

June 30, 2009

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Re: Invitation to Comment on Financial Reporting by Not-for-Profit Organizations

The Committee on Corporate Reporting of Financial Executives International Canada (FEI Canada) is writing to provide its response to the “Invitation to Comment on Financial Reporting by Not-for-Profit Organizations” (NPOs) from the AcSB and the PSAB. FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada’s leading and most influential corporations.

The Committee on Corporate Reporting (CCR) is one of two national advocacy committees of FEI Canada. CCR comprises more than 20 senior financial executives representing a broad cross-section of the FEI Canada membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

Our response to the Invitation to Comment follows. It should be noted that none of the CCR members that worked on the preparation of these comments was from the public sector.

Question 1:

Do you agree that financial reporting for not-for-profit organizations should be closely linked to GAAP standards for other sectors, rather than developing an additional set of national standards that would apply only to not-for-profit organizations?

We support the Board's decision to reject the option of developing a set of stand-alone standards for NPOs.

Question 2:

Do you support requiring all not-for-profit organizations to follow one set of standards? If so, which of the following alternatives do you support, and why?

- (a) International Financial Reporting Standards (IFRSs);**
- (b) Private enterprise standards being developed by the AcSB supplemented by standards specific to not-for-profit organizations;**
- (c) Existing public sector standards (the PSA Handbook); or**
- (d) Existing public sector standards supplemented by standards specific to not-for-profit organizations.**

We support the use of one set of accounting standards to allow comparability and consistency of presentation between organizations but we also recognize the fact that there might be circumstances where IFRSs need to be used. We have provided more details under question 3 to support our rationale.

Question 3:

Alternatively, do you support making options available to not-for-profit organizations based on an assessment of their users' needs? If so, do you agree with the tentative conclusions of the AcSB or the PSAB as to available options (outlined below)? Do you think rules or guidance should be developed to narrow options? If so, what should the rules or guidance be?

- AcSB:** (a) International Financial Reporting Standards (IFRSs); or
(b) Private enterprise standards being developed by the AcSB supplemented by standards specific to not-for-profit organizations;
- PSAB:** (a) Public sector standards (the PSA Handbook); or
(b) Public sector standards supplemented by standards specific to not-for-profit organizations.

Generally, we support the concept that all NPOs follow one set of standards because the use of a single set of accounting standards allows for comparability and consistency of presentation between organizations. However, we also recognize the fact, however, that there may be circumstances where some NPOs require using IFRSs. For NPOs with Canadian operations and no public debt, we recommend the use of the private enterprise standards supplemented by standards specific to NPOs, notably the current Handbook 4400 series applicable only to NPOs. We recommend the use of IFRS only for NPOs with international operations or with publicly traded debt.

Thus far, current Handbook accounting standards supplemented by the 4400 series have supported well the needs of NPOs with Canadian operations in the reporting of their financial position and performance. The framework, based on profit oriented enterprises, is well understood by their stakeholders. We understand that the AcSB and PSAB, in developing the private enterprise standards supplemented by specific guidance for NPOs, will conform to this conceptual framework and that measurement of complexity and disclosures will be significantly reduced.

Given that a number of NPOs have international operations, we also support giving NPOs the option of following IFRSs, as is suggested by the AcSB. However, we are concerned that IFRSs have not been developed in consideration of the specific needs (such as those addressed in section 4400) of NPOs. The development and issuance of specific accounting standards like the 4400 series would help alleviate this concern. The extensive disclosure requirements of IFRSs would not be relevant for these NPOs which deal with a limited number of stakeholders and resources. Most NPOs also deal with simple transactions and do not possess the resources required to deal with the complexities associated with the implementation and application of IFRSs.

We believe that there are issues in the definition of a publicly-accountable enterprise and the definition of an NPO in section 4400 that might create confusion as to which standards these entities should use. This confusion arises for two reasons. The first is that the definition of an NPO sometimes is applied to organizations that provide a public service and are not expected to earn a profit, but are not NPOs to which section 4400 should apply. Second, some NPOs may issue



publicly-traded debt. This issue becomes more complicated because some NPOs are characterized as such as a result of the section of the statute under which they are incorporated.

The current definition of a publicly-accountable enterprise excludes all NPOs, notwithstanding the nature of their business or how they are financed. In our view, NPOs that issue public debt should adopt IFRSs and the exclusion in the definition of publicly-accountable enterprises should be modified to reflect this. In addition, we believe that the definition of an NPO in section 4400 needs to be modified and clarified to explicitly state that the entity's business is for charitable or philanthropic purposes, including primarily government-funded entities such as universities and hospitals, and the statute under which an entity is incorporated should not in and of itself determine whether or not an organization is an NPO. Without modification these entities would avoid adoption of IFRSs when in fact they should.

Finally, it is important for Canadian NPOs that the development of accounting standards remains with the AcSB and that any amendments to the 4400 series continue to be exposed to public comment in the future.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Victor Wells', is written over a light blue horizontal line.

Victor Wells
Chair
Committee on Corporate Reporting
FEI Canada