



# Sport NZ Finance Workshop

RST & NSO Finance Leaders  
September 24<sup>th</sup> 2015

# Welcome



12:30 – 1.00 pm

Tea and coffee refreshments available

1.00 – 3.00 pm

Introductions & Housekeeping – Lisa Gibson, Sport NZ

Workshop session – Barry Baker & Brayden Smith, Grant Thornton

3.00 -3:30 pm

Individual questions – Barry & Brayden





# Financial Reporting Standards

RST & NSO Finance Leaders

Revisit and Practical Considerations

Brayden Smith  
Barry Baker

Grant Thornton

# Content and Format Today

## Part One

1. Legislation background and obligations (revisit)
2. Getting the Tier and Framework Assessment Right
3. The Transition process – the approach and real life stories
4. Q & A for Part One

## Part Two

1. Biggest changes & hooks on moving to new framework
2. Transition Standards (exemptions and those comparatives)
3. New Tier Three reports / Income recognition
4. Q and A for Part Two

## Individual Organisation Session



# Financial Reporting Standards

RST & NSO Finance Leaders

Part One – Transition Process and Overview

Brayden Smith  
Barry Baker

Grant Thornton

# Introduction

## Content of the Presentation – Part One

1. Legislation background (revisit)
2. Public Benefit Entity Tiers / Audit Obligations
3. Special Purpose Frameworks
4. Conversion Process Overview
5. Confirming your reporting Tier
6. Rest of conversion process
7. Stakeholders Consultation (Internally, Grant Givers and Auditors)
8. Q and A for Part One

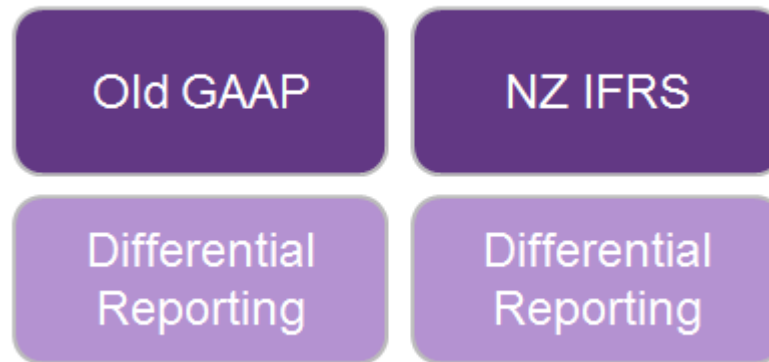
# Legislation – The great enabler

The Financial Reporting Act is no longer a one stop shop:

We have ended up with legislation that says **WHO** must prepare GPFs, and an independent Crown entity standard setter (the XRB) that determines **WHAT** is contained within them.

Specific requirements will be in the governing legislation for each type of entity, so don't ignore the governing legislation.

# The Financial Reporting Framework – Current



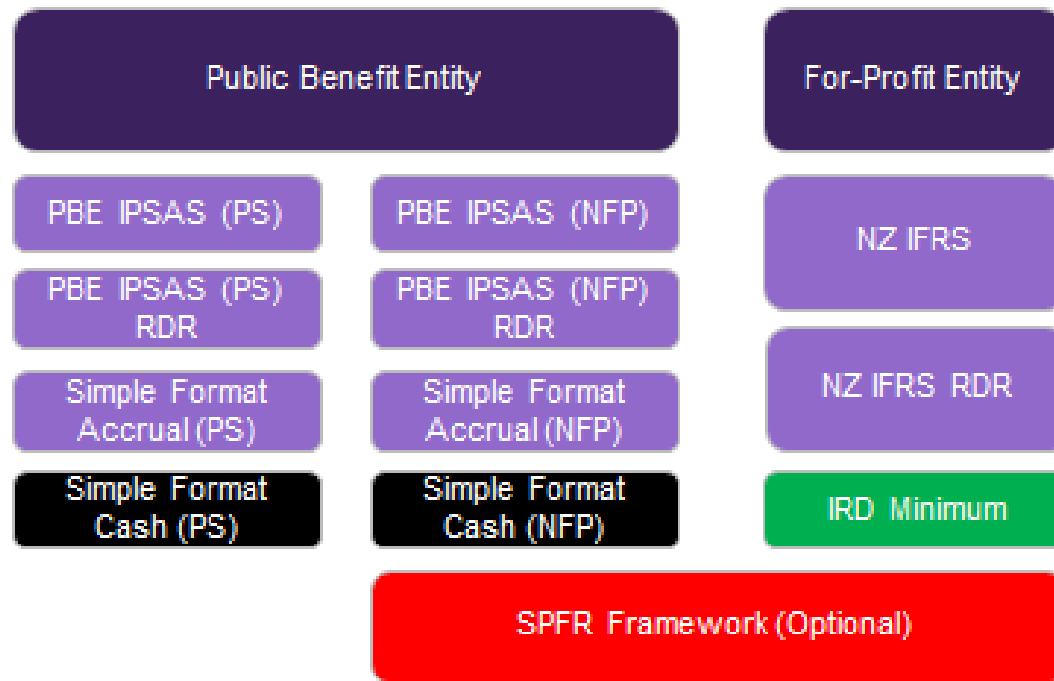


# The Financial Reporting Framework – Current



# The Financial Reporting Framework

The Financial Reporting Framework now in place



# Not-for-profits

(with accounting periods commencing on or after 1 April 2015)

For accounting periods that commence on or after 1 April 2015, financial statements need to be prepared in accordance with the following framework. It is based on a 4 tier system:

| Tier   | Entities                                                                                                                | Accounting Standards Applied                          |
|--------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Tier 1 | Publicly accountable<br><u>or</u><br>the entity is large<br>(defined as total expenses > \$30m)                         | PBE IPSAS                                             |
| Tier 2 | Not publicly accountable<br><u>and</u><br>the entity is not large<br>(defined as total expenses between \$2m and \$30m) | PBE IPSAS Reduced Disclosure Regime (RDR)             |
| Tier 3 | Not publicly accountable<br><u>and</u><br>Total expenses between \$125k and \$2m                                        | Simple format reporting prepared on an accruals basis |
| Tier 4 | Not publicly accountable<br><u>and</u><br>Total expenses < \$125k                                                       | Simple format reporting prepared on an cash basis     |

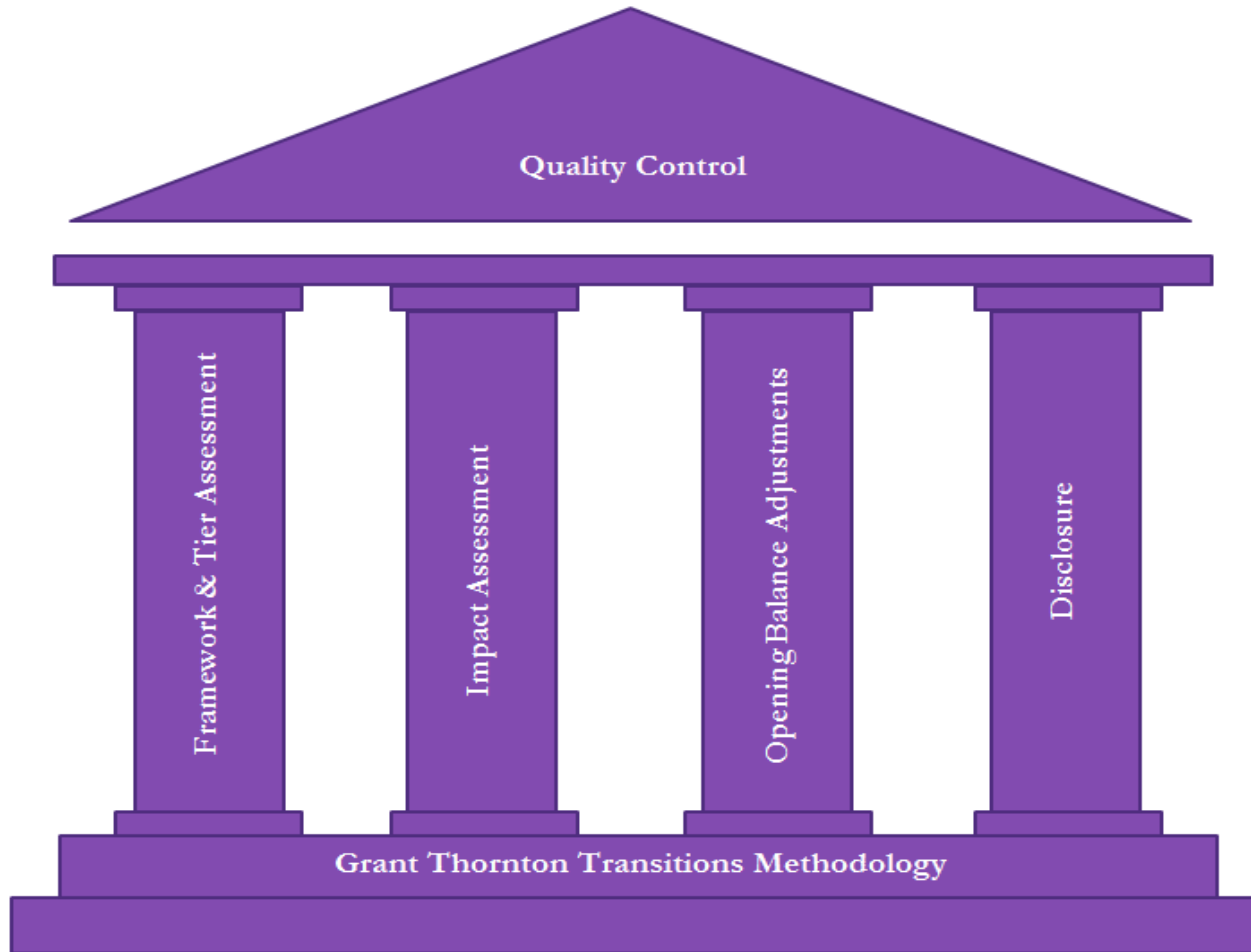
# Charity Audit and Filing

| Entity                                                                      | Required to preparation GPFS                                                      | Required to have an audit or review                 | Required to file (Within six months) |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------|
| Large charities<br>(defined as total expenses > \$1m)                       | Yes - If operating expenditure is >\$2m<br>No - If operating expenditure is <\$2m | Yes – Must be audited                               | Yes                                  |
| Medium charities<br>(defined as not large and with total expenses > \$500k) | No                                                                                | Yes – Must be reviewed (can elect to have an audit) | Yes                                  |
| Small charities<br>(defined as total expenses < \$500k)                     | No                                                                                | No                                                  | Yes                                  |

# Special Purpose Financial Reporting Framework

1. The Framework
2. Halfway house – mirroring IPSAS
3. Halfway house – mirroring Tier 3
4. Flexibility

# Conversion Process



# Transitioning to the new framework

The steps required to complete an orderly and managed transition are as follows:

1. Framework and tier assessment
2. Impact assessment
3. Determine opening balance adjustments
4. Assess disclosure requirements

# What is your reporting Tier

## 1. Framework and tier assessment

- Are you **GAAP** or Not?
- If **GAAP**, determine whether the entity is a for-profit or public benefit entity and determine which tier the entity reports under
- Elements to test for-profit or public benefit entity
- While often the classification is obvious, its not necessarily as straight forward as you might think (e.g. social enterprises)
- Do you elect to a higher tier or into **GAAP**?



# Transitioning to the new framework

## 2. Impact assessment

- Objective is to compare the current accounting treatments against those required by the new reporting framework (which is why framework and tier assessment are so important)
- Will require a detailed analysis of current accounting treatment vs new accounting treatment to identify all the recognition and measurement differences
- Any Accounting opinions needed?

# Rest of transition process

## 2. Impact assessment (cont.)

Transition issues vary depending on tier, but some of the more significant ones include:

### SPFR

- Guidance framework (so not rules based)
- Allows for a significant amount of flexibility
- Departures from the framework require disclosure

# Transitioning to the new framework

## 3. Determine opening balance adjustments

- Objective is to quantify the impact of the accounting changes and determine the required adjustments
- Will require completion of the impact assessment
- Part of the natural evolution from identifying the impact changes to quantifying them
- Applied in similar way to NZ IFRS transition

# Transitioning to the new framework

## 4. Assess disclosure requirements

- Start with Model Financial Statements
- Use impact assessment to understand required elements
- Financial statements are designed to provide information about how the entity has utilised its resources and about service delivery
- Expect financial statement disclosures to receive a significant "upgrade" and to increase in length by some way (for IPSAS and IPSAS RDR)

# Stakeholder Consultation

Our experiences and advice around interactions with

- Finance and Risk Committees
- Boards
- Auditors (good, bad and ugly)
- Funders

# Any questions





# Financial Reporting Standards

RST & NSO Finance Leaders

Part Two – Detailed Changes and Transition

Brayden Smith  
Barry Baker

Grant Thornton

# Introduction

## Content of the Presentation – Part Two

1. Biggest changes & hooks on moving to new framework
2. Transition Standards (exemptions and those comparatives)
3. Tier Three Transition and Reports
4. Q and A for Part Two



# Biggest changes & hooks on moving to new framework (IPSAS)

1. Revenue – Exchange vs non-exchange
2. Consolidation & Control
3. Financial Instruments
4. Impairment of different types of assets
5. Disclosures – Face of Financial Statements / Cash flows

# Transition Standard - IFRS to IPSAS

## FRS 46 - all

1. First set of new PBE Financial Statements use same recognition and measurement policies as used under NZ IFRS or NZ IFRS (diff rep)
2. Must prepare but don't have to disclose opening balance sheet
3. All comparative information must comply with PBE standards (cashflows)
4. Prior Period Revenue Changes from Non-exchange adjustments in Equity
5. Prepare a note displaying nature and amount of lines that are materially affected by adoption of PBE standards at transition date (1 April 2014)

# Transition Standard - IFRS to IPSAS (cont.)

## FRS 46 – if previously used NZ IFRS Diff Rep

1. Recognition and measurement mostly same as NZ IFRS Diff Rep
2. For PPE and Intangibles, no longer use IRD rates - use useful life

# Transition Standard – non IFRS to IPSAS

## FRS 47 – all entities

Number changes at transition recognised in Accumulated Income and Expense

## FRS 47 – Tier One

1. Present comparative information including triple balance sheet
2. Opening statement of financial position may be presented in the notes
3. Reconciliation to Net assets / equity for transition date and latest GAAP financial Statements
4. Reconciliation to old GAAP profits / cashflows

# Transition Standard – non IFRS to IPSAS (cont.)

## FRS 47 – Tier Two

1. Don't actually need to present comparatives at all (attachment) BUT we suggest...
2. Must provide a note explaining any significant difference in accounting policies
3. Date of transition is beginning of current period if not provide restated comparatives
4. No reconciliation between old GAAP and IPSAS required for income / cash but reconciliation to Net assets / equity for transition date and latest GAAP financial Statements required
5. Must present statement of cash flows

# Transition Standard – non IFRS to IPSAS (cont.)

## FRS 47 – Tier Two

6. Must present opening statement of financial position if no restated comparatives
7. Significant Exemptions from Other PBE standards Appendix C

# Tier Three

1. Transition
2. Extra Reports – Service Performance and Cashflows
3. Income Recognition

# Transition to Tier Three

1. Group 4 Entities
2. No need to prepare comparatives but...
3. Should not be too onerous to restate comparatives
4. Effective date
5. Can apply IPSAS in part



# Tier three - Required in Performance Report

- Entity information
- Service Performance
- Finance Performance
- Financial Position
- Cashflows
- Accounting Policies
- Notes

# Statement of Service Performance

- Non-Financial Focus
- Outcomes and / or outputs
- Optional Information
- Graphical
- Comparatives in first year

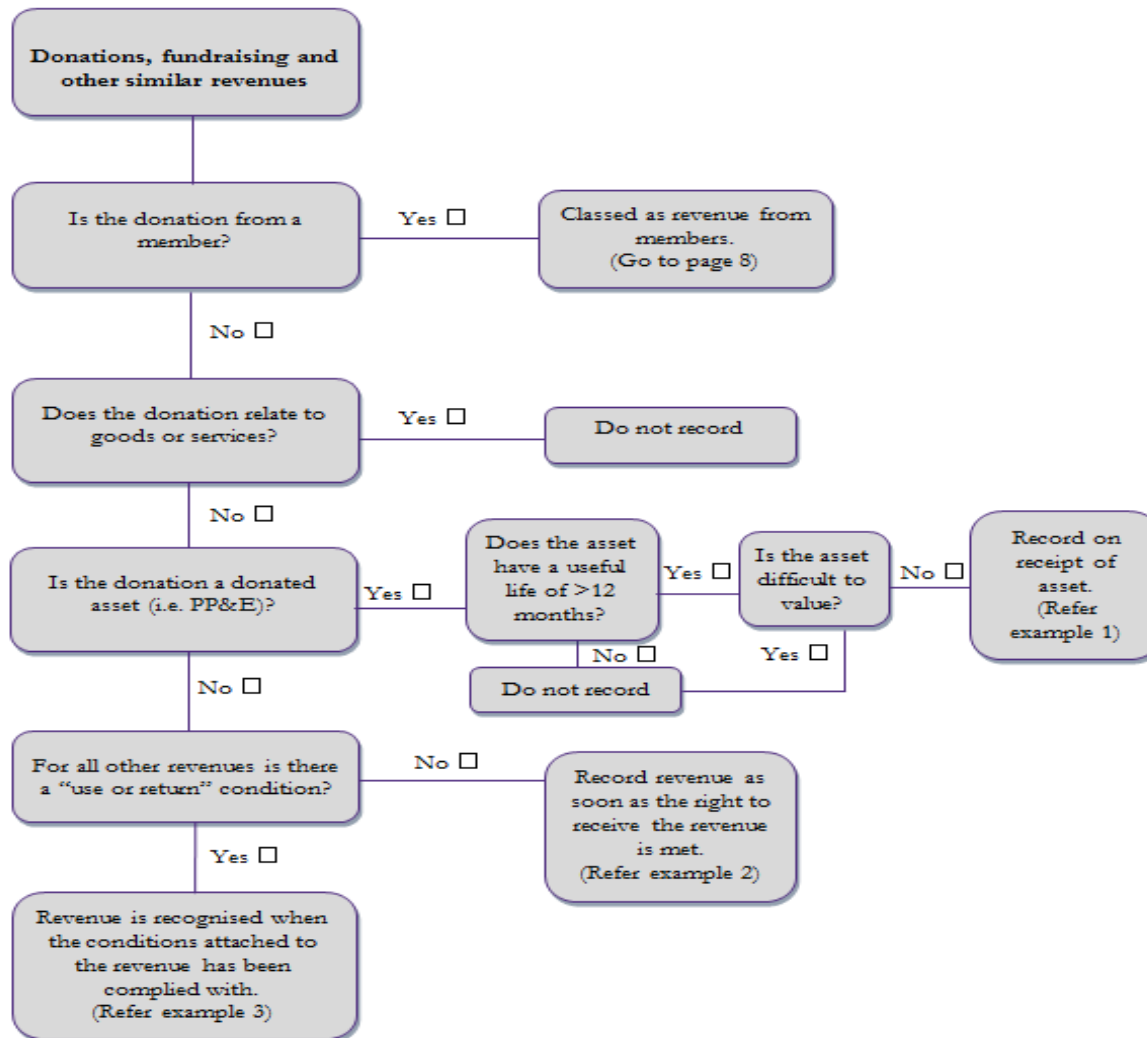
# Statement of Cashflows

Mechanically simple to calculate for comparatives

Are able to combine Financing and Investing Activities

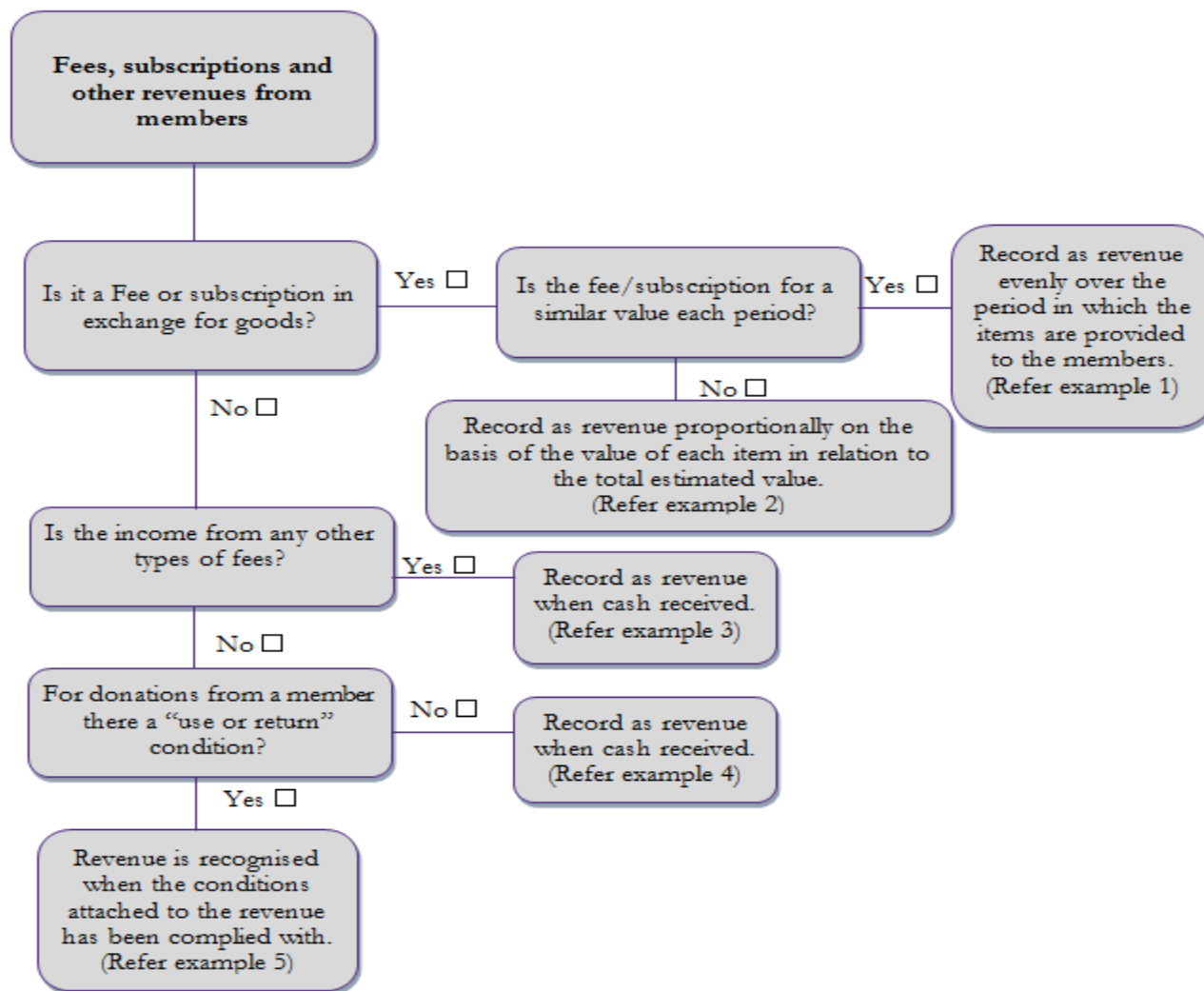
# Income

## 1. Revenues: Donations, fundraising and other similar revenues



# Income

## 2. Revenues: Fees, subscriptions and other revenues from members



# Any questions – Part Two





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