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# Complexities of reporting

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# Overview

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# Prevailing view

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- Financial reports in the voluntary sector are simple, and
- Financially managing a voluntary organisation is not of the same complexity as commercial organisations.

# Reality

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- Diversity of accounting practice as no authoritative resource.
- A lack of standardisation of financial reports.
- Shortage of Treasurers and Auditors.
- Potential donors unable to have a clear 'picture' of different organisations.
- Several complexities impacting on the transparency and understandability of the financial reports.

# Complexities: GAAP vs Reality

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1. Property, plant and equipment (PPE):
  - Valuation of donated PPE;
  - Depreciation
2. Volunteers:
  - Valuation
3. Investments:
  - Valuation
  - Gains and losses
4. Goods in kind:
  - Valuation

# Complexities: GAAP vs Reality (x2)

## 5. Accounting basis: issue of certainty

	Income	Possible Accounting basis
Small	< \$100,000	Receipts and payments
Medium	\$100,000 to \$2.5 million	Accrual accounting
Large	> \$2.5 million	IFRS

[http://www.med.govt.nz/templates/ContentTopicSummary\\_\\_\\_\\_\\_11011.aspx](http://www.med.govt.nz/templates/ContentTopicSummary_____11011.aspx)

## 6. Fund accounting:

- Restricted funds
- Recording and disclosing
- Consolidation

# Final Issue

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How will voluntary organisations communicate to their stakeholders:

1. Outputs e.g. \$1 donation = 20c fundraising + 30c admin + 50c beneficiaries; or
3. Outcomes e.g. how useful the service/good has been to the beneficiary; or
4. Annual report with summaries of each activity unsupported by any financial information.

# Where to go for information?

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## In United Kingdom

- Charity Commission's Statement of Recommended Practice (SORP 2005)
- Available:  
<http://www.charity-commission.gov.uk/investigations/sorp/sorp05docs.asp>

## In New Zealand

- NZ Institute of Chartered Accountant's Not for Profit Financial Reporting Guide (2007)
- Available:  
[http://www.nzica.com/AM/Template.cfm?Section=Not for Profit Financial Reporting Guide and Disclosure Checklist](http://www.nzica.com/AM/Template.cfm?Section=Not%20for%20Profit%20Financial%20Reporting%20Guide%20and%20Disclosure%20Checklist)

# Where to from here?

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- Discussion needed within the sector to determine what is appropriate GAAP.
- In particular, a look at the 'levels' being proposed by the MED and their appropriateness.

# Conclusion

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- Several complexities that impact on the transparency and understandability of the financial reports in the voluntary sector.
- Some complexities may lead to long debates about what constitutes 'appropriate' GAAP.