimates were made in error.
<b>Derecognition of financial assets and financial liabilities</b>	Financial assets and liabilities that were derecognized under the previous standards before the date of transition cannot be recognized at transition. Retrospective application may be possible from a date of the organization's choosing provided the information needed to apply the new standards was known at the time of derecognition of the financial assets and financial liabilities.
<b>Hedge accounting</b>	<p>An organization does not reflect in its opening statement of financial position a hedging relationship that does not qualify for hedge accounting under Section 3856 in Part II <i>Financial Instruments</i>.</p> <p>If, before the date of transition, an organization had designated a hedging relationship using criteria that are the same as those in Section 3856 in Part II, it adjusts the carrying amounts of the hedged and hedging items to amounts that would have been recognized had Section 3856 always been applied.</p> <p>Transactions entered into before the date of transition cannot be retrospectively designated as hedges.</p>
<b>Non-controlling interests</b>	<p>The following recommendations of Section 1602 in Part II <i>Non-controlling Interests</i>, are applied prospectively:</p> <ul style="list-style-type: none"> <li>• Accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control,</li> <li>• Accounting for a loss of control over a subsidiary, and</li> <li>• Attribution of income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.</li> </ul> <p>However, retrospective application is required for an organization that does not elect the optional exemption relating to business combinations.</p>

In addition, an organization may use one or more of the optional exemptions (i.e., choose not to apply retrospectively certain provisions of the standards) related to one or more of the following:

Optional exemptions	Summary
<b>Fair value</b>	Election to measure a tangible capital asset at the date of transition at its fair value and use that fair value as its deemed cost at that date (see example after this table).
<b>Financial instruments</b>	Election to designate any financial asset or financial liability to be subsequently measured at fair value.
<b>Employee future benefits</b>	<p>If the organization chooses the deferral and amortization approach provided in Section 3461 in Part II <i>Employee Future Benefits</i>, for its defined benefit plans, it may elect to:</p> <ul style="list-style-type: none"> <li>• recognize all unrecognized cumulative actuarial gains and losses and past service costs at the date of transition in opening net assets, even if the "corridor" approach is subsequently used, or</li> <li>• carry forward unrecognized actuarial gains and losses and past service costs that were determined previously in accordance with Section 3461 in Part V or an equivalent basis of accounting such as IAS 19 in Part I <i>Employee Benefits</i>.</li> </ul> <p>When the organization uses the immediate recognition approach (explained below) for its defined benefit plans, Section 1501 does not provide any exemption from retrospective application.</p> <p>Any unamortized transitional assets or obligations from the application of the previous standards must be recognized in opening net assets at the date of transition.</p>
<b>Asset retirement obligations</b>	Election by an organization that did not previously recognize its asset retirement obligations on a basis consistent with the provisions of Section 3110 in Part II <i>Asset Retirement Obligations</i> , to measure these obligations at the date of transition and estimate the amount to be included in the carrying amount of the related capital asset based on the original and remaining life of the asset. The difference between the change in the obligation and the change to the carrying amount of the capital asset is charged to opening net assets at the date of transition.
<b>Cumulative translation differences</b>	<p>Election to reduce to zero at the date of transition the cumulative translation differences classified as a separate component of net assets for all foreign operations (reclassification to unrestricted net assets).</p> <p>If an organization elects to use the exemption, any gain or loss on the subsequent disposal of a foreign operation will only include the cumulative translation differences subsequent to the date of transition.</p>
<b>Business combinations</b>	<p>Election to avoid retrospective application of Section 1582 in Part II <i>Business Combinations</i>, to business combinations that occurred before the date of transition.</p> <p>If an organization elects to restate a business combination that occurred before the date of transition to comply with Section 1582, it must restate all business combinations that occurred subsequent to that date. Sections 1601 <i>Consolidated Financial Statements</i>, and 1602 in Part II must then be applied retrospectively from the same date.</p>

### Example of the application of the fair value optional exemption

An organization owns land with a recognized cost of \$2,000,000 under the current accounting standards. At the time of transition to accounting standards for NFPO, the organization may decide to measure its land at its fair value at the date of transition and use that fair value as its deemed cost from that date. The fair value of the land is \$3,000,000 at the date of transition.

To recognize the impact of its optional exemption election regarding the fair value of its land at the date of transition, the organization will make the following journal entry:

Dr Land	\$1,000,000
Cr Net assets	\$1,000,000

In its opening statement of financial position, the organization will present the land at a deemed cost of \$3,000,000.

The above example illustrates the impact of applying the fair value exemption for an item of tangible capital assets that is not subject to amortization. For items of tangible capital assets subject to amortization, the amortization expense recognized subsequent to the date of transition will be calculated using the deemed cost (i.e., fair value at the date of transition), which has now become the cost. Thus a key impact that should be considered before electing the fair value exemption is the increase in amortization expense subsequent to the date of transition.

### Accounting standards in Part II—selected differences

Accounting standards in Part II have been developed from standards in Part V. The structure of the sections and accounting guidelines retained generally has not changed. EIC abstracts have not been retained in their current form, however, several of the EIC principles have been incorporated in the relevant sections in Part II. In addition, significant changes regarding recognition, measurement and disclosures have been developed with a view to cost/benefit considerations. Some of the significant changes with respect to recognition, measurement and disclosure are presented below.

#### Financial instruments

Several significant changes have been made to the current requirements in Section 3855 *Financial Instruments – Recognition and Measurement*. The main guidance in Section 3856 in Part II that is applicable to NFPO is summarized below:

When a financial asset is originated or acquired or a financial liability is issued or assumed in an arm's length transaction, organizations must measure them at their fair value adjusted by (in the case of a financial asset or financial liability that will not be measured subsequently at fair value) financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. In the case of financial assets and financial liabilities measured subsequently at fair value, transaction costs are recognized in the statement of operations in the period incurred. These requirements are generally similar to the provisions of Section 3855 currently applied by NFPO.

Section 3855's accounting for derivatives embedded in financial assets and liabilities is **not** retained in Section 3856.



Financial assets and liabilities are then measured at cost or amortized cost, with the exception of the three following types of instruments:

- 1 Free-standing derivatives that are not part of a qualifying hedging relationship (generally measured at fair value);
- 2 Investments in equity instruments that are quoted in an active market (measured at fair value); and
- 3 Financial liabilities that are indexed (measured at the higher of the amortized cost and the amount that would be due at the balance sheet reflecting the indexing feature).

Changes in the measurement of such financial instruments are reported in the statement of operations.

Section 3855 requires that organizations subsequently measure financial assets and liabilities at fair value or amortized cost by classifying them in one of five categories: financial instruments held for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. Section 3856 does not provide for this classification.

The following table illustrates the main differences between Section 3856 and Section 3855:

Type of instruments	Section 3856 (Part II)	Section 3855 (Part V)
Financial assets and liabilities	At cost or amortized cost	At amortized cost only if they meet the definition for classification as loans and receivables, held-to-maturity investments and other financial liabilities. Otherwise, at fair value
Free-standing derivatives that are not part of a qualifying hedging relationship	At fair value	At fair value regardless of whether they are part of a qualifying hedging relationship
Investments in equity instruments that are quoted in an active market	At fair value	At fair value
Indexed liabilities	At the higher of amortized cost and the amount that would be due at the balance sheet date reflecting the indexing feature	At fair value or recognized into two components: one at amortized cost and one as an embedded derivative at fair value

According to Section 3856, an organization may elect to measure any financial asset or financial liability at fair value by designating at fair value measurement when the asset or liability is first recognized, or for an investment in an equity instrument that was previously measured at fair value, when the instrument ceases to be quoted in an active market. Any such designation is irrevocable. It is also possible, under Section 3855, for an

organization to designate its financial assets and liabilities such that they are measured at fair value.

Section 3856 introduces a single impairment model that applies to all financial assets accounted for at cost or amortized cost. This is a significant simplification for organizations that currently apply Section 3855. Under this single impairment model, write-downs are based on the difference between the current carrying amount of the asset and the amount the organization could expect to receive in the most favourable outcome. When the extent of impairment of a previously written-down asset, or group of assets, decreases and the decrease can be related to an event occurring after the impairment was recognized (such as a return to profitability of the customer or issuer), the previously recognized impairment loss is reversed to the extent of the improvement. The reversal is recognized in the statement of operations.

Hedge accounting is still optional. However, it can only be applied to certain hedging relationships when all terms prescribed in Section 3856 have been met. In particular, it can only apply to those relationships when the critical terms of the hedging instrument match those of the hedged item, which is more restrictive than under current standards. Organizations are not required to assess hedge effectiveness. They are only required to determine that the critical terms of both components of the hedging relationship continue to match. Unlike current standards, once hedge accounting has been applied to a hedging relationship in accordance with Section 3856, organizations may no longer voluntarily discontinue application of hedge accounting for that relationship.

#### Employee future benefits

Organizations may elect to adopt the immediate recognition approach to account for defined benefit plans rather than the method prescribed under the current Part V; the latter method is retained in Section 3461 in Part II and is now called the “deferral and amortization approach.” The immediate recognition approach, when adopted, must be applied to **all** of the organization’s defined benefit plans including individual pension plans. This method uses the most recent actuarial valuation for funding purposes (when one is available). Under this method, changes during the year in accrued benefit obligations, such as current service cost and past service cost incurred during the year as well as actuarial gains and losses, and the actual return on plan assets during the year are recognized immediately in the statement of operations or as an amount capitalized as part of an asset, such as inventory.

Example of the impact of the immediate recognition approach on the cost of employee future benefits:

Components of cost	Immediate recognition approach	Deferral and amortization approach
Current service cost	\$100	\$102
Past service cost	\$75	\$5*
Return on plan assets	\$(25)	\$(10)**
Interest on obligation	\$10	\$8
Actuarial gains or losses	\$(15)	\$3*
<b>Cost of employee future benefits</b>	<b>\$145</b>	<b>\$108</b>

\* This is amortization and not the costs realized or incurred during the year.

\*\* This is the expected return rather than the actual return, which is a higher gain than the expected gain in this example.

The results achieved using either of these approaches may differ from those presented in the above example, since cost reflects events occurring during the year in the case of the immediate recognition approach and, in the case of the deferral and amortization approach, it reflects some of the events occurring in prior years (e.g., stock yields, interest rate fluctuations, plan changes, etc.). It cannot be assumed that the cost under the immediate recognition approach will always be higher than the cost under the deferral and amortization approach; it could be the opposite. Under the immediate recognition approach, the variability of the cost of employee future benefits increases.

#### Internally developed intangible assets

Organizations can choose as an accounting policy, for qualifying development costs incurred on internally developed intangible assets that meet the criteria set out in Section 3064 in Part II, either to capitalize them as intangible assets or expense them as incurred. The accounting policy choice must be applied consistently to expenditures on all internal projects in the development phase.

#### Asset retirement obligations

The new standards require the use of a new measurement method based on the best estimate of expenditures required to settle the present obligation at the balance sheet date, without referring to fair value. The best estimate of expenditures required to settle the present obligation is the amount that an organization would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time. Asset retirement obligations will be reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in an asset retirement obligation could be due to the passage of time or revisions to the timing or amount of cash flows, or to the interest rate used in determining the best estimate of the expenditures required to settle the present obligation at the balance sheet date.

### Impairment of investments held by NFPO in profit-oriented entities subject to significant influence

A new equity-accounted investment impairment model has been developed. The model is based on whether there are any indications that investments may be impaired. At the end of each reporting period, organizations must assess whether there are any indications that investments may be impaired. When there is an indication of impairment, the organization must determine whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the investment. In such circumstances, the carrying amount of the investments will be reduced to the higher of the present value of the cash flows expected to be generated by holding the investments and the amount that could be realized by selling the asset(s) at the balance sheet date. When the extent of impairment of a previously written down investment decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss must be reversed to the extent of the improvement. The adjusted carrying amount of the investment must be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

### Business combinations

Part II includes, except for a few simplifications, the accounting principles regarding business combinations included in sections 1582, 1601 and 1602 issued by the AcSB in January 2009. These sections replace current sections 1581 *Business Combinations*, and 1600 *Consolidated Financial Statements*, and include significant changes to the recognition of business combinations, transactions with non-controlling interests and transactions resulting in a loss of control over a subsidiary. Refer to the March 2009 *Flash* bulletin [New Standards for Business Combinations and Non-controlling Interests](#) and New development summary 2009-01 [CICA 1582 Business Combinations, 1601 Consolidated Financial Statements, 1602 Non-controlling Interests \(with 1581 and IFRS comparisons\)](#) for information on the main concepts relating to the new recognition of business combinations.

### Goodwill—impairment testing

Organizations are required to test goodwill for impairment only when events or changes in circumstances indicate the carrying amount of the reporting unit, to which the goodwill is assigned, may exceed its fair value. The methodology for impairment testing and write-downs has been simplified and is now performed in a single step. When the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recognized in an amount equal to the excess. However, the goodwill impairment loss recognized cannot exceed the carrying amount of goodwill.

### Disclosures under Part II

When the accounting standards for Part II were established, the Part V's disclosure requirements were reviewed to take into consideration the needs of financial statement users. As a result, the new requirements relate primarily to accounting policies, risks and uncertainties, and unusual events. In general, Part II standards contain fewer disclosure

requirements. Most of the disclosure requirements retained are consistent with disclosures currently required in Part V. NFPO must also use their judgement to identify necessary disclosures for fair presentation in accordance with generally accepted accounting principles, thereby complying with the general principles of Section 1401 in Part III.

Financial statement users also noted one new disclosure which is viewed as being important, that is: reporting the amount payable at the end of the period in respect of government remittances. This information is required under Section 1510 in Part II *Current Assets and Current Liabilities*.

All specific disclosure requirements in each of the sections in Part II are also presented as a summary called the “Compilation of Disclosure Requirements.”

### **Accounting standard updates and developments**

The AcSB intends to periodically update accounting standards for NFPO and the Part II standards. New or amended standards would only be incorporated into the *CICA Handbook* once standards are finalized.

### **Government not-for-profit organizations**

On December 1, 2010, the CICA’s Public Sector Accounting Board (PSAB) integrated into the *CICA Public Sector Accounting Handbook (Public Sector Handbook)* the essential parts of the 4400 series of Sections in Part V of the *CICA Handbook*. As part of the integration of these standards into the *Public Sector Handbook*, the sections have been renumbered: PS 4200 to PS 4270 (i.e., the PS 4200 series of Sections). Additionally, PSAB is currently discussing a financial instrument standard.

Effective January 1, 2012, government organizations currently applying NFPO accounting standards in Part V will be required to comply with the *Public Sector Handbook* rather than the *CICA Handbook*. Government NFPO are organizations that are controlled by a government. The purpose of this initiative is to improve accountability and the comparability of such organizations’ financial information with that of other public sector organizations. The standards under the *Public Sector Handbook* may be early adopted. Organizations should continue to apply Part V until their adoption of the *Public Sector Handbook*.

After adoption of accounting standards for the public sector, government NFPO will indicate that their financial statements have been prepared in accordance with Canadian public sector accounting standards. It should be noted that application of the PS 4200 series of Sections by government NFPO is optional.

On initial application, government NFPO will be required to comply with the provisions of PS 2125 *First-time Adoption by Government Organizations*, which contains guidance for the first financial statements prepared in accordance with *Public Sector Handbook*. Exceptions

#### **About Grant Thornton in Canada**

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and exemptions have been included to facilitate the transition process. These are listed below:

Exceptions	Exemptions
<ul style="list-style-type: none"> <li>• Hedge accounting</li> <li>• Accounting estimates</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement and post-employment benefits</li> <li>• Business combinations</li> <li>• Investments in government business enterprises</li> <li>• Government business partnerships</li> <li>• Tangible capital asset impairment</li> </ul>

Lastly, a government NFPO does not have the option of following IFRS (Part I) or Accounting Standards for Private Enterprises (Part II).

### **Much more than accounting changes**

Adoption of the new accounting standards by NFPO goes beyond a simple accounting exercise—it is a major step in the life of an organization that requires careful planning for a smooth and successful transition. Problems can be anticipated early notably by:

- appointing an in-house resource with transition oversight,
- setting a timetable,
- determining the human and financial resources needed and available to apply the new standards,
- identifying any contracts with terms that will be affected by the adoption of the new standards, determining their potential impacts and renegotiating the agreements as necessary,
- ensuring that information processing systems are capable of receiving the data,
- discussing the process with directors, including those not involved in the day-to-day operations, to ensure transition impacts are fully understood, and
- determining the best way to communicate with directors.

For more information on Accounting standards for NFPO, do not hesitate to contact your Grant Thornton adviser.

#### **How can Grant Thornton help you during the transition?**

- Assistance in selecting the appropriate accounting base (NFPO or IFRS)
- Assistance in selecting the date of transition
- Assistance in optimizing exemption elections
- Calculation of impacts following changes in accounting policies
- Application of the new standards from the date of transition
- Drafting financial statements in accordance with the new standards, including opening statement of financial position and notes
- Access to a team of experienced professionals
- Training
- Other consulting services