SECTION 1401
general standards of financial statement presentation for not-for-profit organizations

PURPOSE AND SCOPE

.01 Financial reporting is essentially a process of communication of information. While the success of this communication depends upon the appropriateness of the accounting principles followed and ultimately upon the degree of understanding by the readers of the financial statements, it also depends upon the extent and clarity of presentation and disclosure in the financial statements. This Section establishes general standards of financial statement presentation.

.02 Decisions as to presentation and disclosure in specific situations require the exercise of professional judgment, consideration of GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR NOT-FOR-PROFIT ORGANIZATIONS, Section 1101, and recognition of specific provisions in governing statutes or regulations. Effective reporting also gives recognition to new problems as they arise and changes in the requirements of contributors, creditors, governments and society generally.

FAIR PRESENTATION IN ACCORDANCE WITH GAAP

.03 *Financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, results of operations and cash flows of an entity* (i.e., represent faithfully the substance of transactions and other events in accordance with the elements of financial statements, and the recognition and measurement criteria set out in FINANCIAL STATEMENT CONCEPTS FOR NOT-FOR-PROFIT ORGANIZATIONS, Section 1001).

.04 A fair presentation in accordance with generally accepted accounting principles is achieved by:

(a) applying GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR NOT-FOR-PROFIT ORGANIZATIONS, Section 1101;

(b) providing sufficient information about transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect; and

(c) providing information in a manner that is clear and understandable.

.05 An entity exercises professional judgment to provide sufficient information about the extent and nature of transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect. This information would include the significant terms and conditions of such transactions, as well as the nature of such events and their financial effects on the periods presented.

.06 An entity provides information in a manner that clearly conveys the nature and extent, and significant terms and conditions, of the related transactions. Financial statements are prepared in such form and use such terminology and classification of items that significant information is readily understandable. Items not significant in themselves are grouped with such other items as most closely approximate their nature. An entity presents information in a manner that enables users of financial statements to understand, without undue effort, the effects of transactions and related disclosures without the need to consider whether information somewhere else in the financial statements relates to that disclosure or transaction. Information is presented in a manner that relates the disclosures with other descriptions or disclosures for the same or similar transactions or events. An entity discloses amounts such that users of financial statements do not have to recalculate amounts actually disclosed to determine amounts that are required to be disclosed.

GOING CONCERN

.07 *When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease operating, or has no realistic alternative but to do so.*

.08 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date of the statement of financial position. The degree of consideration depends on the facts in each case. When an entity has a history of revenues exceeding expenses and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected results from operations, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

.09 For a not-for-profit organization, a history of revenues received in excess of costs of the organization's service delivery activities and ready access to financing may demonstrate that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management of a not-for-profit organization may need to consider a wide range of factors relating to its cash flow requirements in order to continue providing services and to discharge its stewardship responsibilities. These factors would include other potential funding arrangements.

FINANCIAL STATEMENTS

.10 *Financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, shall include all information required for a fair presentation in accordance with generally accepted accounting principles.*

.11 Financial statements include the statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows. Notes to financial statements, and supporting schedules to which the financial statements are cross-referenced, are an integral part of such statements; the same does not apply to information set out in other material attached to or submitted with financial statements.

.12 Notes to financial statements, and supporting schedules to which the financial statements are cross-referenced, are often essential to clarify or further explain the items in the financial statements. They have the same significance as if the information or explanations were set out in the body of the statements themselves. However, they are not to be used as a substitute for proper accounting treatment. Accounting treatments that are not in accordance with generally accepted accounting principles are not rectified either by disclosure of the accounting policies used or by information provided in notes or supporting schedules. The information conveyed by every note or supporting schedule is consistent with the accounting treatment given to the specific item to which it relates. When explanatory information about any item shown in the financial statements is presented in such a note or schedule, the description of the item is referenced to the note or schedule.

.12A *An entity shall select only one set of accounting policies in any particular period for purposes of preparing general purpose financial statements in accordance with this Part of the Handbook. In some circumstances, an entity might prepare additional sets of financial statements using alternative accounting policies that are also in accordance with this Part of the Handbook. These additional sets of financial statements shall include a reference to the general purpose financial statements.*

COMPARATIVE INFORMATION

.13 *Financial statements shall be prepared on a comparative basis, unless the comparative information is not meaningful or the standards set out in Part III of the Handbook permit otherwise.*

.14 Comparative information is normally meaningful. However, this may not be the case in some rare circumstances, such as when the financial structure of an enterprise has significantly changed.

.15 The classification of an item in the financial statements of the current period may be different from that in the financial statements of prior periods as a result of a change in the allocation or grouping of items within or among relevant categories. Such a change in classification is a matter of presentation and is not, in itself, a change in an accounting policy. However, to enhance comparability with the financial statements of the current period, the item is reclassified in the financial statements of the prior period to conform with the new basis.

.16 An organization preparing interim financial statements may present, as comparative information, the statement of operations, statement of changes in net assets, and the statement of cash flows of the immediately preceding year if year-to-date comparative interim statements were not prepared previously.

DISCLOSURE

.17 *An organization that prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations shall state this basis of presentation prominently in the notes to its financial statements.*

.18 *When management is aware, in making its assessment of an organization's ability to continue as a going concern, of material uncertainties related to events or conditions that may cast significant doubt upon the organization's ability to continue as a going concern, those uncertainties shall be disclosed.*

.19 *When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the organization is not regarded as a going concern.*

EFFECTIVE DATE

.20 This Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2012. Earlier application is permitted.
