

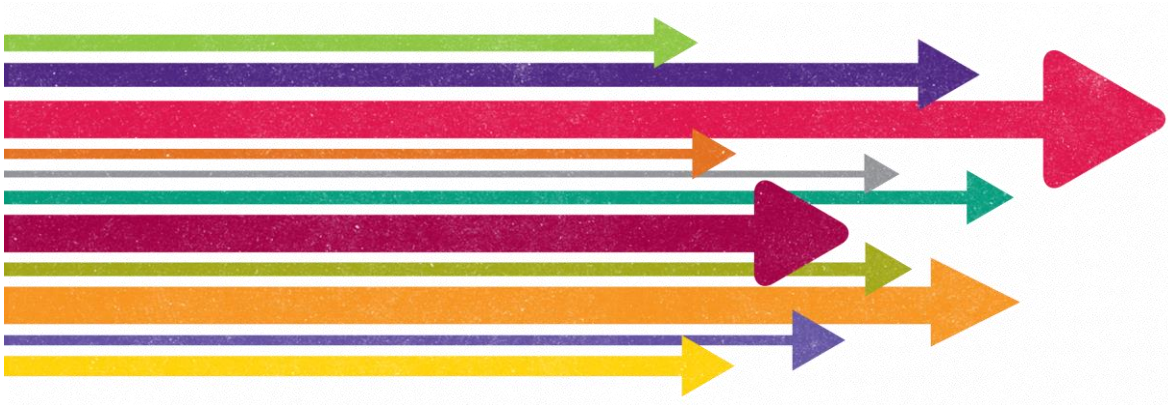


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Sporting Organisation

Reporting Conversion Overview





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Summary

On 1 April 2014, the new Financial Reporting Act 2013 and the Financial Reporting (Amendments to Other Enactments Act) 2013 came into force.

The legislation resulted in a generational shift in financial reporting obligations, with the changes having a significant impact on sporting organisations and the way in which they report their financial results.

In this document we detail a recommended conversion process for a sporting organisation that is required to convert from old NZ GAAP or NZ IFRS (Differential Reporting) to another financial reporting framework going forward.

We have also included other information that should prove of use.



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Conversion Steps

When transitioning from one financial reporting framework to another, it often helps to follow a particular process. The steps required in order to manage the transition process includes:

1. Framework and Tier Assessment – Understanding what framework and tier your organisation is obligated to report under and from when;
2. Impact Assessment – Understanding what the differences will be from how you report now and how you will report going forward;
3. Opening Balance Adjustments – Calculating what number changes may be required for your opening equity (or comparative) figures
4. Assess disclosure requirements – Assessing the changes to the way you display your Financial Statements

These steps are set out in further detail below.

1. Framework and Tier Assessment – What Tier are You?

Framework and tier assessment is one of the most important assessments that an organisation will make on transition, as this can result in organisation preparing financial statements in accordance with an accounting framework that is not appropriate for the organisation.

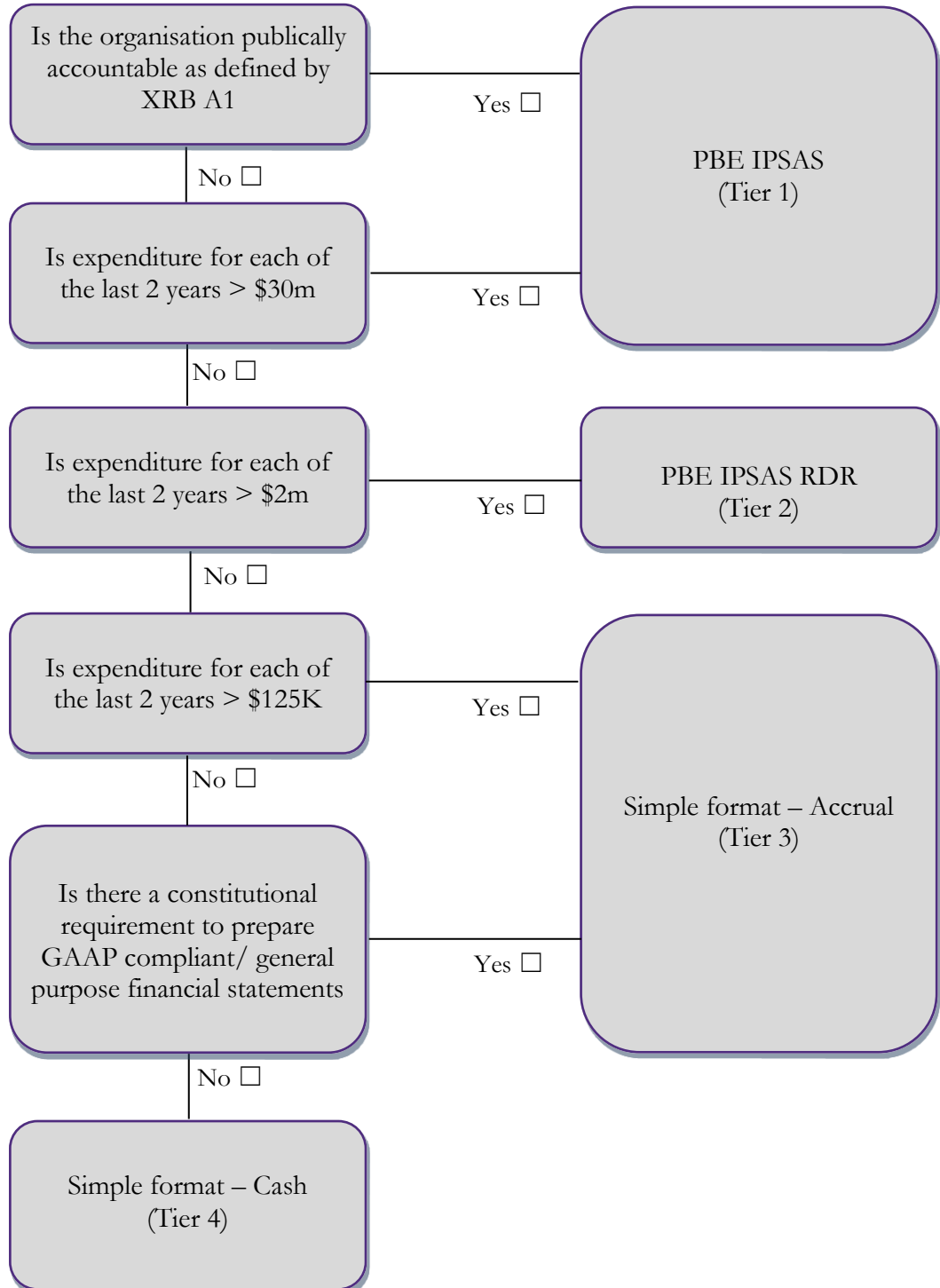
Sporting organisations will almost always be classified as public benefit entities (PBE's), however before determining which tier a sporting organisation should prepare financial statements under, an organisation must first assess whether they are required to prepare financial statements in accordance with generally accepted accounting practice (GAAP).

PBE's that are required by legislation to prepare financial statements in accordance with GAAP must use the four tier financial reporting framework issued by the External Reporting Board (XRB). Organisations that have no legislative obligations are only required to use the XRB's four tier framework where their constitution requires that financial statements be "general purpose financial statements" of GAAP compliant financial statements.

As a general rule, sporting organisations that are registered charities will be required to use the XRB's four tier framework. Conversely sporting organisations that are not registered charities (and have no constitutional requirements prepare GAAP compliant financial statements) can instead prepare special purpose financial statements (or elect to use the XRB's four tier GAAP framework).

Regardless of whether an organisation is required to prepare financial statements in accordance with GAAP, or whether they have the option to prepare special purpose financial statements, some level of change is required as both old NZ GAAP and NZ IFRS (Differential Reporting) are being withdrawn from having authoritative support from 1 April 2015.

For organisations that are required to use the XRB's four tier framework, the following flow chart will assist in determining which tier is appropriate:





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2. Impact Assessment

Once the organisation determines the framework under which it will report going forward, the next step is to determine what the impact of the transition will be on the organisations recognition and measurement principles going forward (i.e. its accounting policies).

The approach typically applied is to compare each previous accounting standard with the organisations new framework equivalent to identify what differences (if any) need to be accounted for going forward.

3. Determine opening balance adjustments

Once the recognition and measurement differences have been identified through the impact assessment, organisations should have an understanding as to what changes are required to in order to account for balances using their new framework.

Changes in accounting recognition and measurement rules are typically dealt with through adjusting opening balances to “rebase” financial statements so that opening balances are prepared using a consistent basis with the new accounting policies going forward.

Depending on which accounting framework being adopted, this will take the form of either an adjustment to opening accumulated funds, or full restatement of prior year comparatives.

4. Assess disclosure requirements

The last step in the process is to consider the impact of the change in your financial reporting framework on your financial statements going forward.

There is an excellent templates that are available via the XRB’s website (www.xrb.govt.nz) that can assist with this determination, however sporting organisation specific examples are available through Sport New Zealand.

Some of the more significant changes include:

Statement of Cash flows

Tier 3 reporting organisations must now include a cash flow statement that sets out what your organisation has received and how those funds have been used

Statement of Service Performance

Tier 3 and 4 reporting organisations must now include a Statement of Service Performance (“SSP”) in their financial statements. The statement is a structured presentation of what an organisation set out to achieve during the period, how they sought to achieve it, and what the results were. The SSP can include both financial and non-financial information. Organisations will typically report in line with their strategic objectives.



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Other Considerations / FAQ

Do I file my financial statements?

Only registered charities are required to file their financial statements. Both the Annual Return and financial statements are filed with Charities Services. They are due six months after your entity's balance date.

What involvement should the Board or Governing Committee have in transition?

We recommend at each stage of the process of conversion that the Governance group actively reviews and signs off each stage. There can be significant changes to the figures and way the Financial Statements look and the Governance group should be involved in the process.

What involvement should the auditors have in transition?

Some organisations will contract 3rd parties to complete the transition process on their behalf. Others will complete the transition process themselves. Regardless of the method applied, it's important to involve your auditors at each step of the conversion process. Once you have completed each step you want to provide them with a document setting out the reasoning and decisions so they can review and provide feedback.

Are funders aware of the changes and how they will impact our financial statements?

As many funders use your Financial Statements to help them measure your financial health or eligibility for funding, you may want to engage closely with your funders during the transition process. This will ensure that any significant changes to your financial statements as a result of transition are well understood by your funders.

When do the financial reporting changes come into effect?

Entities must comply with the new reporting framework for periods starting on or after 1 April 2015. Therefore, all balance dates subsequent to 31 March 2016 must be prepared using the new framework.

What will be the impact on my comparative financial information?

This is dependent on the reporting tier that is applicable to the organisation. Tier 1 reporters are required to fully restate comparative financial statements. Tier 2, 3 and special purpose reporting organisations are only required to restate opening accumulated funds with various other disclosures in the notes.

Disclaimer

This information is of a general nature and may not apply in full or part to your organisation or the underlying standards or legislation may have changed. Please ensure you talk to your advisor during this process.

Need Help?

If your organisation is unsure what Tier it now falls under, or how and what it should be reporting, please contact your accounting advisor.