

Financial Reporting & Assurance Changes for NFPs

Kevin Simpkins
Chairman

Outline

1. The New Statutory Framework
2. The Accounting Standards Framework
3. Assurance Requirements

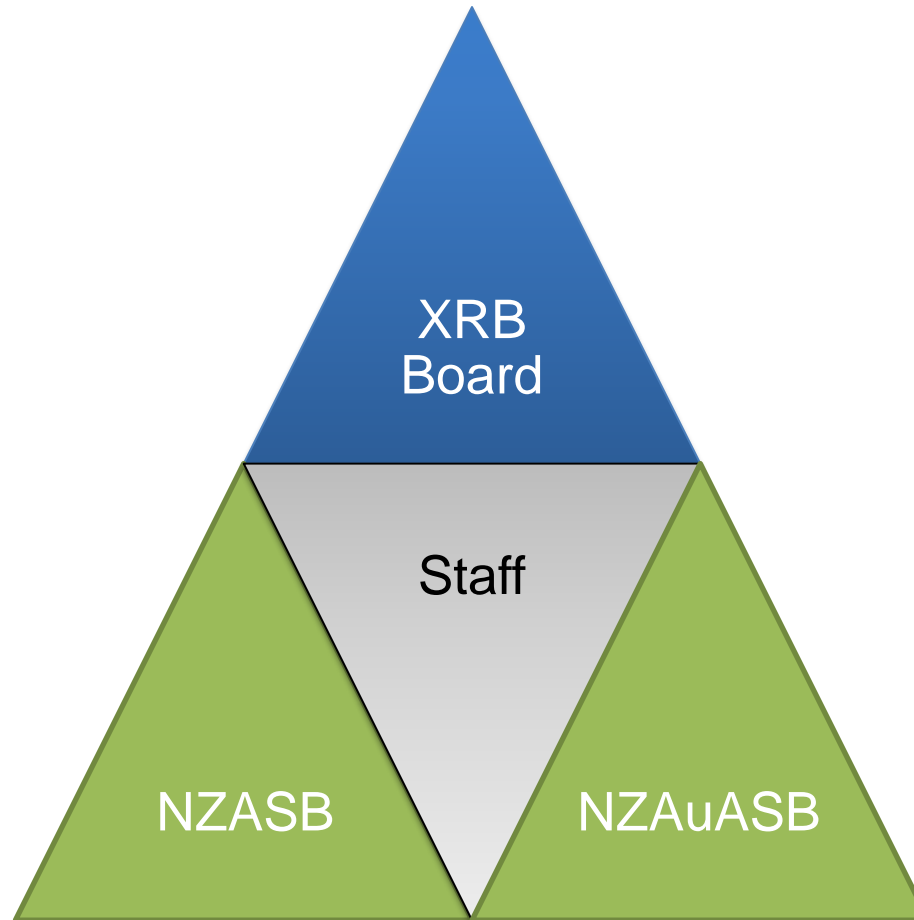


The XRB

- An Independent Crown Entity
- Statutory Functions
 - Financial Reporting Strategy
 - Accounting Standards
 - Auditing & Assurance Standards
 - Liaising with international counterparts



The XRB



1. The New Statutory Framework

New Statutory Framework

- **Financial Reporting Bill**
 - Introduced 31 July
 - Assuming enactment late 2013
- **Significant changes for Registered Charities**

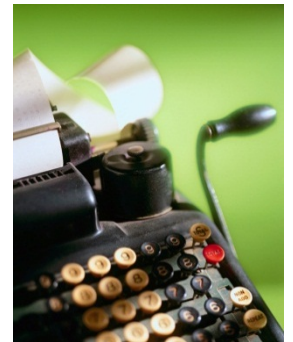


New Statutory Framework

NFP Entities	GAAP Required?
Registered Charities	Yes
Friendly Societies	Yes; can opt-out (if not large)
Industrial & Provident Societies (unless <10 members)	
Credit Unions	Yes
Gaming Societies	Yes
NFP Retirement Villages	Yes
NFP Maori Trust Boards, Maori Incorporations, Maori Land Trusts	Yes
All other NFP Entities (including Charitable Trusts, Incorporated Societies, Unincorporated Societies)	No

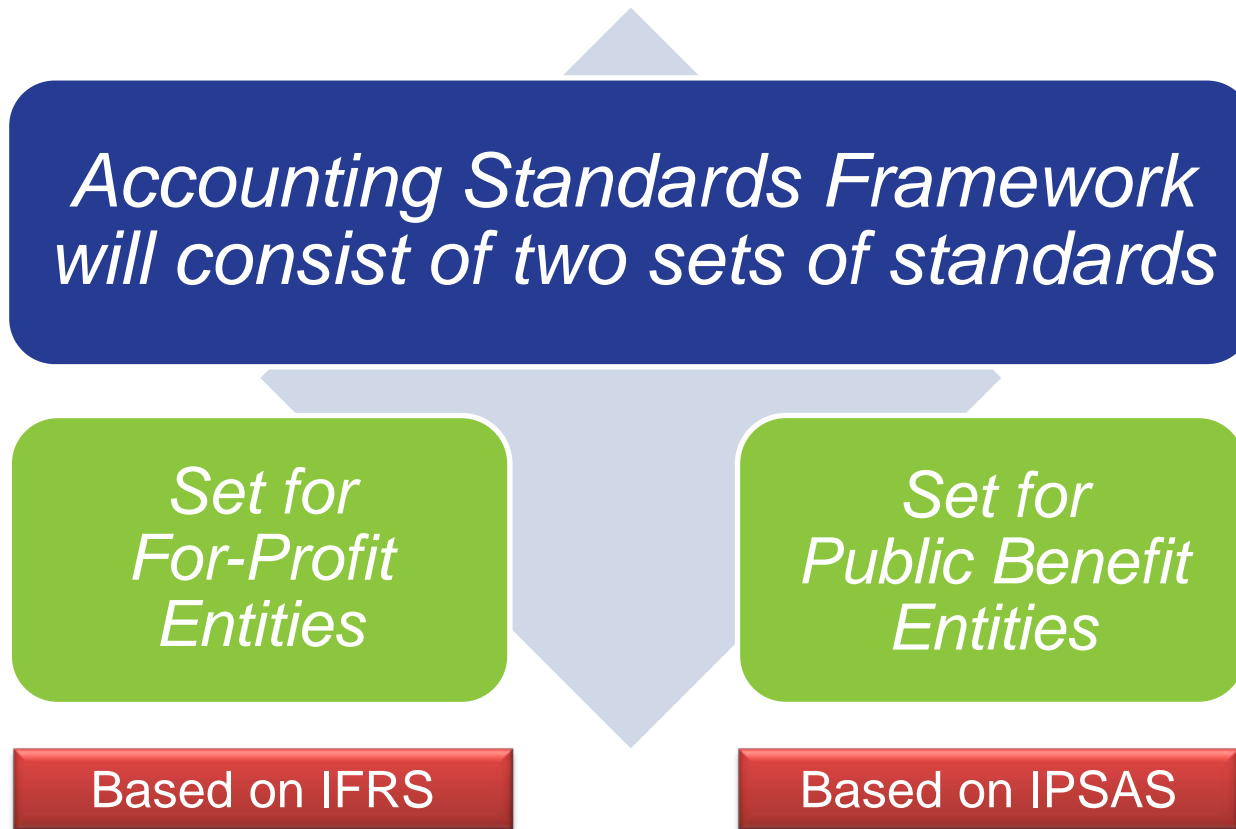
New Statutory Framework

- **Bill:**
 - Requires most Charities to follow GAAP
 - Allows small Charities to use cash accounting
 - Proposed Threshold in Bill = \$40,000
- **Expected to take effect from:**
1 April 2015



2. The New Accounting Standards Framework

Multi-Standards Approach



Multi-Standards Approach

- Key decision driver = **User Needs**
 - IFRS has capital markets focus
 - PBE users have different info needs
- Need standards = “fit for purpose”
 - Especially for NFPs

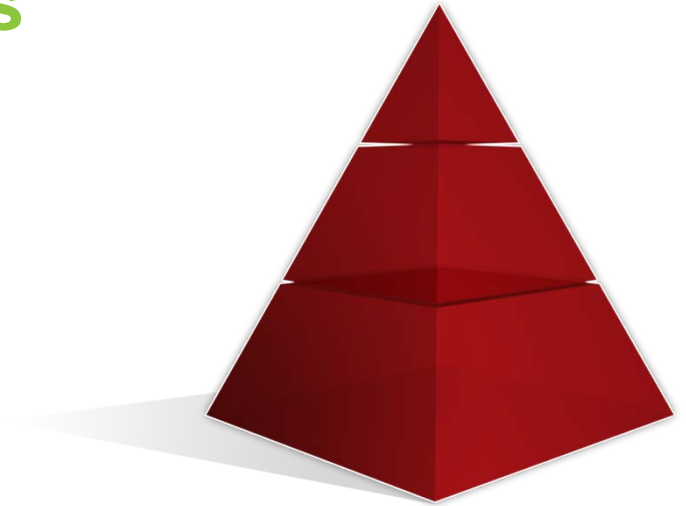


PBE (NFP) Framework

Tier	Entities	Standards
1	<ul style="list-style-type: none">“Publicly Accountable”Expenses >\$30m	Full PBE Standards
2	Expenses <\$30m	PBE Standards RDR
3	Expenses <\$2m	Simple Format Standard (accrual)
4	Where Law Allows (Op Payments <\$40k)	Simple Format Standard (cash)

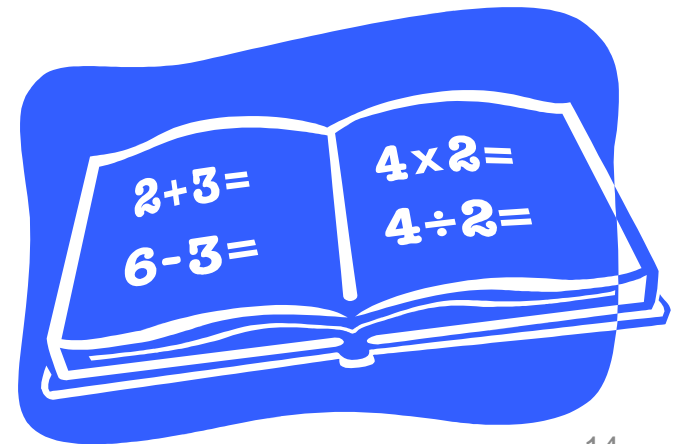
PBE Framework

- Charities:
 - 96% in Tiers 3 & 4
 - 58% in Tier 4
- ⇒ **Simple Format Standards**
important



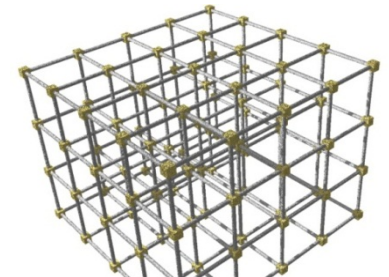
PBE Framework

- Tiers 3 & 4
 - Simple Format Reporting Standards
 - Standalone
 - User-friendly
 - Recognition and measurement
 - Minimum disclosures
 - Templates
 - Fill-in-the-box



Roll-out: Six Packages

1. Framework & Tier Strategy: March ✓
2. For-Profit Standards: Issued Nov ✓
3. PBE Standards (Public Sector): ED June ✓
4. Simple Format Standards(PS): ED Dec



Roll-out: Six Packages

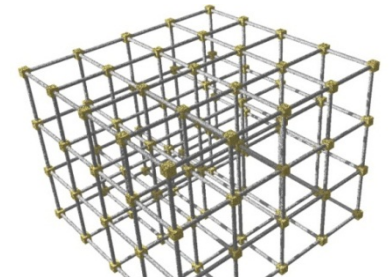
5. Simple Format Standards (NFP):

- Pre-consultation: completed
- ED: Dec 2012
- Submissions: June 2013
- Issue: late 2013
- Effective: 1/4/15



6. PBE Standards (NFP):

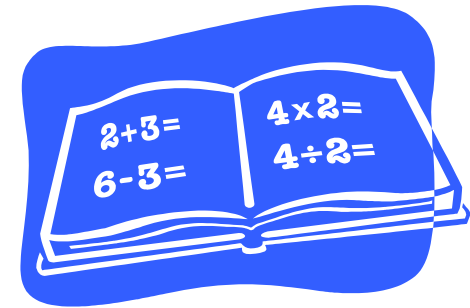
- ED: Q3: 2013
- Issue: Q3 2014
- Effective: 1/4/15



3. Assurance Requirements

NFP Assurance – Registered Charities

- Financial Reporting Bill
 - Silent
- MED/MBIE Discussion Document
 - Issued April 2012
 - Proposed:
 - If opex \geq \$300k must have Audit
 - If opex \geq \$200k must have Audit or Review
 - Concrete Issues Paper Forthcoming



Further Information

www.xrb.govt.nz