



## **International financial reporting for the not-for-profit sector**

CCAB is delighted to be supporting a project which seeks to identify accounting practice at an international level as a first step in establishing whether or not there is a need for the development of an international reporting framework, guidance or standard(s) for the not for-profit-sector.

This project supports CCAB's strategic objectives of public interest, being the voice of the accounting profession in the UK and representing views on current and emerging issues to international standard setters, regulators and other bodies.

A Steering Committee and Advisory Group comprising accountancy professional bodies, charity umbrella bodies, public practice firms and international charities will be set up to oversee and guide the research and promote its outcomes.

The terms of reference for these groups can be viewed [here](#).

## **Why are we supporting this project**

Every country has a not-for-profit sector. The makeup will depend on the wider culture and structures of the jurisdiction, but in the UK for example there are an estimated 900,000 civil society organisations with over £220bn of assets (source NCVO Civil Society Almanac: 2012). The boundaries between sectors are increasingly blurred with many charities providing public sector services and many businesses acting as social enterprises. This means that consideration of not-for-profit reporting issues is relevant to parts of the public and private sectors as well.

The development of International Financial Reporting Standards (IFRS) has been an important facilitation factor for global business – enabling investors and other users of accounts to have confidence that the accounts have been prepared on a consistent basis. The potential role for International Public Sector Accounting Standards (IPSAS) is also being increasingly recognised in the debate around how to improve government reporting in the wake of the Sovereign Debt Crisis. However, the unique issues present in the non-profit sector – primarily the treatment of gifts, definition of a liability (recognition of constructive obligations) and an asset (valuation on the basis of service potential) and responsibility to the donor – are not covered by international standards. The majority of countries appear to use for profit business standards when accounting for not-for-profit entities, although some may use tailored guidance developed for national use, such as the UK Charity SORP.

Charities and other non-governmental organisations (NGOs) increasingly work internationally with grants from governments funding their development and relief activities, while private donors and international foundations are increasingly taking a global approach to their work. As a result, charities and other NGOs face a multiplicity of international grant regimes, often made more complex by the lack of an agreed approach to financial planning and reporting.

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