



**EXTERNAL REPORTING BOARD**  
*Te Kāwai Ārahi Pūrongo Mōwaho*

## **SIMPLE FORMAT REPORTING FOR NFP ENTITIES**

### **WORKING GROUP REPORT**

**NOVEMBER 2011**

This document is a report of a working group established to consider options for simple format reporting for not-for-profit entities. The report is designed to be an input into the work of the XRB Board and the NZASB on the future accounting standards framework.

The views expressed in this document are those of the Working Group. They do not necessarily represent the views of the XRB. Further, this document does not represent an official pronouncement of the XRB.

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## **PART A: INTRODUCTION**

### **Accounting Standards Framework**

1. In September 2009, the Accounting Standards Review Board (ASRB) issued a discussion document outlining a possible new accounting standards framework<sup>1</sup>. The ASRB document accompanied a Ministry of Economic Development (MED) discussion document that outlined proposals for a new financial reporting framework. Essentially the MED document outlined suggested changes to “who” should be required to prepare General Purpose Financial Reports (GPFR), and the ASRB document outlined a broad approach to “what” those entities should then report.
2. It is important to note that both the MED and ASRB documents related to GPFR, that is reporting to stakeholders who have limited ability to obtain financial information from the entity themselves. This contrasts to stakeholders such as banks or funders who are able to obtain the information they need as a condition of the lending or funding. This information is referred to as “special purpose financial reporting”. GPFR is therefore a subset of the total reporting an entity may do.
3. The ASRB Discussion Document proposed that the accounting standards applying to not-for-profit (NFP) entities required to prepare GPFR under the MED document should be a locally developed “NFP Application” of International Public Sector Accounting Standards (IPSAS). The rationale for this was that IPSAS, with its public benefit entity focus, provides a better starting point for NFP reporting than do the International Financial Reporting Standards (IFRS) which have a capital markets focus.
4. The ASRB document also proposed that NFP entities that prepare GPFR be classified into three tiers. Tier 1 would apply the full NFP Application; Tier 2 would apply a differential reporting version of the NFP Application (essentially a simpler version); and Tier 3 would apply a Simple Format Reporting approach. Submissions on these proposals, particularly from within the NFP sector, were generally supportive of the NFP approach proposed.
5. After an in-depth consideration by the ASRB of this and other feedback, the External Reporting Board (XRB – the successor to the ASRB) has confirmed that it will adopt a multi-standards accounting standards framework in New Zealand. This will consist of two sets of standards: one for for-profit entities based on IFRS; and one for public benefit entities (including NFP entities required to prepare GPFR) based on IPSAS. The XRB’s proposals in relation to the PBE accounting standards framework are contained in an XRB Consultation Paper entitled “Accounting Standards Framework for General Purpose Reporting by Public Benefit Entities”<sup>2</sup>. The Consultation Paper proposes:
  - There be a single suite of PBE Accounting Standards based on IPSAS, modified as appropriate for application by NFP entities, with additional or alternative requirements as necessary contained within the modified IPSAS or in an additional standard;
  - The establishment of three reporting tiers with NFP entities allocated to the tiers on the basis of size (measured using expenses as reported in the Statement of Financial Performance (operating statement));

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<sup>1</sup> The discussion document is entitled “Proposed Application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting” and is available on the ASRB website: [www.asrb.co.nz](http://www.asrb.co.nz).

<sup>2</sup> The Consultation Paper is available at: [www.xrb.govt.nz](http://www.xrb.govt.nz).

- Tier 1 comprise entities with expenses over \$30 million and that the full PBE standards be applied by entities in this tier;
  - Tier 2 comprise entities with expenses between \$2 million and \$30 million and that PBE standards with reduced disclosure requirements (RDR) be applied by entities in this tier; and
  - Tier 3 comprise entities with expenses under \$2 million and that a “simple format reporting” approach be applied by entities in this tier. NFP entities within this tier that have operating payments (excluding grant distributions) under \$40,000 would be able to report on a cash basis - these entities would comprise a sub-tier within Tier 3<sup>3</sup>.
6. These proposals mean that there will be different reporting requirements depending on which tier an entity is in: full PBE standards (Tier 1), a reduced disclosure version of the PBE standards (Tier 2); and a simple format reporting version (Tier 3). The XRB envisages that these will cascade down with each being based on the same broad approach but getting progressively simpler down the tier structure – although some simplification of recognition and measurement requirements may be necessary for Tier 3 in order to appropriately match reporting costs and benefits.

### **NFP Simple Format Reporting Working Group**

7. Data from the Charities Commission Register shows that approximately 96% of Registered Charities have (operating) expenses of \$2 million or less, and approximately 56% have (operating) expenses of \$40,000 or less. As the vast majority of NFP entities are likely to be in Tier 3, the development of the simple format reporting approach is particularly important to NFP sector reporting. As there is little guidance for (future Tier 3) entities at the moment, developing the simple format reporting (SFR) standard is likely to be of greatest benefit to the sector in the short term.
8. With this in mind, in 2010 the ASRB established a NFP Simple Format Reporting Working Group. The Working Group’s task was to do some initial thinking about what simple format reports for Tier 3 NFP entities might contain. This work was designed to be an input into the formal standard setting work of the New Zealand Accounting Standards Board<sup>4</sup>. The ASRB was particularly keen to obtain input from users and preparers in the sector from a bottom-up perspective.
9. The Working Group comprised representatives from the accounting standards and NFP community including the ASRB, (the then) Financial Reporting Standards Board staff, (the then) New Zealand Institute of Chartered Accountants NFP Sector Advisory Committee, Association of Non-Governmental Organisations of Aotearoa (ANGO), SPARC, Philanthropy New Zealand, and the Charities Commission.
10. The Working Group was only required to consider disclosure issues, not accounting recognition and measurement matters. Nor was it required to develop actual reporting formats or to develop an accounting standard to give effect to them – the New Zealand Accounting Standards Board will do both of

<sup>3</sup> This sub-tier is provided for in the financial reporting framework recently announced by the Government – see the [MED website](#).

<sup>4</sup> The New Zealand Accounting Standards Board (NZASB) is a sub-board of the XRB. It is responsible for the development and issuing of accounting standards and will be responsible for the development and promulgation of the suite of PBE accounting standards, including the NFP simple format reporting requirements in their final form.

those things. Rather the Working Group's role was to consider what items should be included in the simple formats.

## **PART B: WORKING GROUP PROCESS AND APPROACH**

### **Process Followed**

11. In developing this report the Working Group used a three step process. The initial step was to develop some initial proposals based on the views of the members of the Working Group. These were then summarised into a discussion note which was used as the basis for informal consultation discussions within the NFP sector. The consultation discussions were conducted by individual members of the Working Group with their contacts in the sector. They involved a variety of approaches from one-on-one discussions, to small group meetings, to large group sessions.
12. The third step involved the Working Group as a whole considering the results of the feedback (which was generally supportive of the initial proposals) and then agreeing upon the approach contained in this report.

### **Approach Adopted**

13. In accordance with its terms of reference the Working Group focused on two main issues: what *statements* should be included in the simple format financial reports of NFP entities; and what specific *items* should be disclosed in those statements.
14. In considering this issue, the Working Group was very conscious of the very small size of the majority of Tier 3 NFP entities, and the fact that the financial reports of most of them are prepared by volunteers. It is therefore important to reduce financial reporting compliance costs as much as is reasonable. One way to do this is to establish a reporting format that will meet the needs of a range of different users of those financial reports<sup>5</sup> particularly members (of the entity), donors, grant funders, and the Charities Commission.
15. In developing the proposals in the report, the Working Group has therefore attempted to include disclosures that are likely to be important to users which could obtain special purpose financial reports (such as funding bodies and agencies) as well as those users reliant on general purpose financial reports (such as members, the public and the Charities Commission). Expanding the group of users in this way increases the potential range of disclosures that might be required in a simple format report. However, the Working Group considers the advantages of avoiding the need for multiple reporting strongly outweighs the costs of any additional disclosures.
16. The Working Group also took the view that the basic approach to simple format reporting should be the same for all entities within Tier 3. As a practical matter this means that the statements prepared and items disclosed by entities in the cash sub-tier (i.e. entities with operating payments ≤\$40,000) should be broadly similar to those prepared and disclosed by entities in the tier which are preparing their financial reports on an accruals basis. In other words the simple format reporting requirements for an entity

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<sup>5</sup> In common with current practice in New Zealand, the term "financial reports" is used in this report to refer to the wider performance report of an entity. It comprises both financial and non-financial aspects.

should be the cash accounting equivalent of the requirements for the rest of the tier, rather than a different set of requirements. The proposals outlined in section C of this report reflect this approach.

### **PART C: NFP SIMPLE FORMAT REPORTING PROPOSALS**

17. This section outlines the Working Group’s suggested approach to NFP Simple Format Reporting.

#### **Integrated Performance Report**

18. The Working Group’s view is that, regardless of the size of the entity, the reporting format should allow the entity to report on its performance in a clear and understandable way. This involves more than just reporting financial information. In fact for most NFP entities, the non-financial aspects are likely to be the key to understanding the overall performance of the organisation.

19. Put another way, non-financial information is vital to understanding the performance of NFP entities. Reporting by NFP entities (at all tier levels, including Tier 3) should therefore comprise an integrated “performance report” (rather than just financial statements) that contains both financial and non-financial aspects. Non-financial aspects should be given primary prominence in that report.

#### **Broad Approach**

20. As a general schema, the Working Group considers that the general purpose financial (performance) reports prepared by NFP entities should cover five main areas:

- *“Why we bother”*: the objectives (outcomes) the organisation is seeking to achieve;
- *“What we did”*: the goods and/or services (outputs) the organisation provides in order to influence the targeted outcomes;
- *“What it cost”*: the expenses incurred in running the organisation and delivering its goods and services;
- *“How it was paid for”*: the revenue earned by the organisation (and used to fund its expenses); and
- *“Our future viability”*: the on-going sustainability (particularly financial sustainability) of the organisation.

21. The Working Group considers that these five aspects are relevant to all NFP entities. However, it agrees with the presumption in the XRB Consultation Paper that the amount and sophistication of information provided should vary with the size of the entity. This is because the collection and reporting of financial and non-financial performance information is not costless. The cost of requirements should be proportional to the benefits.

22. The broad approach proposed by the Working Group for Tier 3 NFP entities is outlined in Table 1 and discussed in more detail in the “specific proposals” section below.

**Table 1: Broad Approach to SFR for NFP Entities**

Performance Aspect	What Reported	Extent of Reporting
<i>Who We Are</i>	Overview of the organisation	<i>All:</i> Simple narrative statement
<i>Why We Bother</i>	Outcome(s)	<i>All:</i> Simple narrative statement
<i>What We Did</i>	Outputs (goods and services)	<i>All:</i> Simple narrative statement
<i>What it Cost</i>	Expenses	<i>Accrual:</i> Simple Operating Statement (Statement of Comprehensive Income) <i>Cash:</i> Simple Statement of Receipts and Payments
<i>How it was Paid For</i>	Income	
<i>Our Future Viability</i>	Financial Sustainability	<i>Accrual:</i> Simple Balance Sheet  <i>Cash:</i> <ul style="list-style-type: none"> <li>• A Statement of Cash-Based Assets and Liabilities;</li> <li>• List of fixed assets</li> </ul> <i>All:</i> Commitments

#### Minimum Disclosures

23. The Working Group considered at some length what the minimum information to be reported for each aspect should be i.e. what items should be included in each statement proposed in Table 1.
24. The difficulty with defining minimum disclosures is in determining which information is essential for inclusion in the simple format reports and which is not. The risk of course is that so much information is included that the formats cease to be simple (to prepare or read). On the other hand including too little information reduces the value of the reporting to the users of the reports.
25. A key issue considered by the Working Group was therefore how “simple” Tier 3 simple format reporting should be. This required the Working Group to make a judgement about the information likely to be required by various users and the relative priority of that information - there is a trade-off to be made between the information to be reported and the cost of providing that information.
26. The Working Group found the consultation discussions helpful in getting a feel for what disclosures were important to various users of NFP financial reports – particularly in relation to financial items. A summary of user views is provided in the Appendix to this report.
27. The specific proposals below reflect the Working Group’s collective judgement about the appropriate level of disclosure based on the above approach.

#### Specific Proposals

28. This subsection outlines the Working Group’s specific reporting proposals for each of the aspects identified in Table 1.

### General Narrative Information (Who We Are)

29. An entity should be able to provide general information about itself in narrative form as part of its simple format reporting. Such information is usually important to understanding the organisation (and therefore its performance report). Key information that should be reported includes a description of:
- the entity's legal basis/constitution;
  - the entity's organisational structure;
  - where the entity gets its funding from and the fundraising methods used; and
  - use of/reliance on volunteers and donated goods in kind.
30. The way in which this information is reported should be voluntary and not prescriptive.

### Outcomes (Why We Bother)

31. Tier 3 entities should only be required to *describe* the outcomes they are seeking to influence, not to have to measure those outcomes or to establish causality between the outcomes and outputs. For the most part the entity will have little or no ability to control the outcomes and so should not be required to report on them as if they are accountable for the achievement of the outcomes. The Working Group considers that it is sufficient for the entity to outline the outcomes that it is seeking to influence and leave it at that (this may be as simple as simply outlining the entity's purpose/vision/mission statement). That is sufficient to make it clear to the users of the financial reports what the entity is seeking to achieve. Reporting anything more than that would be difficult and potentially very costly. Both outcomes measures and causality reporting require sophisticated measurement systems and processes, the cost of which would be disproportionate to the benefit gained for Tier 3 entities.
32. Outcome reporting should be done using a narrative format, the structure of which should not be prescriptive.

### Outputs (What We Did)

33. In relation to outputs (the goods and services the entity produces) the Working Group's view is that each broad category of service or good produced by the entity should be required to be specified. That specification should consist of a description of the services or goods delivered, together with quantity measures. Other measures (such as quality, and timeliness of delivery) should be allowed but be optional.
34. In the public sector, entities are required to cost their outputs. This involves allocating all their input costs (operating expenses) to their outputs. The Working Group recognises the informational benefit of this to users but considers that it is likely to be an expensive and difficult exercise for most Tier 3 NFP entities, with the costs likely to outweigh the benefits in most cases. Accordingly, the Working Group considers that the allocation of costs to outputs should be an optional rather than obligatory requirement.
35. Output reporting should also be done using a narrative format. It would be useful if some guidance was provided as to the structure of that narrative format.

### Financial Information

36. The Working Group recognises that the nature of financial information that should be reported will be dependent on whether the entity is required to use accrual accounting or may use the cash accounting



basis. However, the Working Group considers that within that constraint the requirements should be as comparable as possible. Accordingly it considers that:

- Accrual reporters (entities with expenses over \$40,000) should prepare:
  - Operating Statement (Statement of Financial Performance)
  - Balance Sheet; and
  - Cash Flow Statement.
- Cash reporters (entities with operating payments under \$40,000) should prepare:
  - Statement of Receipts and Payments comprising:
    - Operating Receipts;
    - Operating Payments;
    - Net Operating Cash Surplus/Deficit;
    - Capital Receipts;
    - Capital Payments;
    - Net Cash Surplus/Deficit from capital activity;
    - Net Movement in Cash.
  - Statement of Cash-Based Assets and Liabilities;
  - List of fixed assets

#### Expenses/Operating Payments (What it Cost)

37. There are numerous expense items that could be required to be disclosed in the Operating Statement or Statement of Receipts and Payments. After considering the costs and benefits of the various alternatives, the Working Group considers the compulsory minimum disclosures should be confined to the following five categories of expenses/operating payments:

- Direct Cost of Public Fundraising;
- Staff Costs;
- Service Delivery (output) Costs Other than Staff;
- Other Expenses.

38. The same categories should be used by both accrual and cash reporters with only the measurement basis differing. Optional breakdowns of each of these items should be allowed for in optional notes to the financial statements. Suggested breakdowns are:

*Direct Cost of Public Fundraising:*

- Breakdown by campaign or type (same breakdown as for income).

*Staff Costs:*

- Salaries and wages;
- Superannuation contributions;

- Other (including ACC levies).

*Service Delivery (output) Costs Other than Staff:*

- Direct costs relating to services delivered;
- Other service delivery costs.

*Other Expenses:*

- Administration and overhead costs;
- Interest/debt servicing costs;
- Changes in the value of assets;
- Other.

39. The Working Group considered the arguments for and against including volunteer time as an expense in the operating statement. Its view is that volunteer time should not be required to be reported as the costs of doing so are likely to outweigh the benefits for Tier 3 entities.

40. The Working Group considers that entities that distribute funds should be required to disclose the distributions separately from other operating expenses. A suggested format for doing this is as follows:

Income (by category)	
Less expenses (by category)	
<i>Operating Surplus/Deficit before Distributions</i>	
Less distributions	
<i>Operating Surplus/Deficit after Distributions</i>	

Income/Operating Receipts (How We Paid for It)

41. As with expenses there are numerous revenue items that could be required to be disclosed in the Operating Statement or Statement of Receipts and Payments. After considering the costs and benefits of the various alternatives, the Working Group considers the compulsory minimum disclosures should be confined to the following five categories of income/operating receipts:

- Fundraising from the Public;
- Other Donations and Grants;
- Fees from Members;
- Revenue from Goods and Services;
- Other Revenue.

42. Also as with expenses, the same categories should be used by both accrual and cash reporters with only the measurement basis differing.

43. Optional breakdowns of each of these items should be allowed as notes. The Working Group suggests the following optional breakdowns:

*Fundraising from the Public:*

- Breakdown by campaign or type.

*Other Donations and Grants:*

- Donations from the public;
- Grants for current operations;
- Grants for capital purposes;
- Other.

*Fees from Members:*

- Annual fees and subscriptions;
- One-off fees and subscriptions;
- Other.

*Revenue from Goods and Services:*

- Revenue from government contracts;
- Revenue from sales to the public;
- Revenue from sales to members;
- Other.

*Other Revenue:*

- Interest;
- Other.

44. The Working Group considered the arguments for and against including goods in kind received as revenue. Its view is that the costs of reporting such items as income are likely to outweigh the benefits for Tier 3 entities.
45. Consistent with the approach adopted for expenses, the Working Group considers that volunteer time donated should not be required to be reported as income as the costs of doing so are likely to outweigh the benefits for Tier 3 entities. However, the Working Group considers that entities that rely on volunteers should comment on that fact in their general narrative information (see paragraph 29 above) and preferably also provide some indication of the quantity (e.g. number of volunteers and/or voluntary hours contributed).
46. The Working Group considers that given the strong public interest in fundraising, that entities that undertake public fundraising (i.e. solicit donations from the public with little or no direct exchange in return), should be required to have a note to the financial statements that identifies net fundraising proceeds. This should be a compulsory requirement for all entities that undertake public fundraising.

## Assets and Liabilities (Our Future Viability)

47. As with revenue and expenses, there is a range of items that could be disclosed on the face of the balance sheet. The Working Group considers that the balance sheet prepared by accrual reporters should contain the following minimum disclosures:

- Assets
  - Cash and cash equivalents;
  - Debtors;
  - Property, Plant and Equipment (Fixed Assets);
  - Investments;
  - Other Assets.
- Liabilities
  - Creditors;
  - Unused Grants/Tagged Donations;
  - Borrowing;
  - Other Liabilities.
- Equity (Members Funds)
  - Externally Restricted Funds;
  - Other Accumulated Funds/Reserves.

48. Consistent with the decisions above, goods in kind received should not be required to be included as an asset as the costs of doing so are likely to outweigh the benefits for Tier 3 entities.

49. The Working Group recognises that reporting, and particularly valuing, fixed assets may be difficult for some Tier 3 entities – especially smaller entities required to report on an accruals basis. Nevertheless the Working Group considers fixed assets to be a fundamental part of the balance sheet and so should be reported. However, it considers that the Simple Format Reporting Standard should allow easy valuation options (such as government valuations) to be used. Consideration should also be given to allowing some flexibility where valuations are unavailable, or too costly to obtain. In these cases an entity should be able to provide a listing of assets in the notes instead and the balance sheet named as a “Partial Balance Sheet/Statement of Financial Position”.

50. The Working Group considers that entities reporting on the cash basis should provide information broadly equivalent to the above accrual requirements. This should consist of the following:

- A Statement of Cash-Based Assets and Liabilities;
- List of fixed assets (values optional).

51. A suggested format for the Statement of Cash-Based Assets and Liabilities is as follows:

Cash and cash equivalents  
Plus debtors  
Less creditors  

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*Cash available for immediate use (working capital)*

Plus term cash investments
Less borrowing
<i>Cash available for the future</i>

#### Commitments and Contingent Liabilities (Our Future Viability)

52. The Working Group considers it important that Tier 3 entities report any commitments (operating or capital). Although commitments are not yet liabilities, reporting them is essential for user to gain a proper understanding of the entity's future viability. A number of groups consulted with by the Working Group, including funders, highlighted the importance of reporting commitments. Accordingly, the Working Group considers it should be a compulsory reporting requirement.
53. The Working Group considers that the reporting of contingent liabilities should be optional but encouraged. The rationale for this is the cost involved in collecting information about contingent liabilities.

#### **Reporting Templates**

54. The Working Group understands that the XRB's proposal is to develop a standalone Simple Format Reporting Standard (that would outline the minimum reporting requirements), supported by templates which conform to the Standard. The Working Group strongly supports the fill-in-the box template approach as it considers this is likely to be a very effective means of reducing the compliance costs of general purpose financial reporting for small NFP entities. Feedback from the Working Group's consultation process also indicated general support for the template approach.
55. The Working Group recommends that consideration should be given to creating several templates, with each customised to broad types of NFP entities. As a minimum at least two templates should be developed:
- One for entities that undertake public fundraising; and
  - One for entities that do not undertake public fundraising.
56. Provision should be made in the templates for additional line items (in all categories) which preparers can choose to use (or not) to reflect their own circumstances.
57. The Working Group also recommends that simple (non-accounting) language should be used in the templates, for example "money owed to us" rather than "debtors". Important terms (such as public fundraising – money collected from the public with minimal direct exchange) also need to be clearly defined.
58. The templates should be supported by easy to read/understand guides which explain how to complete the templates and what fits into each category/line item.
59. The Working Group considers that "user testing" will be a critical step in the development of the templates and supporting guidance material. Such testing will be important to ensure that the language used is clear and that end users of the templates (i.e. preparers) are able to clearly understand what is required.

## Communication and Education

60. Communication to, and education of, the NFP sector about the simple format reporting requirements will be very important as part of the roll-out process. The Working Group suggests that this is something that the various umbrella groups in the sector, including those represented on the Working Group, should assist with. Other organisations, such as the Charities Commission and Office of the Community and Volunteer Sector also have a role to play in this process.

## PART D: SUMMARY AND CONCLUSION

61. The Working Group strongly supports the development of an accounting standard for simple format reporting by NFP entities. It also strongly supports the development of reporting templates that comply with that standard for use by Tier 3 entities. The limited consultation undertaken by the Working Group as part of its work indicated strong support from the sector for this approach.
62. The Working Group considers that the standard and templates should allow the entity to report on its performance in a clear and understandable way. The required reporting should comprise an integrated “performance report” (rather than just financial statements) that contains both financial and non-financial aspects. Non-financial aspects should be given primary prominence in that report.
63. As a general schema, the general purpose financial (performance) reports should cover five main areas:
- The objectives (outcomes) the organisation is seeking to achieve (*why we bother*);
  - The goods and/or services (outputs) the organisation provides in order to influence the targeted outcomes (*what we did*);
  - The expenses incurred in running the organisation and delivering its goods and services (*what it cost*);
  - The revenue earned by the organisation (*how it was paid for*); and
  - The on-going sustainability (particularly financial sustainability) of the organisation (*our future viability*).

This should be accompanied by a voluntary narrative section that provides an overview of the organisation (*who we are*).

64. Specific proposals for what should be required to be reported, and what could be provided as additional optional information, are provided in Part C of this report. These proposals reflect the Working Group’s judgement about the level of disclosure that appropriately balances the costs and benefits of reporting this information. However, circumstances will differ from organisation to organisation and so provision should be made for optional additional line items (in all categories) which preparers can choose to use (or not) to reflect their own circumstances.
65. The Working Group recognises that education of the NFP sector about the simple format reporting standard and template requirements (when finalised) will be very important. The Working Group considers that this is something that the various umbrella groups in the sector should assist with.

## **APPENDIX – SUMMARY OF VIEWS FROM CONSULTATION DISCUSSIONS**

### **General Conclusions**

- The need for a reporting standard was universally agreed as was the need for simple format reports;
- A strong preference for a set of standards developed or adapted specifically for New Zealand rather than to continue to use IFRS ( at least as it is understood or experienced to date);
- There was general agreement to the broad approach suggested by the Working Group (as outlined in Table 1 of this report);
- Non-financial information was generally regarded as being crucial to understanding a NFP entity's performance and there is strong support for non-financial information to be presented. The report required should be an integrated non-financial and financial performance/accountability report with non-financial information generally presented in a narrative format;
- There were divergent views on what the compulsory minimum disclosures should be. The more detailed disclosures should be made optional;
- The cost and/or complexity of the reports must be kept to a minimum;
- There was widespread acknowledgement of the challenges in designing simple format reports. One style or template is unlikely to suit all.

### **Comments on Specific Issues**

- Volunteer time too difficult and expensive to report in financial terms but could be discussed in general narrative;
- Valuing goods and services in kind is difficult and likely to be too expensive for most small NFPs;
- External fundraising costs is of significant public interest and should be a compulsory disclosure;
- Templates need to allow for the reporting of general contextual information about the organisation, such as the constitutional or legal basis of the entity;
- For some entities it is important to distinguish between funding from Government (contracts) vs. other funding (e.g. grants, donations and legacies);
- Reporting of legacies and other off-balance sheet funding sources is important to understanding the financial sustainability of some entities.

### **Information Important to Funders**

- Where an entity's funds come from;
- The amount of internal resources available (e.g. restricted (tagged and untagged) vs. unrestricted reserves) and the real level of external funding needed;
- The ability of the entity to manage itself and the funds provided to it;
- The financial sustainability of the entity i.e. liabilities, commitments, ability to maintain operations in the future.

## Formats

- Important to use plain, non-technical language in the Standard and templates;
- Need to really keep it simple and not over-complicate the formats/templates. On the other hand it is important for the requirements not to become too simple – a minimum quality of reporting needs to be maintained;
- Need to ensure the “big picture” of the entity’s performance is not obscured by detail;
- Need to emphasise the non-financial information about what the organisation exists for and is delivering – people “get” this;
- “Fill-in-the-boxes” type approach generally supported but should include spare boxes for additional items for the entity concerned.