

PSAB

At a Glance

Section PS 4200 - Financial
Statement Presentation by Not-
for-Profit Organizations

Section PS 4200 - *Financial Statement Presentation by Not-for-Profit Organizations*¹

Effective Date
Fiscal periods beginning on or after January 1, 2012

Components of Financial Statements

- **Financial statements of a government not-for-profit organization normally include:**
 - Statement of Financial Position
 - Statement of Operations
 - Statement of Changes in Net Assets (can be combined with the Statement of Operations)
 - Statement of Remeasurement Gains and Losses²
 - Statement of Cash Flows
 - Notes
 - Supporting schedules
 - All statements are required to be presented with equal prominence.
 - Notes and supporting schedules which the financial statements are cross-referenced to are an integral part of the financial statements. The same does not apply to information set out in other material attached to or submitted with the financial statements.

Fund Accounting

- Comprises the collective accounting procedures resulting in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions of an organization. Elements of a fund can include assets, liabilities, net assets, revenues and expenses (and gains and losses, where appropriate). Fund accounting involves an accounting segregation, although not necessarily a physical segregation, of resources.
- An organization makes an accounting policy choice whether or not to use fund accounting.
- An organization that uses fund accounting must provide a brief description of the purpose of each fund reported in its financial statements. This description would include the types of expenses reported in the fund and the extent to which the fund is used to report restricted resources.
- Each fund reported would be presented on a consistent basis from year to year. A change in the revenues and expenses reported in a particular fund would constitute a change in accounting policy unless the change results from events / transactions clearly different from those that previously occurred or those occurring for the first time.
- When an organization uses fund accounting it may present its financial statements using the multi-column format where resources / similar groups of resources are each assigned to a separate column.
- Other financial statement formats may also be used when an organization is using fund accounting as long as the financial information of the organization as a whole is presented in accordance with this Section.
- Different formats for individual statements may also be used as long as the information is presented in a way that satisfies the requirements of this Section.

Interfund Transfers and Balances

- Interfund transfers must be presented in the Statement of Changes in Net Assets as transfers between funds or transfers between funds and reserves during a reporting period do not increase / decrease the economic resources of an organization as a whole.
- An organization must disclose the amount and purpose of interfund transfers during the reporting period.
- An organization must disclose the amounts, terms and conditions of interfund loans outstanding at the reporting date.
- When a multi-column format is used to present an organization's financial statements, interfund loans and advances are presented in the individual funds and eliminated in the totals column of the Statement of Financial Position.
- When a single column format is used, only the notes to the financial statements would provide disclosure of interfund loans and amounts receivable.

¹ PS 4200 covers the presentation and disclosure requirements for financial statements of government not-for-profit organizations (GNPOs), excluding general reporting principles, the Statement of Cash Flows and the Statement of Remeasurement Gains and Losses for which guidance is provided in PS 1201 - *Financial Statement Presentation*. For more information on these areas, please refer to our publication "PSAB At a Glance: PS 1201 - *Financial Statement Presentation*".

² A Statement of Remeasurement Gains and Losses may be required by application of Sections PS 2601, *Foreign Currency Translation*, and PS 3450, *Financial Instruments*.

Contributions

- In accounting for contributions a GNPO follows either the deferral method or the restricted fund method which are set out in Section PS 4210, *Contributions - Revenue Recognition*. Our publication “PSAB At a Glance - Contributions” also provides a discussion of these two methods. The choice a GNPO makes in accounting for contributions has implications for its financial statement presentation.

Structure and Content

General

- A GNPO’s financial statements must include a clear and concise description of the organization’s purpose, intended community of service, status under income tax legislation and legal form.

Statement of Financial Position

- Must present a total that includes all funds reported for each financial statement item.
- Must present the following:
 - Net assets subject to restrictions requiring they be maintained permanently as endowments;
 - Other restricted net assets;
 - Unrestricted net assets; and
 - Total net assets.
- Current assets are presented separately from non-current assets and current liabilities are presented separately from non-current liabilities.
 - Cash and other assets subject to external restrictions that limit their use to beyond one year from the date of the Statement of Financial Position are classified as non-current assets.

Statement of Operations

- GNPOs can classify expenses by object (i.e. salaries, rent), by function (i.e. administration, research) or by program. The classification that results in the most meaningful presentation should be used.
- **Statement of Operations - Deferral Method**
 - The Statement of Operations must present the following:
 - A total that includes all funds reported for each financial statement item; and
 - The total excess or deficiency of revenues and gains over expenses and losses for the period.
 - The statement should present similar items of revenue and similar items of expense grouped together in meaningful categories as financial statement items.
- **Statement of Operations - Restricted Fund Method**
 - The Statement of Operations must present the following for the period:
 - A total for each financial statement item recognized in the general fund;
 - The total for each financial statement item recognized in the restricted funds, other than the endowment fund;
 - The total for each financial statement item recognized in the endowment fund; and
 - The excess or deficiency of revenues and gains over expenses and losses for each of the general fund, restricted funds other than the endowment fund and the endowment fund.
 - The statement should present similar items of revenue and similar items of expense grouped together in meaningful categories as financial statement items.
- **Presentation of Revenues and Expenses**
 - When an organization is acting as the principal in transactions, revenue and expenses must be recognized and presented at their gross amounts.
 - When an organization is not acting as the principal in transactions, such as when it has earned a commission / fee or received the equivalent of a contribution, it recognizes only the net amount received.

Structure and Content (Continued)

Statement of Changes in Net Assets

- Must present changes in the following for the period:
 - Net assets subject to restrictions requiring that they be maintained permanently as endowments;
 - Internally restricted net assets and, separately, externally restricted net assets other than those requiring that they be maintained permanently as endowments;
 - Unrestricted net assets; and
 - Total net assets.

Statement of Remeasurement Gains and Losses

- Must be prepared in accordance with Section PS 1201, *Financial Statement Presentation*.
 - Refer to our publication “PSAB At a Glance: PS 1201 - *Financial Statement Presentation*” for information on what is included in the Statement of Remeasurement Gains and Losses.

Statement of Cash Flows

- Must be prepared in accordance with Section PS 1201, *Financial Statement Presentation*.
 - Refer to our publication “PSAB At a Glance: PS 1201 - *Financial Statement Presentation*” for information on what is included in the Statement of Cash Flows.
 - Refer to paragraphs PS 4200.51-.52 for details on what would be included under the cash flows from operations, financing activities and investing activities sections of the Statement of Cash Flows.

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