SECTION PS 4250
reporting controlled and related entities by not-for-profit organizations

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PURPOSE AND SCOPE

.01 This Section establishes standards for the presentation and disclosure of controlled, significantly influenced and other related entities in the financial statements of not-for-profit organizations. RELATED PARTY DISCLOSURES, Section PS 2200, establishes additional disclosure standards for situations when there are transactions with related parties.

DEFINITIONS

.02 The following terms are used in this Section with the meanings specified:

(a) **Not-for-profit organizations** are entities, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. A not-for-profit organization's members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.

(b) **Control** is the power of a public sector entity to govern the financial and operating policies of another entity with expected benefits or the risk of loss to the public sector entity from the other's activities (see the indicators of control in GOVERNMENT REPORTING ENTITY, Section PS 1300).

(c) **Shared control** occurs when two or more entities are bound by a contractual arrangement that specifies the agreed sharing of the ongoing power to determine financial and operating policies (see the characteristics of shared control in INTERESTS IN PARTNERSHIPS, Section PS 3060).

(d) A **joint venture** is an economic activity resulting from a contractual arrangement whereby two or more venturers share control of the economic activity.

(e) **Significant influence** over an entity is the ability to affect the strategic operating, investing and financing policies of the entity.

(f) An **economic interest** in another not-for-profit organization exists if:

(i) the other organization holds resources that must be used to produce revenue or provide services for the reporting organization; or

(ii) the reporting organization is responsible for the liabilities of the other organization.

[Former paragraph PS 4250.02 retained in Archived Pronouncements.]

.03 Not-for-profit organizations can have many different types of relationships with other entities, both not for profit and profit oriented. An organization may have control over another entity. A discussion of the definition of control follows in paragraphs PS 4250.04-.08. Presentation and disclosure of controlled entities is dealt with in paragraphs PS 4250.14-.35. When the relationship falls short of control, the organization may instead have significant influence over the other entity. A discussion of the definition of significant influence appears in paragraph PS 4250.09. Presentation and disclosure of significantly influenced entities is dealt with in paragraphs PS 4250.40-.44. Economic interest is a concept unique to relationships among not-for-profit organizations. It may be an indicator of either control or significant influence. Alternatively, an economic interest may exist without control or significant influence. A discussion of the definition of economic interest appears in paragraphs PS 4250.10-.12. Disclosure of economic interest when it exists without control or significant influence is dealt with in paragraphs PS 4250.45-.46.

Control

.04 Strategic operating, investing and financing policies establish the basis for the conduct of an entity's operations and the deployment of its resources. The holder of the right to appoint the majority of the voting members of an entity's board of directors (or board of governors) would normally have the power to determine the entity's strategic policies. The right to appoint the majority of an entity's board of directors may be held in the form of ownership of the other entity's voting shares. Not-for-profit organizations are usually established without a transferable ownership interest. Therefore, the right to appoint the majority of another not-for-profit organization's board of directors is normally established by other means. For example, appointment of the board of directors may be dealt with in the organization's by-laws or articles of incorporation.

.05 One organization is presumed to control another entity when it has the right to appoint the majority of the voting members of the other entity's board of directors. When two organizations have the same board of directors, the presumption is that one organization controls the other. The presumption of control would only be overcome if there is clear evidence that control does not exist. The more directors appointed by the reporting organization beyond a simple majority, the more persuasive this evidence must be to overcome the presumption that control exists. The presumption of control based on the ability to appoint the majority of another entity's board of directors applies to questions of control over both not-for-profit organizations and profit-oriented enterprises. Further factors to be considered in determining whether the organization controls another organization are presented in GOVERNMENT REPORTING ENTITY, paragraphs PS 1300.18-.24.

.06 In the absence of the right to appoint the majority of the voting members of another not-for-profit organization's board of directors, the reporting organization would consider the characteristics of its relationship with the other organization to determine if any indicators of control are present. Possible indicators of control are:

(a) a significant economic interest in the other organization (see paragraphs PS 4250.10-.12 for a discussion of economic interest);

(b) provisions in the other organization's charter or bylaws that cannot be changed without the reporting organization's consent and that limit the other organization to activities that provide future economic benefits to the reporting organization; or

(c) the other organization's purpose is integrated with that of the reporting organization so that the two organizations have common or complementary objectives.

.07 In some cases, the presence of a single indicator of control is sufficient for the organization to conclude that control exists. For example, whether or not an organization has an economic interest in another organization is an important characteristic of its relationship with the other organization. The significance of economic interest as an indicator of control can vary. If an organization is only able to raise funds and transfer them exclusively to the reporting organization, the economic interest may be so significant that the reporting organization may have control over the other organization, even without the ability to appoint the majority of the other organization's board of directors. A less significant economic interest would have less impact on the question of whether or not control exists.

.08 In other cases, more than one indicator of control may be necessary in order for the organization to conclude that control exists. For example, local not-for-profit organizations sometimes join an associated group or create a national organization in order to achieve their common objectives. These local organizations may receive certain membership rights and privileges (for example, centralized fund raising, investing or public education). In exchange, the local organizations may agree to operate under a common name and be bound by certain standards and policies of the national organization. In such cases, additional indicators of control beyond common objectives may be required to provide evidence that the national organization controls the local organizations.

Significant influence

.09 In situations where it is concluded that control does not exist, an organization may be able to exercise significant influence over the strategic operating, financing and investing activities of another entity. Factors that may indicate that the reporting organization has significant influence over another entity would include representation on the board of directors, the existence of an economic interest, participation in policy-making processes, material inter-entity transactions, or interchange of managerial personnel. A temporary ability to affect the other entity's strategic policies would not be considered to be significant influence for purposes of this Section.

Economic interest

.10 The reporting organization has an economic interest in another not-for-profit organization when the other organization holds resources for the benefit of the reporting organization. An economic interest also exists when the reporting organization is responsible for the other organization's liabilities. The following are possible indicators of economic interest:

(a) The other organization solicits funds in the name of and with the expressed or implied approval of the reporting organization, and substantially all of the funds solicited are intended by the contributor or are otherwise required to be transferred to the reporting organization or used at its discretion or direction;

(b) The reporting organization transfers significant resources to the other organization, whose resources are held for the benefit of the reporting organization;

(c) The other organization is required to perform significant functions on behalf of the reporting organization that are integral to the reporting organization's achieving its objectives; or

(d) The reporting organization guarantees significant liabilities of the other organization.

.11 Economic interests can exist in varying degrees of significance. At one extreme, the reporting organization would not be able to function in its current form without the organization in which it has an economic interest. In such cases, the existence of the economic interest may be a strong indicator that control exists. At the other extreme, economic interests are much more limited and exist without control or significant influence.

.12 In determining if an economic interest in another organization exists, the reporting organization would consider whether the other organization is required to transfer resources to or perform significant functions for the reporting organization. For example, externally imposed restrictions on the other organization's resources could create an economic interest. However, a funding relationship where the other organization is not obliged to provide resources to the reporting organization may not be considered to be an economic interest. Similarly, a situation where another organization holds fund raising events from time to time for the benefit of the reporting organization may not result in an economic interest.

Relationships with funding bodies

.13 Government and other entities that provide resources to not-for-profit organizations may have some influence over such organizations by virtue of the fact that funding may be withdrawn if the funder disagrees with the funded organization's strategic policies. The fact that an organization depends on the reporting organization for resources is not by itself an indication of control or significant influence for purposes of this Section. In addition to the funding relationship, other indicators, such as representation on the board of directors or the existence of an economic interest, would have to be present in order to conclude that control or significant influence exists. In cases where the reporting organization itself is economically dependent on particular resource providers this fact would be clear from the disclosure of contributions by major source in accordance with CONTRIBUTIONS — REVENUE RECOGNITION, Section PS 4210.

PRESENTATION AND DISCLOSURE OF CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS

.14 *An organization should report each controlled not-for-profit organization in one of the following ways:*

(a) by consolidating the controlled organization in its financial statements;

(b) by providing the disclosure set out in paragraph PS 4250.22*; or*

(c) if the controlled organization is one of a large number of individually immaterial organizations, by providing the disclosure set out in paragraph PS 4250.26*.* [JAN. 2012]

.15 *For a controlled not-for-profit organization, regardless of whether or not it is consolidated, the following should be disclosed:*

(a) the policy followed in reporting the controlled organization;

(b) a description of the relationship with the controlled organization;

(c) a clear and concise description of the controlled organization's purpose, its intended community of service, its status under income tax legislation and its legal form; and

(d) the nature and extent of any economic interest that the reporting organization has in the controlled organization. [JAN. 2012]

.16 Controlled organizations can have a significant impact on the resources and operations of the reporting organization. Therefore, financial statement users need information about the relationship with each controlled organization and its significance to the reporting organization. This information is provided by presenting consolidated financial statements to include controlled organizations or by disclosing information about controlled organizations. Similar controlled organizations may be grouped together for disclosure purposes.

.17 Control over another organization will often be accompanied by an economic interest in that organization. The nature of the economic interest may be clear from the disclosure of the controlled organization's purpose. The nature and extent of any other economic interest would be specifically disclosed. (See paragraphs PS 4250.45-.46 for a further discussion of the disclosure of economic interest.)

.18 An organization may follow different policies for reporting different controlled organizations. For example, one group of controlled organizations may be consolidated in the financial statements, while another group is disclosed in accordance with either part (b) or part (c) of paragraph PS 4250.14. Similar types of controlled organizations would be reported in the same manner. The organization's policy for reporting each controlled organization or group of controlled organizations would be disclosed.

Consolidated financial statements

.19 BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500, and ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, set out the requirements to be followed when consolidated financial statements are presented. Consolidated financial statements would be prepared by aggregating the financial statement elements of the controlled organization with those of the reporting organization. Transactions between the organizations and inter-organization balances would be eliminated in the consolidated financial statements. In the not-for-profit sector, consolidated financial statements have often been referred to as combined financial statements.

.20 The resources of controlled organizations may be subject to restrictions on their use. Information about major categories of restrictions on resources would be provided for all the organizations included in consolidated financial statements in accordance with FINANCIAL STATEMENT PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4200. Depending on the significance of controlled organizations to the reporting organization, broader categories of restrictions on controlled organizations' resources may be disclosed in the reporting organization's financial statements than in the controlled organizations' own financial statements. Information about external restrictions that require resources to flow to the reporting organization and external restrictions that preclude the transfer of resources to the reporting organization would be disclosed.

.21 The accounting policies of each controlled organization would be adjusted to conform with those of the reporting organization for purposes of consolidation.

Controlled organizations that are not consolidated

.22 *For each controlled not-for-profit organization or group of similar controlled organizations not consolidated in the reporting organization's financial statements, the following should be disclosed, unless the group of controlled organizations is comprised of a large number of individually immaterial organizations* (see paragraph PS 4250.26)*:*

(a) total assets, liabilities and net assets at the reporting date;

(b) revenues (including gains), expenses (including losses) and cash flows from operating, financing and investing activities reported in the period;

(c) details of any restrictions, by major category, on the resources of the controlled organizations; and

(d) significant differences in accounting policies from those followed by the reporting organization. [JAN. 2012]

.23 When the reporting organization controls another organization it effectively controls that other organization's resources by virtue of its power to determine the strategic policies governing the deployment of resources. Presenting consolidated financial statements is one means of providing financial statement users with information about these controlled resources. When a controlled organization is not consolidated in the reporting organization's financial statements, information about the resources of this controlled organization would be disclosed in the reporting organization's financial statements in accordance with paragraph PS 4250.22.

.24 The resources of the controlled organization may be subject to restrictions on their use. Information about major categories of restrictions on controlled organizations' resources would be disclosed. Depending on the significance of controlled organizations to the reporting organization, broader categories of restrictions on controlled organizations' resources may be disclosed in the reporting organization's financial statements than in the controlled organizations' own financial statements. Information about external restrictions that require resources to flow to the reporting organization and external restrictions that preclude the transfer of resources to the reporting organization would be disclosed.

.25 It is desirable for the information disclosed in accordance with paragraph PS 4250.22 to be presented using the same accounting policies as the reporting organization. If this is not the case, significant differences in the accounting policies used to present financial information related to unconsolidated controlled organizations would be disclosed.

Control over a large number of individually immaterial organizations

.26 *An organization may exclude a group of controlled organizations from both consolidation and the disclosure set out in paragraph* PS 4250.22*, provided that:*

(a) the group of organizations is comprised of a large number of organizations that are individually immaterial; and

(b) the reporting organization discloses the reasons why the controlled organizations have been neither consolidated nor included in the disclosure set out in paragraph PS 4250.22*.* [JAN. 2012]

.27 Some not-for-profit organizations have control over dozens, hundreds or even thousands of individually immaterial organizations. Because of the large number and the relative insignificance of each controlled organization, the reporting organization may choose not to exercise financial control over these small organizations. As a result, the reporting organization may not receive financial information from these organizations on a timely basis, if at all. Furthermore, the financial information that is received from these small organizations will often not be in the form of financial statements prepared using generally accepted accounting principles. In such cases, the expense and effort of preparing consolidated financial statements or providing the information set out in paragraph PS 4250.22 may far exceed any benefits from doing so. In addition to the disclosure required by paragraph PS 4250.15, the reasons for not providing consolidated financial statements or financial information about the controlled organizations would also be disclosed. Possible reasons could include cost / benefit considerations and the decision not to exercise financial control.

.28 Judgment would be exercised in determining whether the number of controlled organizations is sufficient to justify the organization following the requirements in paragraph PS 4250.26 and whether individual organizations are immaterial. The number of organizations would have to be sufficiently large that collecting financial information would be unduly onerous. The materiality of individual organizations would be assessed in relation to the reporting organization excluding the controlled organizations that are being considered for reporting under paragraph PS 4250.26.

.29 An organization may find that some of the organizations it controls qualify for reporting under paragraph PS 4250.26, while others may not. For example, a national organization that controls both provincial and local branches may find that provincial branches do not meet the criterion in paragraph PS 4250.26(a) since they are all material. Small local branches, on the other hand, may meet this criterion if they are numerous and individually immaterial. In such cases, the organization would consolidate the controlled provincial branches or disclose the information set out in paragraph PS 4250.22 about the controlled provincial branches. Reasons for not consolidating or providing financial information about the large number of controlled local branches would be disclosed in accordance with paragraph PS 4250.26.

PRESENTATION AND DISCLOSURE OF CONTROLLED PROFIT-ORIENTED ENTERPRISES

.30 *An organization should report each controlled profit-oriented enterprise in either of the following ways:*

- *(a) by consolidating the controlled enterprise in its financial statements; or*
- *(b) by accounting for its investment in the controlled enterprise using the modified equity method and providing the disclosure set out in paragraph* PS 4250.32*.* [JAN. 2012]

.31 *For a controlled profit-oriented enterprise, regardless of whether it is consolidated or accounted for using the modified equity method, the following should be disclosed:*

- *(a) the policy followed in reporting the controlled enterprise; and*
- *(b) a description of the relationship with the controlled enterprise.* [JAN. 2012]

.32 *For each controlled profit-oriented enterprise or group of similar controlled enterprises accounted for using the modified equity method, the following should be disclosed:*

- *(a) total assets, liabilities and shareholders' equity at the reporting date; and*
- *(b) revenues (including gains), expenses (including losses), net income and cash flows from operating, financing and investing activities reported in the period.* [JAN. 2012]

.33 An organization may present consolidated financial statements to include controlled entities. Consolidated financial statements would be prepared in accordance with BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500, and ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510. Investments in controlled profit-oriented enterprises that are not consolidated would be accounted for using the modified equity method in accordance with INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070. When the modified equity method is used, additional financial information about the controlled entity would be disclosed to provide users with information about the controlled entity's financial position and results of operations. Similar controlled enterprises may be grouped together for purposes of disclosure. An organization may choose to consolidate some controlled enterprises and to account for others using the modified equity method. Similar types of controlled enterprises would be reported in the same manner. The organization's policy in accounting for each controlled enterprise or group of enterprises would be disclosed.

.34 Disclosure of the relationship with a controlled enterprise would be provided whether the enterprise is consolidated or accounted for using the modified equity method. This disclosure would include information about how the controlled entity's operations relate to or complement those of the reporting organization.

.35 BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500, and ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, present disclosure requirements for when consolidated financial statements are presented. When a controlled enterprise is consolidated, its accounting policies would be adjusted to conform with those of the reporting organization.

PRESENTATION AND DISCLOSURE OF JOINT VENTURES

.36 *An organization should report each interest in a joint venture in either of the following ways:*

- *(a) by accounting for its interest using the proportionate consolidation method in accordance with INTERESTS IN PARTNERSHIPS, Section* PS 3060*; or*
- *(b) by accounting for its interest using the modified equity method and disclosing the information set out in paragraph* PS 4250.38*.* [JAN. 2012]

.37 *For an interest in a joint venture, regardless of whether it is reported using the proportionate consolidation or the modified equity method, the following should be disclosed:*

(a) the policy followed in reporting the interest; and

(b) a description of the relationship with the joint venture. [JAN. 2012]

.38 *For each interest in a joint venture, or group of similar interests, accounted for using the modified equity method, the following should be disclosed:*

(a) the reporting organization's share of the joint venture's total assets, liabilities and net assets, or shareholders' equity, at the reporting date;

(b) the reporting organization's share of the joint venture's revenues (including gains), expenses (including losses), and cash flows from operating, financing and investing activities reported in the period; and

(c) significant differences in accounting policies from those followed by the reporting organization. [JAN. 2012]

.39 An organization may enter into a joint venture with other entities. (INTERESTS IN PARTNERSHIPS, Section PS 3060, provides guidance on different types of joint ventures and how they may be identified.) A situation when the reporting organization's proportionate share of assets, liabilities, revenues or expenses related to the activity under shared control is not determinable would not be considered to meet the definition of a joint venture for purposes of this Section. The organization would instead consider whether such a situation would be reported as one of significant influence or economic interest. A reporting organization has shared control over the joint ventures in which it has an interest. In order to provide information about all the economic resources under its control, the reporting organization would report its interest in a joint venture in accordance with paragraph PS 4250.36. An organization may follow different policies for reporting different interests in joint ventures. The organization's accounting policies with respect to reporting joint ventures would be disclosed. Interests in similar joint ventures may be grouped together for purposes of disclosure. [Former paragraph PS 4250.39 retained in Archived Pronouncements.]

DISCLOSURE OF SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATIONS

.40 *When the reporting organization has significant influence in another not-for-profit organization, the following should be disclosed:*

(a) a description of the relationship with the significantly influenced organization;

(b) a clear and concise description of the significantly influenced organization's purpose, its intended community of service, its status under income tax legislation and its legal form; and

(c) the nature and extent of any economic interest that the reporting organization has in the significantly influenced organization. [JAN. 2012]

.41 Since not-for-profit organizations are usually established without transferable ownership interest, significant influence over another not-for-profit organization will normally exist through other means. In such cases, there would be no ownership interest to be reflected in the reporting organization's financial statements and the information required by paragraph PS 4250.40 would be disclosed. Similar significantly influenced organizations may be grouped together for purposes of disclosure.

.42 Significant influence involves the ability to affect, rather than control, how the other organization's resources are used. Therefore, the reporting organization would not provide information about all the significantly influenced organization's resources. Details about the significantly influenced organization's purpose would be disclosed. Information about any economic interest would also be provided so that users are aware of resources from which the reporting organization will benefit in the future and of risks to which the reporting organization may be exposed. See paragraphs PS 4250.45-.46 for a further discussion of the disclosure of economic interest.

PRESENTATION OF SIGNIFICANTLY INFLUENCED PROFIT-ORIENTED ENTERPRISES

.43 *When the reporting organization has significant influence over a profit-oriented enterprise, the investment should be accounted for using the modified equity method in accordance with INTERESTS IN PARTNERSHIPS, Section* PS 3060*.* [JAN. 2012]

.44 INTERESTS IN PARTNERSHIPS, paragraphs PS 3060.55-.60, sets out the presentation and disclosure requirements for the reporting organization's share of significantly influenced investees.

DISCLOSURE OF ECONOMIC INTEREST

.45 *When an organization has an economic interest in another not-for-profit organization over which it does not have control or significant influence, the nature and extent of this interest should be disclosed.* [JAN. 2012]

.46 Information about the nature and extent of an economic interest will help financial statement users assess the reporting organization's financial position by making them aware of resources from which that organization will benefit in the future and of the risks to which it may be exposed. If, for example, the economic interest takes the form of assets that will flow to the reporting organization, the amount of these assets and the purposes for which they are to be used would be disclosed. If the economic interest takes the form of an arrangement to solicit funds on behalf of the reporting organization, details of this arrangement would be disclosed. The extent to which the economic interest involves responsibility for the other organization's liabilities would also be disclosed.

FINANCIAL INFORMATION AT DIFFERENT DATES

.47 *When the fiscal periods of the reporting organization and the other entity do not substantially coincide, the financial information required to be disclosed in accordance with paragraph* PS 4250.22, PS 4250.32 *and* PS 4250.38 *should be as at the other entity's most recent reporting date and the following should be disclosed:*

(a) the reporting period covered by the financial information; and

(b) the details of any events or transactions in the intervening period that are significant to the reporting organization's financial position or results of operations. [JAN. 2012]

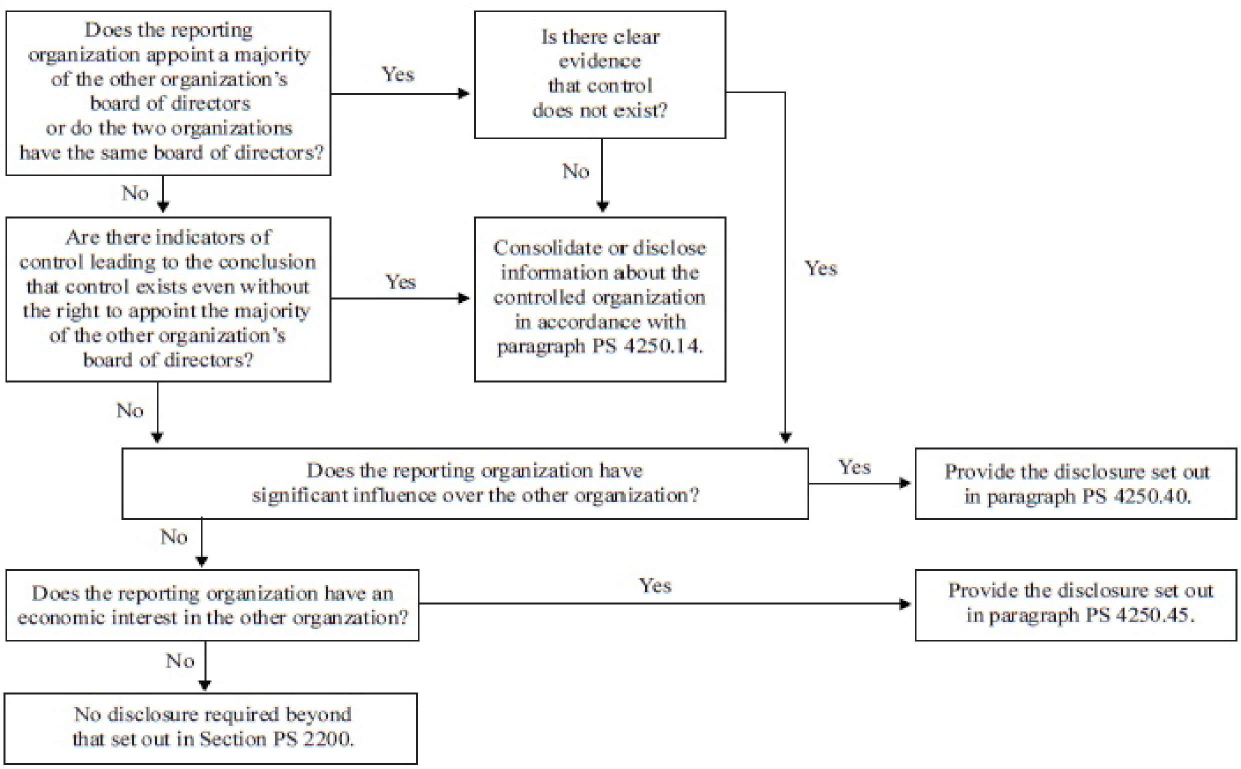
.48 It is expected that reasonable efforts would be made to obtain the financial information required by paragraphs PS 4250.22, PS 4250.32 and PS 4250.38 for financial reporting periods that substantially coincide with that of the reporting organization. However, in cases where this is not possible, the exclusion of the financial information about the controlled entity or entity under shared control would not be justified. Financial information for the other entity's most recent reporting date would be disclosed. Details of events or transactions in the intervening period would include the magnitude of their effect on any of the financial information disclosed about the controlled or significantly influenced entity. [Former paragraph PS 4250.48 retained in Archived Pronouncements.]

.49 The presentation of consolidated financial statements when the reporting organization and the controlled entity's reporting periods do not substantially coincide is dealt with in BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500. The guidance in Section PS 2500 is appropriate for consolidations of both controlled profit-oriented enterprises and controlled not-for-profit organizations with reporting periods that differ from that of the reporting organization. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, deals with accounting for an investee using the modified equity method when the reporting organization and the investee have different reporting periods.

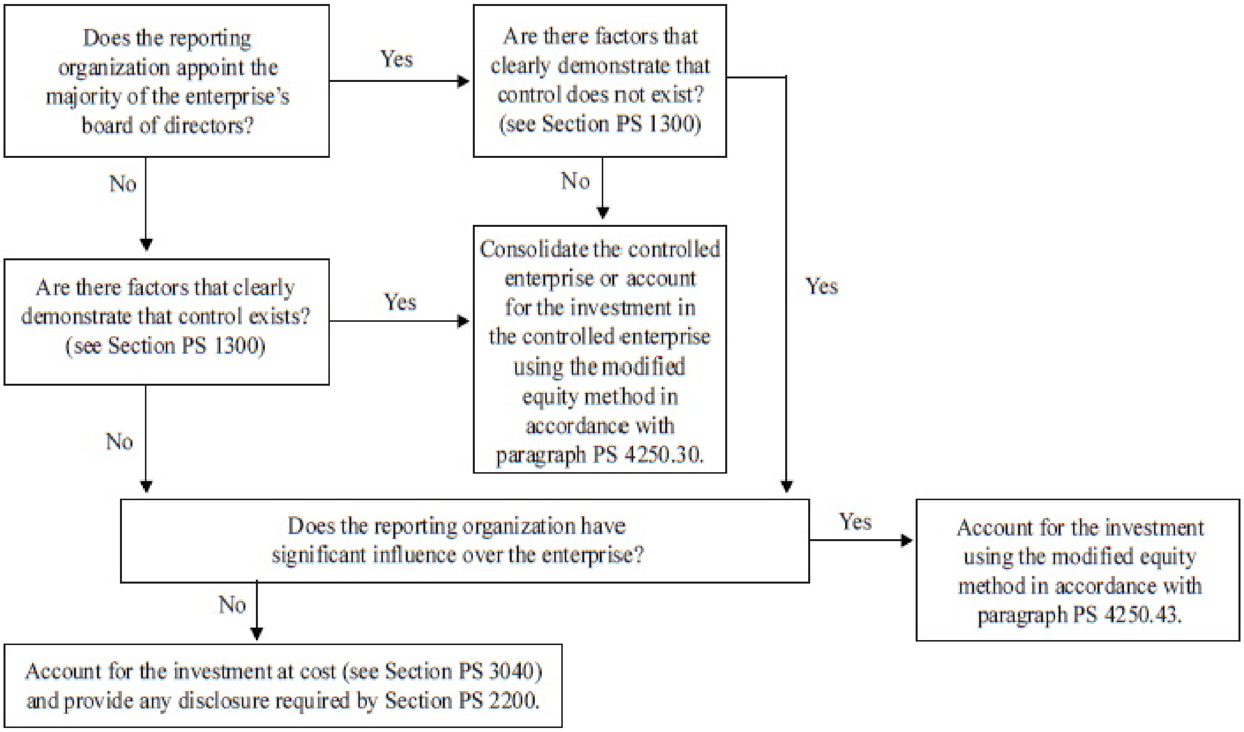
APPENDIX A

The following decision trees are illustrative only. While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

DECISION TREE — REPORTING OF CONTROLLED AND SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATIONS AND ECONOMIC INTERESTS IN NOT-FOR-PROFIT ORGANIZATIONS



DECISION TREE — REPORTING OF CONTROLLED AND SIGNIFICANTLY INFLUENCED PROFIT-ORIENTED ENTERPRISES



APPENDIX B

ILLUSTRATIVE EXAMPLES

This material is illustrative only.

These examples illustrate how the accounting treatment specified in this Section might be applied in particular situations. Matters of principle relating to particular situations should be decided in the context of this Section. While illustrative, this Appendix is a primary source of GAAP, as identified in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph PS 1150.03(d)(iii).

Example 1 — Disclosure of controlled entities that are not consolidated

Example 2 — Disclosure of a significantly influenced not-for-profit organization

Example 1 — Disclosure of controlled entities that are not consolidated

ABC University
Notes to the Financial Statements (extract)

Note X: Investments

ABC University (the University) controls ABC University Foundation (the Foundation) and a wholly owned subsidiary, Research Inc. The Foundation raises funds from the University's alumni and from the community. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The University appoints the majority of the Foundation's Board of Directors and, according to the Foundation's bylaws, all resources of the Foundation must be provided to the University or used for the University's benefit.

Research Inc. was established to create and operate a joint University-industry research centre to provide overall economic growth for its government sponsors, business growth for its industry sponsors, expanded quality education and research for its University sponsors, and stimulating research opportunities for its staff.

Neither the Foundation nor Research Inc. has been consolidated in the University's financial statements. Financial statements of the Foundation and of Research Inc. are available on request. Financial summaries of these unconsolidated entities as at March 31, 20X2 and 20X1 and for the years then ended are as follows:

ABC University Foundation
Financial Position

($ thousands)	20X2	20X1
Total assets	$3,778	$3,800
	=====	=====

Total liabilities	$ 109	$ 184
Total net assets (a)	3,669	3,616
	$3,778	$3,800
	=====	=====

(a) All of the Foundation's net assets must be provided to the University or used for the University's benefit. In accordance with donor imposed restrictions, $250 (20X1 — $195) of the Foundation's net assets must be used to expand the University's library collection. A further $1,300 (20X1 — $1,114) of the Foundation's net assets is subject to donor imposed restrictions that they be maintained permanently with the investment revenue earned to be used to provide scholarships for worthy students studying science.

Results of Operations

($ thousands)	20X2	20X1
Total revenues	$3,323	$2,991
Total expenses (a)	3,270	2,943
Excess of revenue over expenses	$ 53	$ 48
	=====	=====

(a) Total expenses include contributions of $3,110 (20X1 — $2,885) to the University.

Cash Flows

($ thousands)	20X2	20X1
Cash from operations	$ 80	$ 72
Cash used in financing and investing activities	(100)	(90)
Decrease in cash	$ 20	$ 18
	====	====

Research Inc.
Financial Position

($ thousands)	20X2	20X1
Total assets	$3,940	$3,626
	=====	=====
Total liabilities (a)	$ 339	$ 305
Shareholders' equity	3,601	3,321
	$3,940	$3,626
	=====	=====

(a) Research Inc. has long-term debt of $250 (20X1 — $275), which has been guaranteed by the University.

Results of Operations

($ thousands)	20X2	20X1
Total revenues	$8,899	$8,009
Total expenses	8,619	7,757
Net income	$ 280	$ 252
	=====	=====

Cash Flows

($ thousands)	20X2	20X1
Cash from operations	$325	$293
Cash used in financing activities	(40)	(36)
Cash used in investing activities	(95)	(86)

Increase in cash	$190	$171
	====	====

Example 2 — Disclosure of a significantly influenced not-for-profit organization

NFP B
Notes to the Financial Statements (extract)

Note X: Investments

NFP B exercises significant influence over NFP B Foundation (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of NFP B and of other organizations in the community with objectives similar to those of NFP B. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. Resources of the Foundation amounting to $335,000 (20X1 — $347,000) are to be transferred to NFP B and used for purposes to be agreed upon by NFP B and the Foundation.