Canadian Pensioners Concerned, Ontario

6 Trinity Square

Toronto, ON M5G 1B1

Monday, December 9 2013

RE: Proposed *Statement of Principles, Improvements to Not-for-Profit Standards (April 2013)*

Dear Mr. Martin and Mr. Beauchamp:

We are writing to express our serious concerns with new Standards being proposed and the negative impact they will have on the ability of our organization to undertake our work effectively and honour our commitments to funders and donors. We appreciate this opportunity to provide feedback as a member of the not-for-profit sector, a sector that is the backbone of community-building across the country.

Imagine Canada, with the assistance of a working group of accounting experts and nonprofit sector leaders, has prepared a comprehensive technical brief in response to this consultation. We are in support of the arguments made in Imagine Canada's brief and ask for careful consideration of their recommendations.

We would also like to highlight a unique element of the nonprofit sector across Canada, and certainly in Ontario. Over 20,000 Ontario nonprofits are small volunteer-led and run organizations with few assets. Accounting standards should not create undue financial and administrative burdens and should be proportionate to the amount of resources organizations have.

We would like to bring to your attention our primary concerns with the changes proposed and explain how they will directly affect our organization and many other charities and nonprofits.

1. Change to the deferral and restricted fund method of accounting

The proposed standards will eliminate the deferral and restricted fund method of accounting. This needs to remain. Requiring that *endowments and capital grants* be entered as revenue immediately upon receipt, instead of being listed as an asset and/or deferred against a capital project, will have a detrimental impact on reporting to funders and donors. In addition, proposed *pledges* will not be considered revenue and won't be able to be included in financial statements until full amounts are received, even though many donors make long-term pledges to organizations.

Funders look closely at our revenues and require us to keep capital funds and special project funds separate from our operating funds. Donors want to see the impact of their gift or pledge to a campaign, separate from general revenues. Raising charitable funds is built on trust and transparency. This new standard will create barriers for charities and nonprofit organizations to honour commitments and provide the transparency needed.

2. No exemption of organizations with revenues of $500,000 and under

Under the new standards, organizations with revenues under $500,000 would now need to record and amortize tangible capital assets. The elimination of the current exemption will have significant impact on many organizations across the sector, which have little administrative capacity to conduct such financial reporting for their few assets. This will be especially true for the over 20,000 organizations (in Ontario alone) with budgets under $50,000 that do not have staff, nor capacity to track assets.

Canadian Pensioners Concerned, Ontario is a small group and relies totally on volunteers to perform the bookkeeping and accounting functions. A requirement for our organization to track these transactions will add undue time and effort on our organization. Our revenues are approximately $25,000 per year and we have minimal assets to require tracking (e.g. Computer, desks, etc for a small rented office). Our income does not allow for the hiring of a bookkeeper.

3. Requirement to report expenses in two ways

The proposed standards would require reporting expenses in two ways: by object, and by function. Currently organizations can select which method they wish to use to report expenses and we believe this choice should not be removed. In addition, comparable commercial organizations are not required to perform this task. The selected method is often influenced by the needs of funders and the complexity of the organization's chart of accounts. Many organizations have separate programs that are tracked for funders and donors, and adding the requirement to report in two different formats in consolidated audited statements adds a significant administrative burden. Moreover, more focus on *fundraising and general support expenses* (overhead) may contribute to a misleading and harmful interpretation of administrative costs as the indicator of organizational effectiveness.

Canadian Pensioners Concerned, Ontario is a small group and relies totally on volunteers to perform the bookkeeping and accounting functions. A requirement for our organization to track these transactions will add undue time and effort on our organization. Our revenues are approximately $25,000 per year and does not allow for hiring of bookkeeper.

4. Presenting related organizations in a consolidated statement

The new standards would require that *related organizations* be presented in a consolidated statement, instead of listing related organizations. However, related organizations are often different types of organizations, such as charities, not-for-profit organizations, and/or for-profit corporations. These would likely create confusion for funders and donors. The Charities Division of the Canadian Revenue Agency has strict rules about the separation of these different entities. Preparing consolidated statements would be complicated, adding an undue burden on organizations and the statements themselves could be misleading and confusing.

These new Standards are a major concern for our organization. As these Standards are proposed now, they will seriously hinder our ability to effectively report to and communicate with funders and donors and will place a significant additional administrative burden on our community-focused organization. These standards do not support the operating principles of the nonprofit sector, nor recognize our binding relationships with donors, funders and our communities.

We strongly urge that these changes noted above not be made and that the Standards Board work with sector leaders in devising accounting standards that meet our unique reporting needs.

Sincerely,

Barbara Kilbourn

President

Canadian Pensioners Concerned, Ontario