

REPORTING CONTROLLED AND RELATED ENTITIES BY NOT-FOR-PROFIT ORGANIZATIONS: ASNPO 4450

Presentation and disclosure of controlled not-for-profit organizations

- A not-for-profit-organization that controls another not-for-profit organization could choose to:
 - **Consolidate**; or
 - Provide **disclosures** (mentioned below)
- For each controlled NPO not consolidated, the following should be disclosed
 - The total assets, liabilities and net assets
 - Revenues, expenses, cash flows from operating, financing and investing activities
 - Details of an restrictions (by major category) on the resources of the controlled NPO
 - Significant differences in accounting policies

Presentation and disclosure of controlled profit-oriented enterprises

- A NPO that controls a profit oriented organization could choose to:
 - **Consolidate**; or
 - Account for the investment using the **equity method**
- Must disclose the following
 - Policy followed to report the controlled enterprise; and
 - A description of the relation with the controlled enterprise

Presentation and disclosure of joint ventures

- A NPO that is involved in a joint venture could choose to:
 - Use **proportionate consolidation**; or
 - Use **equity method**
- Must disclose the following
 - Policy followed to report the controlled enterprise; and
 - A description of the relation with the controlled enterprise

Disclosure of significantly influenced not-for-profit organizations

- A NPO that has significant influence over another NPO, it should **disclose the following**:
 - Description of the relationship with the significantly influenced NPO
 - The significantly influenced NPO's purpose, its intended community service, its status under the income tax act, and its legal form
 - The nature and extend of any economic interest that the reporting NPO has in the significantly influenced NPO
 - Economic interest = when the other organization holds resources for the benefit of the reporting organization

Factors indicating that the reporting NPO has control over another NPO

- Right to appoint the **majority of the voting members of an entity's board of directors** as per the organization's by-laws or articles of incorporation.
- When two organizations have the **same board of directors**, the presumption is that one organization controls the other

- a significant economic interest in the other organization
 - i.e. If an organization is only able to raise funds and transfer them exclusively to the reporting organization
- provisions in the other organization's charter or bylaws cannot be changed without the reporting organization's consent
- the other organization's purpose is integrated with that of the reporting organization so that the two organizations have common or complementary objectives

Factors indicating that the reporting NPO has significant influence over another NPO

- representation on the board of directors,
- the existence of an economic interest
- participation in policy-making processes
- material inter-entity transactions
- interchange of managerial personnel