

Non-Profit Sector Accounting: Issues and Recommendations from Asia Pacific Societies

From the Financial Accounting Standards
For Non Profit Organizations Project
of the Asia Pacific Philanthropy Consortium

2006

With support from the Ford Foundation

ASIA PACIFIC PHILANTHROPY CONSORITUM

Rm. 208, CSPPA Building,
Ateneo de Manila University
Loyola Heights, Quezon City
1108 Philippines

Tel: (632) 4266001 loc. 4645
Telefax: (632) 426-1427
Email: appcpost@yahoo.com
Website: www.asianphilanthropy.org

Rory Francisco-Tolentino
Chief Executive

Julia Andrea Abad
Jeanette Bandiola
Alessandra Ferreria
Program Officers

When we first embarked on the project to set minimum financial accounting standards to guide nonprofit organizations in the region, one of the challenges that we faced was reconciling the varying accounting practices in the seven participating societies with the end goal of improving nonprofit governance across the region.

To address this concern, we brought together individuals from different organizations – professionals in government regulatory bodies and chartered accountancy bodies, auditors, nonprofit sector leaders and their finance officers – in national-level consultations in each of the participating societies (Bangladesh, China, India, Indonesia, Pakistan, the Philippines and Thailand). This initial round of consultations revealed the various contexts in which NPOs in each of these societies operated. The recommendations that came out of the discussions were subsequently brought forth in a regional consultative conference, held in Bangkok, Thailand in 2005.

This Issues Paper is the result of these consultative and consensus-building processes. It lays out what the accounting issues are for each of the participating societies to the International Accounting Standards Board, as well as some recommendations on how to address outstanding concerns. It served as a guide in the development of a comprehensive Accounting Guide for NPOs, which we will submit to the International Accounting Standards Board (IASB) with a request to begin the process of setting international standards for the NPO sector.

This project was developed and managed by a consultant, Eribert Padilla (Accountants for NGO Concerns, Philippines), following agreements made in the regional conference. Where there were major points of contention among different societies, it was agreed that the majority position would be taken, so as to be able to come up with minimum consensus positions. The initial draft was circulated to two Steering Committee members who were considered the “experts” in the group: Sanjay Agarwal of India and Lu Jianqiao of China, for their comments, which were integrated into the second draft released to the 40-member body, who then subjected the Paper to careful validation in a second round of country consultation processes. Feedback from these consultations was given to Eribert, who produced the final document.

We thank the many individuals and their organizations who have shared with us their experiences and ideas, and without whose support and leadership we would not have been able to move this project forward: Suzanne Siskel and Sushma Rahman of Ford Foundation; the Project Steering Committee members – Iftekhar Zaman and Amita Dey of Bangladesh Freedom Foundation, Lu Jianqiao of the Ministry of Finance, Beijing, Sanjay Agarwal of Sanjay Aditya and Associates, Rustam Ibrahim of LP3ES, Syed Mohammad Ahmad of Pakistan Centre for Philanthropy, Gil Salazar of the Philippines Business for Social Progress, and Gawin Chutima of the Thai Fund Foundation; Eribert Padilla, who in addition to managing the process of developing this Issues Paper also undertook the planning of the Philippine country consultations with Fely Soledad of the Philippine Council for NGO Certification; Nurul Wahab of Bangladesh, Suresh Kejriwal of India, and Pansa Tajaroensuk of Thailand; APPC Board Members who participated in the workshops and encouraged us along – Sukich Udindu of Thailand, Iftekhar Zaman of Transparency

International Bangladesh, and former APPC Council member, Paiboon Wattanasiritham. We also thank our partner, the Association of Foundations, for acting as the fiscal agent for this project.

Finally, we acknowledge the keen interest of the rest of the APPC Board, currently led by Darwin Chen of Hong Kong, who followed the progress of the project over two years; and the hard work that the APPC staff – Tina V. Pavia, Jeanette Bandiola and Alessandra Ferreria – have put into the coordination and execution of the project requirements.

We present to you this Issues Paper with pride at having brought together such a vast range of individuals and groups, and with the fervent wish that the project we have concluded will spark a process within the IASB of setting international financial accounting standards for the NPO sector towards greater responsibility and better governance among NPOs in the region.



Maria Aurora F. Tolentino
Chief Executive
Asia Pacific Philanthropy Consortium

About the Asia Pacific Philanthropy Consortium

The **Asia Pacific Philanthropy Consortium** is an independent association of grantmaking philanthropic institutions and organizations that support the growth and development of philanthropy in the Asia Pacific region.

Our mission is to increase the quality and quantity of philanthropy for Asia by strengthening the institutional infrastructure and improving the operating environment for the philanthropy sector. To achieve our mission, we serve as a catalyst, convener and network builder.

Our core program areas are:

- Improving the legal, regulatory and fiscal framework for the philanthropy sector;
- Increasing public awareness of and support for philanthropy sector;
- Facilitating resource mobilization in and for Asia;
- Contributing to the development of organizational and human resources for philanthropy.

Our Board of Directors currently consists of 17 members from Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Korea, New Zealand, Pakistan, Philippines, Singapore, Taiwan, Thailand and the United States.

More information at www.asianphilanthropy.org

About the Ford Foundation

The Ford Foundation is a resource for innovative people and institutions worldwide. Their goals are to:

- Strengthen democratic values,
- Reduce poverty and injustice,
- Promote international cooperation, and
- Advance human achievement.

All societies face challenges in creating political, economic and social systems that promote peace, human welfare and the sustainability of the environment on which life depends. The Ford Foundation believes that the best way to meet these challenges is to encourage initiatives by those working closest to where the problems are located; to promote collaboration among the nonprofit, government and business sectors, and to ensure participation by men and women from diverse communities and at all levels of society.

The Foundation pursues these goals mainly by making grants or loans to build knowledge, support innovations and strengthen organizations and networks.

More information at www.fordfound.org

TABLE OF CONTENTS

1. Introduction	
1.1. NPO: Definition, Characteristics and Scope.....	1
1.2. The International Classification of Non-Profit Organizations.....	3
1.3. The Role of the NPO in our society.....	5
1.4. NPO Stakeholders.....	5
1.5. NPO Governance and Accountability.....	6
2. Rationale	
2.1. NPO as a Sector.....	7
2.2. The Need for Financial Accounting Standards for NPOs.....	8
3. Conceptual Issues/Framework	
3.1. Scope.....	9
3.2. Users and their Information Needs.....	9
3.3. Objectives of Financial Reporting.....	10
3.4. Basis of Accounting.....	10
3.5. Assumption of Going-Concern.....	13
3.6. Qualitative Characteristics of Financial Statements.....	14
3.7. Accounting Elements.....	15
3.8. Recognition and Measurements.....	16
4. Specific Issues	
4.1. Exemptions from the Applicability of Standards.....	17
4.2. Financial Reporting Format/Presentation.....	18
4.3. Inventories.....	21
4.4. Property and Equipment Depreciation.....	22
4.5. Accounting for Grant and Donations.....	24
4.6. Accounting for Contributions in Kind.....	25
4.7. Foreign Exchange Fluctuations.....	26
4.8. Related Party Disclosures.....	27
4.9. Consolidated Financial Statements.....	28
4.10. Provisions, Contingent Liabilities.....	29
4.11. Classification of Expenses.....	30
4.12. Allocation of Joint Costs.....	32
4.13. Agency Transactions/Funds-held-in-Trust.....	32
4.14. Matrix Reporting/Fund Accounting.....	33
4.15. Other Applicable Standards.....	35
5. Legislation Issue.....	36
6. Appendix 1 – The Process of Developing the Issues Paper.....	37
7. Appendix 2 – The Project Steering Committee Members/ Convenors	38
8. Appendix 3 – Workshop Participants.....	41
9. Appendix 4 – APPC Board of Directors.....	57

1. INTRODUCTION

1.1 NPOs: Definition, characteristics and scope¹.

Traditionally, definitions of the nonprofit sector, also referred to as "civil society," "third sector," "NGO sector," "social economy," "voluntary sector," and "social sector," have revolved around three aspects: its sources of economic support, its legal status and its purposes.

According to the first set of definitions, an NPO is an organization whose primary source of revenue is made up of contributions from the private sector, differentiating it from those who are supported by market transactions or government resources.

The second set of definitions places an organization's legal personality as the defining characteristic of NPOs, which are then identified as organizations that are exempt from some, if not all, of a country's taxes.

The third and last set of definitions emphasize the purposes that an organization chooses to pursue, stressing that an NPO is one that promotes the public good, encourages empowerment and participation, or seeks to address the structural roots of poverty and distress.

However, Salamon, Sokolowski and List, in the book, *Global Civil Society: Dimensions of the Nonprofit Sector*, point out that these definitions are insufficient insofar as providing a wholistic view of the NPO sector.

Focusing on sources of revenue, they say, downplays other features that NPOs may share, such as their use of volunteers, their social missions and their not-for-profit character, while emphasizing legal personality is made difficult to apply comparatively by the significant differences that exist between each country's legal structure. Lastly, while purpose definitions may be the most appealing of the three, Salamon, Sokolowski and List say that they are "too subjective," as the idea of what constitutes "public purpose," may vary across countries and sectors. In addition to the fact that it is difficult to determine whether or not a particular organization is actually pursuing their declared purpose, they also point out that this raises the possibility of making any NPO's pursuit of public purposes true by definition, making such claims difficult to disprove.

Given these limitations surrounding traditional definitions, the study on global civil society yielded a consensus on five structural-operational features that defined organizations within the NPO sector:

- *Organized*, i.e., they have some structure and regularity to their operations, whether or not they are formally constituted or legally registered. More than legal or formal recognition, this qualification stresses organizational permanence and regularity, reflected in regular meetings, a membership, and legitimate decision-making structures and procedures.

¹ Taken from Salamon, Sokolowski et al. *Global Civil Society: Dimensions of the Nonprofit Sector*.

- *Private*, i.e., they are not part of the apparatus of the state, even though they may receive support from governmental sources.
- *Not profit-distributing*, i.e., they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers. While NPOs may generate a surplus from time to time, they must reinvest these resources back into the objectives of their respective organizations.
- *Self-governing*, i.e., they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs.
- *Voluntary*, i.e., membership or participation in them is not legally required or otherwise compulsory.

This fivefold definition encompasses organizations both formal and informal, religious and secular, those with paid staff and those staffed entirely by volunteers and organizations performing expressive functions (i.e., advocacy, cultural expression, community organizing, environmental protection, human rights, religion, representation of interests, and political expression) as well as those performing service functions (i.e., provision of health, education and welfare services). This description does not take into account individual forms of citizen action such as voting or writing to legislators, but it embraces most organized forms, including social movements and community-based cooperatives serving solidarity objectives. Government agencies, private businesses, commercial cooperatives and mutuals have been deliberately excluded.

1.2 The International Classification of Nonprofit Organizations

Salamon, Sokolowski et al's Global Civil Society study also gave birth to the International Classification of Nonprofit Organizations (ICNPO), which identifies 12 categories of nonprofit organization activity. Each of these categories is further subdivided into subcategories, making it possible to draw distinctions among the different types of nonprofit organizations. The ICNPO has been tested in over 40 countries and found to be both workable and effective.

<u>Group 1</u> Culture and Recreation	<u>Group 2</u> Education and Research	<u>Group 3</u> Health	<u>Group 4</u> Social Services
<p>Culture and arts</p> <ul style="list-style-type: none"> • Media and communications • Visual arts, architecture and ceramic art • Performing arts • Historical, literary and humanistic societies • Museums • Zoos and aquariums <p>Sports</p> <p>Other recreation and social clubs</p>	<p>Primary and Secondary Education</p> <p>Higher Education</p> <p>Other Education</p> <ul style="list-style-type: none"> • Vocational/ Technical Schools • Adult/Continuing Education <p>Research</p> <ul style="list-style-type: none"> • Medical Research • Science and Technology • Social sciences, policy studies 	<p>Hospitals and rehabilitation</p> <ul style="list-style-type: none"> • In-patient medical care and treatment • In-patient health care and rehabilitative therapy <p>Nursing Homes</p> <p>Mental Health and Crisis Intervention</p> <ul style="list-style-type: none"> • Psychiatric hospitals • Mental Health treatment • Crisis Intervention <p>Other Health Services</p> <ul style="list-style-type: none"> • Public health and wellness education • Health treatment, primarily outpatient • Rehabilitative medical services • Emergency Medical Services 	<p>Social Services</p> <ul style="list-style-type: none"> • Child welfare, child services and day care • Youth service and youth welfare • Family services • Services for the handicapped • Services for the elderly • Self-Help and other personal social services <p>Emergency and Relief</p> <ul style="list-style-type: none"> • Disaster/emergency prevention • Temporary Shelters • Refugee Assistance <p>Income support and maintenance</p> <ul style="list-style-type: none"> • Provision of cash assistance and other forms of direct services to persons unable to maintain a livelihood • Provision of material assistance

Group 5 Environment	Group 6 Development and Housing	Group 7 Law, Advocacy and Politics	Group 8 Philanthropic Intermediaries and Volunteerism Promotion
<p>Environment</p> <ul style="list-style-type: none"> • Pollution abatement and control • Natural resources conservation and protection • Environmental beautification and open spaces <p>Animal protection</p> <ul style="list-style-type: none"> • Animal protection and welfare • Wildlife preservation and protection • Veterinary services 	<p>Economic, social and community development</p> <ul style="list-style-type: none"> • Community and neighborhood organizations • Economic development, including building of infrastructure, like roads, and financial services such as credit and savings associations and entrepreneurial programs • Social development <p>Housing</p> <ul style="list-style-type: none"> • Housing associations • Housing assistance <p>Employment and Training</p> <ul style="list-style-type: none"> • Job training programs • Vocational counseling and guidance • Vocational rehabilitation and sheltered workshops 	<p>Civic and Advocacy Organizations</p> <ul style="list-style-type: none"> • Advocacy groups • Civil rights associations • Ethnic associations • Civic associations <p>Law and Legal services</p> <ul style="list-style-type: none"> • Legal services • Crime prevention and public policy advocacy • Rehabilitation of offenders • Victim support • Consumer protection and association <p>Political organizations</p> <ul style="list-style-type: none"> • Political parties and organizations 	<ul style="list-style-type: none"> • Grant-making foundations • Volunteerism promotion and support • Fund-raising organizations
Group 9 International	Group 10 Religion	Group 11 Business professional associations	Group 12 Not elsewhere classified
<ul style="list-style-type: none"> • Exchange/ friendship/ cultural programs • Development assistance associations • International disaster and relief organizations • International human rights and peace organizations 	<ul style="list-style-type: none"> • Congregations • Associations of congregations 	<ul style="list-style-type: none"> • Business associations • Professional associations • Labor unions 	

1.3 The Role of the NPOs in Society

According to Boutros-Ghali in 1995, "Non-governmental organizations are a basic element in the representation of the modern world. And their participation in international organizations is in a way a guarantee of the latter's political legitimacy...From the stand point of global democratization, we need the participation of international public opinion and the mobilizing powers of non-governmental organizations."

The World Bank describes NGOs as:

"...include many groups and institutions that are entirely or largely independent of government and that have primarily humanitarian or cooperative rather than commercial objectives. They are private agencies in industrial countries that support international development; indigenous groups organized regionally or nationally; and member-groups in villages. NGOs include charitable and religious associations that mobilize private funds for development, distribute food and family planning services and promote community organization. They also include independent cooperatives, community associations, water-user societies, women's groups and pastoral associations. Citizen groups that raise awareness and influence policy are also NGOs"

Today, the increasing role of NPOs in society is more pronounced, from relief services (logistics management) to development services (strategic management) to arts and culture. They also contribute in creating a more inter-dependent global community.

1.4 NPO Stakeholders

STAKEHOLDERS	EXPECTATIONS (Social and Economic)
1. Members/Beneficiaries	1. Services, ROI, Social Justice
2. Governing Board	2. Prestige, Self-reliance
3. Management/Staff	3. Better career
4. Donors	4. Attainment of the purpose/s of funds Compliance with agreements
5. Government	5. Regulation Partnership in Development
6. Volunteers	6. Contribution to the development of specific concerns
7. General Public	7. Contribution to the development of society, in general

1.5 NPO Governance and Accountability

For NPOs to fulfill their goals and objectives as well as to realize stakeholders' expectations efficiently and effectively, they must be governed by the principles of Fairness, Accountability, and Transparency. Fairness - rights of stakeholders should be observed and respected; Accountability - Board and management should be answerable on their performance to stakeholders; Transparency - timely, accurate and sufficient information must be disclosed.

The foremost responsibility for NPOs is to be accountable to the needs and aspirations of the community it is working with since serving community interests is the stated primary goal of most NPOs. In practice, these communities lack mechanisms for holding NPOs accountable. Unlike donors, communities cannot withdraw their funding; unlike governments, they cannot impose conditionalities.

Accountability to Donors. Donors may be both external (for example, governments, foundations, or other NPOs) and internal (members who contribute smaller amounts). The simplest level of responsibility is that of spending designated money for designated purposes.

NPOs are also accountable to its organization. They are responsible to their stated mission, to their governing board, management and staff, to their partners, and to the NPO community as a whole.

One of the expressions of accountability is Financial Accountability. Financial accounting in NPOs, which is the topic of this paper, contributes to this objective.

2. RATIONALE

2.1 NPOs as a Sector

The UNDP describes NPOs as the “third sector”, the first and second being the government and private sectors. This is in recognition of the distinct characteristics of NPOs from other forms of organization, especially those formed for commercial purposes.

In many countries, accounting pronouncements cater to the needs of commercial organizations. Although fundamental accounting principles apply to any type of organization, specific and appropriate standards for NPOs are needed to fit the specifications and peculiarities of these organizations. Basic differences between commercial organizations and NPOs are:

- 1) NPOs do not operate primarily for profit but to serve specific needs of a community, group, organization or its membership.
- 2) Most of NPOs revenues come from funds contributed, donated or given as grants or other forms of support. Revenues from income generating activities, if any, are eventually reverted back to program operations.

Unlike in the business community where exchange transactions occur, resource providers in NPOs do not expect to receive either repayment or economic benefits proportionate to the resources provided. There is no defined ownership interest that can be sold, transformed or that convey entitlements to a share in the residual distribution of resources in the event that an NPO is dissolved.

- 3) NPOs have the responsibility to account for these funds designated for a specific purpose for a specified period of time. The nature of the revenues received requires ensuring that separate types of funds are properly tracked and reported.

2.2 The Need for Financial Accounting Standards for NPOs

To date, comprehensive guidelines on accounting issues unique to NPOs have yet to be developed at the international level. Some pronouncements made by standards-setting bodies covering NPOs have been developed in the United States and recently in China. In India, the Technical Guide on Accounting and Auditing on NPOs has been issued by the ICAI. Finally, the Proposed Financial Accounting Standards for NGOs in the Philippines is being reviewed by the Accounting Standards Council of the Philippines. However, many other countries are either practicing de-facto standards for NPOs or implementing the current pronouncements in their respective countries to NPOs which may or may not be totally apt for use in these types of organizations. Although all accounting applications are based on the same set of principles, integrating the specifications and particularities of the NPO community into the practice of accounting is vital to a uniform interpretation and analysis of financial reports across the sector.

On January 13-15, 2005, APPC held a regional meeting in Bangkok, Thailand with the theme, "Developing Proposed Financial Accounting Standards for NPOs in Asia-Pacific." The conference was attended by more than 40 participants, mostly non-profit leaders, government officials, and auditors who discussed critical issues of NPO financial accounting. The conference's main goal was to develop a proposed set of minimum accounting standards for NPOs in the region.

This Issues Paper, which lays out the conceptual and specific issues affecting NPO financial accounting and the corresponding recommendations, was drafted based on the country presentations in the Bangkok conference and the succeeding country consultations and steering committee meetings. It also makes reference to IAS/IFRS and FASB (AICPA) pronouncements for items not categorically included in the IAS as this Issues Paper will be submitted to IASB as previously agreed upon, and because most countries have already adopted or committed to adopt the IAS/IFRS (see also Appendix 1 – Process of Developing the Issues Paper).

3. CONCEPTUAL ISSUES/ FRAMEWORK

3.1 Scope

The following discussion pertains to the basic operations of NPOs, i.e. those that are non-profit in nature. Commercial activities, if any, shall be governed by the existing financial accounting standards for business enterprises.

3.2 Users and their Information Needs as applied to NPOs

EXTERNAL USERS

- a. Donors/Grantors/Funding Agencies
 - Degree of attainment of development objectives as indicated in financial statements and reports.
 - Degree of compliance with agreed amount and manner of using funds.
 - Degree of compliance with prescribed financial accounting and reporting system and procedures
- b. Creditors (Banks/Financing Institutions)
 - Information on ability to pay as indicated by ratios of solvency, liquidity, and stability as well as status of their security.
- c. Government Agencies
 - Compliance with laws, government rules and regulations, payment of taxes (if any) and reportorial requirements
- d. General Public
 - Impact of the activities of NPOs to the community and society in general

INTERNAL USERS

- e. Members
 - How fees, donations, grants, proceeds from fundraising activities were used.
 - Other information needs such as managerial remuneration, use of assets, management efficiency, etc.

f. Management Team

- Board of directors/trustees for policy-making, strategic decision-making, and fulfilling its trusteeship/stewardship role.
- Executive Director for operational decision-making
- Program/project managers for project-program related decision-making

3.3 Objectives of Financial Reporting

The primary objective of financial reporting by NPOs is to provide information about their financial position, performance, and cash flows that is necessary for stakeholders to make informed decisions.

Financial reporting prepared for this purpose meets the common needs of most users. However, financial reporting does not provide all the information that users may need to make decisions since they mainly portray the financial effects of past events.

Financial reporting also shows the results of the management's stewardship of resources that have been entrusted to them. Individuals and groups who wish to assess the stewardship or accountability of a specific NPO's management do so in order to make sound decisions. The financial reports of NPOs should compliment other, non-financial, performance reports.

The financial reporting is the means by which the information accumulated and presented in financial accounting is regularly communicated to those who use it.

3.4 Basis of Accounting

Description

The basis of accounting affects the timing of recognition of income and expenses. In a cash basis, income is recognized when received while expense is recognized when paid. In an accrual basis, on the other hand, income is recognized when earned, even when it has not yet been received and expenses when incurred even when they have not yet actually been paid.

Basis of Accounting	Recognition of Income	Recognition of Expense
Cash Basis	When cash is actually received	When cash is actually paid
Accrual Basis	When income is earned pertaining to the period	When an expense is incurred pertaining to the period even when not yet actually paid

The basis of accounting used, as discussed above, affects the presentation of the organization's financial statements.

Issue 3.4.1 Simplicity of Cash Basis but may result in over- or understatement of Net Assets

Except in China, where using the cash basis is prohibited for NPOs, the different country presentations revealed that the cash basis is allowed for NPOs in their respective countries because it is simple and easily adopted. However, this is not the standard set forth by their respective standards-setting bodies.

In cash basis, the only time a transaction is recorded is when cash has been received or expended. Under this basis of accounting, funds are only recognized as receipts for the period if these are actually received within the current year. Expenses actually paid for in the current year are also recognized for that period. This is regardless of whether the receipts or expenses pertain only to the current year, prior to, or beyond it. This may result in an over/understatement of the net asset accruing to a specific period.

The following issues also arose out of the discussion on whether or not use of the cash basis should be permitted for certain NPOs:

- a. How to define the small NPOs which are permitted to use cash basis;
- b. How to account for the commercial activities undertaken by the NPOs, which should not possess substantial differences from those requirements for business enterprises under accrual basis;
- c. Does/how using the cash basis show/s the real financial position and performance of the NPOs and does/how it provide/s for informed decision-making.
- d. How to reach the qualitative characteristics of accounting information which is based on accrual basis.
- e. As a result, another set of frameworks and recognition, measurement and disclosure requirements may need to be introduced.

Issue 3.4.2 Relative complexity but more accurate accounting in Accrual Basis

In accrual basis, revenues and related assets are recognized when earned rather than when received while expenses are recognized when incurred rather than when paid. There is a recognition of receivables and payables amassed in a particular period.

The accrual basis is perceived by a majority as more complex and difficult method than the cash basis, especially for small NPOs.

However, a comprehensive investigation on this issue was done in China, which concluded that there was not much of a burden added to small NPOs who chose to use the accrual basis to account for transactions and events, because the differences between the two bases are not very significant for small NPOs. The benefit, however, is essential, as using the accrual basis for all the NPOs can improve the usefulness of accounting information and the comparability of this information between small and big NPOs.

A similar study was done in the Philippines, which found out that while the difference between cash basis and accrual basis are not very significant in small NPOs, the cash basis becomes less appropriate as the size and volume of transactions undergo significant increases.

In the case of India, the majority of professional accountants expressed belief that the accrual basis of accounting is the more scientific of the two methods, and therefore should be one followed by NPOs. However, there was a general feeling among NPO representatives and some professional accountants that the method should be weighed against practical considerations such as reporting needs of the NPO sector, capacity of NPO accountants and implications for accountability (diversion of funds using accrual method). They raised the following reasons against using the Accrual Basis:

- a. Most of the existing regulations governing NPOs in India do not require the use of the accrual basis of accounting. On the other hand, financial reporting requirements under existing regulations may be met simply by using the cash basis.
- b. The major stakeholders i.e., the donors, also require reports on utilization of grants given, thereby favoring the cash basis of accounting.
- c. As a contract of grants is an agreement without consideration and normally not enforceable under the law, the question of how an NPO could recognize a grant yet to be received (as would be the case under the accrual basis) also arose.
- d. The accrual basis of accounting may also encourage the malpractice of booking expenses at the end of a reporting period, which may be reversed later on. It may also encourage cross booking of the same expenses in multiple donor accounts, as many NPOs maintain a separate set of books for each donor.

Issue 3.4.3 Other Issues

Similar to possible abuse of the Accrual Basis as raised in **3.4.2 d** above, in the case of cash basis, pre-payments treated as expenses may also lead to a fraudulent recording of transactions. However, these issues may easily be addressed by proper accounting recognition and measurement as well as a proper internal control system.

Recommendations

- All countries agreed that besides being prescribed by the respective national accounting standards-setting bodies, the accrual basis is the more accurate method of accounting. The use of the accrual basis helps present more fairly and accurately the financial status of NPOs. It was also seen to be required if an organization wants to measure the cost of a project or activity or when comparative statements are required. It was also pointed out that the accrual basis of accounting facilitates the use of the budget as part of control techniques.

Grants and donations can be accrued subject to the following conditions:

- a. A completed contract
- b. Fulfillment of conditions/agreements set forth beforehand

Donor-specific financial reports, as specific-purpose financial reports, may be presented using the cash basis upon an agreement between the NPO and the donor. As in the case of other specific-purpose reports, reconciliation between the specific reports prepared in cash basis and the general-purpose reports prepared in accrual basis, may be necessary.

- An option for small NPOs (for whom there may be an insignificant difference between cash and accrual bases), is to combine the simplicity of the cash basis and the accuracy of the accrual basis, i.e., using the cash basis in the interim while accruing transactions that need to be accrued when preparing periodic general-purpose financial reports. This way, financial reports are still presented in accrual form. This is also consistent with the rationale adopted by ASB of UK on Financial Reporting Standards for Smaller Entities (FRSSE).

The accounting standards setting body of each country is tasked with defining the qualifications of “small NPOs.”

- In some countries, cash basis of accounting is allowed or required by local laws for NPOs. In such cases, NPOs may use the cash basis.

3.5 Assumption of Going-Concern

The financial statements are normally prepared on the assumption that an NPO is a going concern and will continue in operation for the foreseeable future. It is therefore assumed that the NPO has neither the intention nor the need to liquidate or scale down its operations. If such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used must be disclosed.

Issue

There are instances wherein an NPO is established as an ad-hoc or its existence is limited to a specific period.

Recommendation

The management of such *ad hoc* NPO should properly disclose its nature and terms of existence, as well as the implications of its *ad hoc* character on its financial statements.

3.6 Qualitative Characteristics of Financial Statements

For financial statements to add public value to their end-users, in this case, the various NPO stakeholders, the information laid out must be relevant to the decision-making needs of its users, reliable, comparable through time, and easily comprehensible.

- a. **Relevance.** Information is relevant when it influences the decisions of users by helping them evaluate past, present or future events or confirming, or correcting their past evaluations.
 1. **Materiality.** Information is material if its omission or misstatement could influence the decision of users taken on the basis of the financial statements.
 2. **Timeliness.** If there is undue delay in the reporting of information, it may lose its relevance.
- b. **Reliability.** Information is reliable when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent.
 1. **Faithful Representation.** To be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent.
 2. **Substance over form.** Transactions and other events are accounted for and presented in accordance with their substance and not merely their legal form.
 3. **Neutrality.** Information must be free from bias. Financial statements are not neutral if, by selection or presentation of information, they influence the making of a decision or judgment in order to achieve a predetermined result or outcome.
 4. **Prudence.** Some degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenues are not overstated and liabilities or expenses are not understated.
 5. **Completeness.** Information must be complete within the bounds of materiality. Omission may cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.
- c. **Comparability.** Users must be able to compare the financial statements through time in order to identify trends in its financial position and performance.
- d. **Understandability.** An essential quality of the information provided in financial statements is that it is readily understandable by users.

Balance between Qualitative Characteristics

In practice, a balancing, or trade-off, between qualitative characteristics is often necessary. Generally, the aim is to achieve an appropriate balance among the characteristics in order to meet the objective of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.

Fair Presentation

Financial statements are frequently described as a fair presentation of an organization's financial position, performance, and changes in financial position. Although this framework does not deal directly with such concepts, the application of the principal qualitative characteristics and of appropriate accounting standards normally results in financial statements that fairly represent the abovementioned information.

3.7 Accounting Elements

Financial Position. The elements directly related to the measurement of financial position are an organization's assets, liabilities, and equity.

- a. An asset is a resource controlled by the organization as a result of past transactions or events and from which future economic benefits or service potential are expected to flow into the organization.
- b. A liability is a present obligation of the organization arising from past transactions or events, the settlement of which is expected to result in an outflow of resources from the organization.
- c. Equity is the residual interest in the assets after deducting all its liabilities. In business enterprises, equity represents the net ownership of the enterprise.

NPOs do not have specific owners, thus the remaining value of its assets does not go to its members. Assets and their residual values are intended for specific purposes; therefore, it is not appropriate to use the term "equity" in reference to NPOs.

In place of "equity", NPOs use the term "**Net Assets**" to emphasize the outstanding value in the statement of financial position (assets less liabilities).

The US GAAP, Chinese GAAP and IPSAS use "Net Assets;" however, IPSAS 1.6 also states that "other terms may be used in place of net assets/equity, provided that their meaning is clear". In this regard, the respective national accounting standards-setting body may define the appropriate term in the specific country. Many NPOs prefer to use the term "fund balance" to describe the balance of a fund, defined as a sum set aside for specific purpose, as of any given date.

Performance. The elements directly related to measurement of financial performance are revenue and expenses.

- a. Revenue is the total inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in Net Assets.
- b. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumptions of assets or incurrence of liabilities that result in decreases in Net Assets.

3.8 Recognition and Measurement

Recognition is the process of incorporating in the financial statements an item that meets the definition of an element. An item that meets the definition of an element should be recognized if:

- a. It is likely that any future economic benefit or service potential associated with the item will flow to or from the organization;
- b. The item has a cost or value that can be measured with reliability.

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the financial statements. A number of different measurement bases are employed to different degrees and in varying combinations in financial statements:

- a. Historical cost. Represents the original cost of an asset to an entity.
- b. Fair value. The amount for which an asset may be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- c. Replacement cost. The amount it will cost to replace an asset at current prices.
- d. Net realizable value. This refers to the net monetary gain of a transaction, i.e., the selling price of an asset less expenses.
- e. Value-in-use. Represents the market value of an asset that reflects a value to a particular user, recognizing the extent to which the property contributes to that entity.

4. SPECIFIC ISSUES

4.1 Exemption from Applicability of the Accounting Standards

Issues

- Considering the wide spectrum of NPOs in terms of size, level of operation, operating fund, and number of personnel, there was a realization that smaller NPOs may not have the resources or the capacity to fully adopt these standards.
- There was also significant concern as to whether the standards to be formulated for NPOs should speak for the sector as a whole or specifically provide for the exception of small NPOs.

The countries were almost equally divided on this issue. Those who favored the imposition of standards on the entire NPO sector contends that, as in other standards for a specific industry, the Standards for NPOs in Asia-Pacific region should cover the sector as a whole. Those who favored the exception of small NPOs stated that this could be settled by the respective national boards of accountancy or its equivalent.

Recommendation

- It is recommended and encouraged that all standards apply equally to all NPOs; however, where local laws allow exemptions, small organizations may be exempted until they are capable of full compliance with the standards. To achieve this, it is important to note that there is a need for small NPOs to undergo capacity-building activities. The standards are not merely technical requirements but are, more importantly, tools for the efficient and effective management of NPOs.

Note:

From item 4.2 to 4.10, specific Issues are presented based on the sequencing used by the International Accounting Standards (IAS). The IAS embodies the principles and general guidelines of accounting. It serves as a language and benchmark of accounting practices so that financial information can be communicated within, between, and among organizations. These items represent issues relevant to the NPOs as a sector; an individual NPO should follow standards specified in the IAS whenever applicable.

4.2 Financial Reporting Format/Presentation

Description

IAS # 1 pertains to Framework/Presentation. It includes the basic financial statements or the general-purpose financial statements that an organization should prepare – Balance Sheet, Income Statement, Changes in Equity, Cash Flow Statement, and Disclosures.

Issues

- Where standards for financial accounting and reporting have yet to be established, there tends to be a lack of uniformity in the presentation and interpretation of financial statements. There is diversity in accounting terminologies and policies as well as disclosures that are adopted and implemented.
- Without such standards, reports of similarly oriented organizations cannot be adequately compared for the purpose of analyzing financial statements.
- Reports are prepared primarily to fulfill specific requirements of donor agencies. While the donor agency is a major stakeholder, other requirements such as consolidated organizational reports that serve as one of the inputs in short-term and long-term decisions may not provide the necessary information that may affect efficiency and effectiveness of the NPO.
- In many NPOs, only the cash flow statement is prepared because of the view that cash is the primary financial resource being managed. While this is partially true, the information provided by cash flow statement is limited, which may consequently lead to an equally limited decision.
- Some NPOs are engaged in income-generating activities such as micro-finance and business activities as part of their programs and services and/or for the purpose of generating resources for the attainment of the main objectives. In such cases, NPOs are concerned with presenting the commercial side of their activities.

Recommendations

- The standards to be developed and presented as guidelines for financial accounting should focus on the general-purpose financial statements. Specific purpose financial statements shall be each individual NPO's concern.
- General-purpose financial statements shall include the following:
 - a. Balance Sheet or Statement of Financial Position. This statement is intended to present the financial position of the organization at a certain date. This statement may be used as a tool to evaluate the resources controlled as well as the solvency, liquidity and stability of the organization's financial standing.

Net Assets is the equivalent of Equity, and are divided into Restricted and Unrestricted, as restrictions may be imposed by the donor or by legal requirements.

Note:

Restricted Net Assets are those whose use is limited by either a time restriction or a purpose restriction. A time restriction requires that the resources be used during a certain period of time. Sometimes time restrictions specify that the resources may not be used until after a specific point in time. A purpose restriction, as its name suggests, requires that resources be used for a specific purpose, such as a specific program/project of the organization.

Unrestricted Net Assets represent the resources of an NPO that are not restricted by the donor or by legal requirements.

- b. Statement of Activities or Performance Statement. This financial statement reports the sum of all support & revenue received and expenses disbursed for a given period. It measures how financial resources were derived and used.

CHANGES IN NET ASSETS. The changes in Net Assets may not be very complicated for NPOs. This may be reflected in the Statement of Financial Position or in the Statement of Activities.

Option 1: In the Statement of Financial Position under Net Assets

NET ASSETS

Beginning Balance

Add (Deduct): Net Excess (Deficit) for the period
(from the Statement of Activities)

Ending Balance

Option 2: In the Statement of Activities after Net Excess (Deficit)

NET EXCESS (DEFICIT) FOR THE PERIOD

Add: Net Asset – Beginning

NET ASSET – Ending *(forwarded to the Statement of Financial Position)*

- c. Cash Flow Statement. The statement of cash flows provides a summary of available cash and its use during the accounting period. It also shows information on the method of financing activities as well as the use and investment of resources in that period.

This statement may be called “Statement of Receipts and Payments” if the cash basis is used (see also 3.4 Basis of Accounting, above)

- d. Notes to Financial Statements and Supporting Schedules.

Disclosures. The minimum disclosure requirements include the following:

- nature and purpose of the organization, including the domicile and legal form of the organization
- description of funds/projects/services
- number of members of the governing board/body, general assembly/membership and employees and changes during the reporting period.
- basis of preparation of the financial statements
- accounting policies to be disclosed to guide users in understanding the way in which transactions and events are reflected in the financial statements
- major donors/sources of funds and explanations on the restrictions on assets imposed by resource providers
- recipients of material donations, if any.
- related party transactions, if any (*discussed separately in 4.8*)
- explanation of significant impairments of assets
- liens on assets and other restrictions
- explanation of main items in the financial statements and their changes .
- explanation of agency transactions/pass-through accounts/ funds-held-in-trust
- contingencies, commitments, and other financial disclosures
- non-adjustment events incurred after balance sheet date
- non-financial disclosures relevant to the financial statements
- all other necessary disclosures. Rule: the presence or absence of an explanatory note may alter the reader's interpretation of the stated financial information.

Additional Disclosures for Income-Generating Activities.

- nature and description of the commercial activities.
 - details of income and expenses of the commercial activities.
 - for Micro-Finance: Portfolio Report, Loan Aging, Key Ratio Analysis.
- There were also suggestions that whenever appropriate, comparative financial statements should be prepared to present the current against the previous period.

4.3 Inventories

Description

IAS # 2 describes inventories as assets that are held for sale in the ordinary course of business; in the process of production for such sale; or in the form of materials or supplies to be to be consumed in the production process or in rendering services.

Normally, the NPOs' inventory comprises material or supplies to be consumed in the process of rendering services. Some NPOs may manufacture goods for the purpose of distributing these to selected beneficiaries.

Issues

- Some countries raised the issue that inventories are at times immediately treated as expenses.
- Some also brought up the issue of valuation.

Recommendation

- IAS # 2, which prescribes that inventories are valued at a lower cost or at a net realizable value, shall guide NPOs with regards to the issues raised. Based on this framework, all resources should be recognized as assets if they meet the definition of assets and the recognition criteria.

Specific Recommendations:

- If an NPO has inventories held for distribution, they should be valued based on historical cost;
- If inventories are held for production, they should be stated based on fair value.

4.4 Property & Equipment and Depreciation

Description

Per IAS # 16, property, plant and equipment (PPE) are tangible assets that are expected to be used during more than one period and that are held for use in the operations of the organization. PPE are recognized when it is probable that the future economic benefits associated with the asset will flow to the organization and its cost can be reliably measured. The asset is initially measured at cost and can subsequently be measured at cost or on revaluation basis.

Issues

- This is one of the major gray areas in NPO accounting.

NPOs receive grants intended for specific purpose/s. In many cases, a grant is given in order to purchase property or equipment, and the donor usually requires the accounting of the grant against this intended purpose. To properly monitor the specific grant activities, the acquisition will be deducted against the said grant, presenting the actual grant balance at the end of the period. The matching of the grant against its objective is achieved in this manner.

However, for a fair presentation of an NPO's financial position, property and equipment should be reflected in the balance sheet.

Two accounting objectives should be met – matching of source against its intention and a fair presentation of the balance sheet. Sometimes, only one of these is reflected in the financial statements.

In the business sector, the asset method is prescribed because of the principles of a fair presentation of the balance sheet and the "matching principle", i.e., only the depreciated portion of the property and equipment is recognized as an expense because this is the portion that was consumed in the generation of income during the accounting period. This is the reason why all available accounting standards prescribe the asset method.

- Another issue here is the question of transfer of ownership from the donor to the NPO. In some instances, transfer of ownership from the donor to the NPO is deferred until the end of the project term or is dependent on meeting the agreement within the project period.
- Valuation. Many NPOs receive donated property and equipment; however, the historical record of the property may not be readily available, so donated properties are usually valued at fair value at the time of donation or transfer of ownership.
- Depreciation method is to be used.

Recommendations

Acquisitions from Unrestricted Funds

- Using the asset method is proposed, being the prescribed method in the current pronouncements. Deducting acquisitions against the grant is presented in the special-purpose financial statements.

Acquisitions from Restricted Funds

- When property and equipment are acquired from restricted grant funds, the proposal is to treat property and equipment as follows:

To meet the requirements of fair presentation of balance sheet and proper matching of sources against its intentions, the accounting entries and presentation should provide for both.

Corollary entries are made to record the acquisition as a deduction from the grant, recognizing the property as an asset and crediting it to the Property and Equipment Fund, a restricted net asset account.

Depreciation will then be charged against the Property and Equipment Fund.

- Property and equipment should be recognized at the time of ownership. The value of the property can be based on historical cost less depreciation or re-valued at the time of transfer of ownership. In the case of a property acquired from a restricted grant/donation and ownership of the said property remains with the grantor/donor until the fulfillment of certain requirements, then there should be a disclosure in the financial statements that there are assets that, while already in the possession of the NPO, are not yet in its name.
- Donated properties are valued at fair value at the time of the donation or transfer of ownership.
- There are various methods of depreciation, and every method has its own justification. Generally for NPOs, the straight-line method is used over the estimated useful life of the property, as most properties are identified with its usage over a specific period. Another option is to use the written-down value or impaired value method.
- Impairment of assets shall be guided by IAS # 36.

4.5 Accounting for Grants and Donations

Description

There is no provision in the IAS for NPO Grants Received. The AICPA Audit and Accounting Guide on Contributions may also be a reference. Contributions are defined as "transactions in which one entity makes an unconditional voluntary transfer to another entity without directly receiving equal value in exchange." The transfer may involve cash or any other asset such as securities, land, buildings, use of facilities or utilities, material and supplies, intangible assets, services, and unconditional promises to give those items in the future".

In determining whether a transaction is a contribution or not, the guide provides that the organization needs to assess the extent of discretion it has over the asset received and whether it has given up assets, rights, or privileges approximately equal to the assets, rights, or privileges received. If it has little or no discretion, the transaction is an agency transaction (discussed separately in 4.13). If it has discretion over the asset's use, the transaction is a contribution, an exchange, or a combination of the two.

Issues

Accounting for donations and grants is one of the major and specific issues for NPOs.

- Grant as income or revenue. Project grants are treated as revenues for the period and presented as such in the income statement. Project expenses are deducted from the grant, resulting in an excess or deficit which will then be added or deducted from the Net Assets. However, unless otherwise stipulated in the agreement with the grantor, the grant and the resulting Net Asset should be treated as a Restricted Fund.

In practice, grants are usually treated as restricted revenues. In an NPO setting, these are treated as such because they are the principal source of resources for the NPO's operations.

- Grant as a liability. In some countries, or where donor agencies require it, another practice is to treat project grants as liabilities and reflected as such in the balance sheet. Expenditures/disbursements are deduced from the liability account.

Recommendations

Unrestricted Grants and Donations

- Unrestricted grants and donations should be treated as Revenues of the NPO.

Restricted Grants and Donations

- Case 1: Many grants and donations stipulate that its unspent portions be returned, or effectively returned, to the grantor/donor, thereby creating a possible outflow of resources. In this case, grants and donations are recognized as a liability – or Deferred Grant - upon receipt. Periodically, a portion of the Deferred Grant is recognized as revenue based on the expenses incurred for the period. This method follows the proposal that an NPO earn its revenue based on its activities or performance, as expressed in its expenses. The revenue is always equal to expenses, and the unspent portion of the grant remains a liability.
- Case 2: For grants and donations that are treated as non-exchange transactions, the asset-liability approach may be adopted as both the IASB and IPSASB have used this approach to recognize the revenue arising from non-exchange transactions.

4.6 Accounting for Contributions In Kind

Description

Contributions in kind may be in the form of goods, equipment, use of facilities, and services rendered.

Issues

- How to value contributions in kind.
- What are considered contributions in kind?

Recommendations

- Non-cash contributions are estimated at fair value when this can be reliably measured, but whenever this is not possible, any of the following alternatives, which should be disclosed in the notes to financial statements, are suggested:
 - a. Quoted market prices for similar assets
 - b. The asset's replacement cost
 - c. Independent appraisals of the asset's fair value
 - d. Other valuation techniques, such as discounting the estimated future cash flows.
- Fair value means "the amount for which an asset may be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction." If the contributions have no value, these should not be recognized. "No value" means that these cannot be used by the organization, i.e., these may not be used internally or for program purposes and/or cannot be sold by the organization.

- Contributed services were to be reported as contribution revenue and as assets or expenses on the following conditions:
 - a. If the services create or enhance a non-financial asset
 - b. If the service would typically be needed to be purchased
 - c. If the service requires specialized skills
 - d. If these services are provided by individuals with such skills

For contributed services that do not meet the criteria above, such as “walk-in” volunteer services, it is recommended that these are disclosed in the notes to financial statements.

4.7 Foreign Exchange Fluctuations

Description

IAS # 21 refers to the effects of changes in foreign exchange rates. Initial measurement requires that foreign currency transactions be recorded at the prevailing exchange rate on the date of the transaction. Measurement at the balance sheet date requires that foreign currency items be re-measured using the spot rate on the balance sheet date.

It is stipulated in the statement that transactions in foreign currencies be expressed in the reporting currency of the entity in order to prepare its financial statements.

Generally, gains and losses arising from foreign exchange transactions are part of the income statement.

Issues

- How to treat the differences between exchange rates when the budget is approved and its subsequent value at the time when the grant is received.
- Do these differences in exchange rates accrue to the project fund or to the unrestricted fund?

Recommendations

- Generally, the prescribed treatment and valuation of IAS # 21 is to be followed.
- Other valuation methodologies arising from agreements with the donor agency or from laws and regulations shall be disclosed. Their effects on the financial statements shall likewise be presented.

4.8 Related Party Disclosures

Description

IAS # 24 defines related party transactions. Parties are considered related if one party has the ability to control or significantly influence the other party in making financial and operating decisions. In NPOs, a related party may be any party that the NPO deals with that is able exercise that control. This aspect is very important because NPOs are primarily accountable to its various stakeholders as enumerated 1.4 above. Related party transactions may adversely affect the expectations of stakeholders. Furthermore, disclosing transactions between related parties also enhances transparency, accountability, and fairness.

Examples of related parties include:

- a. Affiliate organizations,
- b. Governing board, members of management and their immediate families,
- c. Significant contributors (but only if they can significantly influence management or operating policies of the NPO to an extent that the NPO is prevented from pursuing its own interests),
- d. Entities whose officers or directors are also officers or directors of the NPO (interlocking directorate/officers),
- e. Separate entities that solicit funds in the name of the NPO and substantially all of the funds solicited are intended for the use of the NPO.

Examples of Related Party Transactions

- a. Sale, purchase, and transfer of property,
- b. Services received or provided,
- c. Property and equipment leases,
- d. Borrowing or lending, including guarantees
- e. Maintenance of compensating bank balances for the benefit of a related party

Board members and key officers have official functions in the NPO. Expenses for these official functions are not considered related party transactions, such as salary of the Executive Director, or travel expenses of a Board member incurred in attending the Board meeting.

Issues

- Networks of NPOs sometimes have interlocking directorates.
- Many NPOs have related party transactions such as the purchase of goods or services from Board members and key officers outside their regular capacities, payment to or receipt from affiliated organizations, office space leased from or donated by Board members or related entities, personal assets guaranteed or pledged by the Board members.

Recommendation

- Related party transactions are disclosed in the financial statements on the following:
 - a. Nature of the related party relationships
 - b. Types of transactions undertaken
 - c. Certain other information about the transactions
 - d. Financial value of the transactions

4.9 Consolidated Financial Statements

Description

IAS # 27 establishes the principles and requirements for the preparation and presentation of consolidated financial statements for a group of companies controlled by a parent company. The objective of preparing and presenting consolidated financial statements is to ensure that users of the financial statements are provided with information about the performance of the group as a whole and the resources under the control of the parent entity.

A group comprises a parent and all of its subsidiaries. A subsidiary is an organization that is "controlled" by the parent.

Issues

- How do control concepts, consolidation procedures, and presentation requirements apply to NPOs?
- The need for consolidated financial statements in NPOs may be in the form of consolidating various programs or funds.
- Some NPOs have subsidiaries which are commercial entities. How can non-profit and commercial activities be consolidated?

Recommendation

- Control Concepts. Control is the power to govern the financial and operating policies of another organization. For NPOs, control exists when one organization possesses the authority to:
 - Govern the financial and operating policies of the other organization under a stature or agreement;
 - Appoint or remove a majority of the other organization's governing board.
 - Cast the majority votes at meetings of the other organization's governing body.
- Consolidation Procedures. Consolidated financial statements must be prepared using uniform accounting policies for like transactions or events. If this is not practicable, it is

necessary to disclose that fact together with the proportions of items to which different accounting policies have been applied.

- Presentation of Consolidated Financial Statements. A parent organization must present consolidated financial statements by combining, on a line-by-line basis, its own financial statements with that of its subsidiaries.
- A business entity owned and controlled by an NPO is no different from entities conducting similar activities in the private sector, as far as accounting and reporting is concerned, and therefore should follow the applicable IASs. Consolidating the financial statements of a parent NPO and its subsidiary business may be guided by IAS # 27 and IPSAS # 6 as well as by the additional disclosure requirements stated in 4.2 above.
- As a special-purpose report, there is also a proposal that other modes of compilation/consolidation may appropriately be devised for NPOs. Consolidation may be in the form of combining various programs or funds. It is important that the income and expenditures of separate funds/projects (i.e., supported by different donors) are clearly identified and reflected in the consolidated financial statement in a manner that promotes transparency for better overall financial management.

4.10 Provisions and Contingent Liabilities

Description

Provisions - recognized as liabilities (assuming that a reliable estimate can be made) because they are present obligations and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle them;

Contingent Liabilities - not recognized as liabilities because they are either:

- a. A possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the organization.
- b. A present obligation arising from past events but not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Issue

- NPOs may also enter into contingencies, i.e., law suits.

Recommendation

- The basic principles and requirements stated in IPSAS # 19 and IAS # 37 should be adopted. Basically, provisions are recognized as a liability if a reliable estimate can be made. Contingent liabilities are not recognized as liability, but disclosures on them are required.

4.11 Classification of Expenses

Description

Expenses are decreases in assets or gross increases in liabilities recognized and measured in conformity with the international accounting standards. Expenses decrease the Net Asset of an NPO.

When determining the net excess or deficit for the period, the following pervasive principles are considered:

- a. Associating cause and effect – where costs are recognized on the basis of a presumed direct relationship with specific revenue. This means that costs are charged to expense in the period that the revenue with which they are associated is recognized.
- b. Systematic and rational allocation – where in the absence of a direct means of determining cause and effect, some costs are associated with specific accounting periods as expenses in an attempt to allocate costs in a systematic and rational manner within the periods in which benefits are provided.
- c. Immediate recognition – the cost is immediately regarded as an expense.

Issue

- Unlike in the business sector, the classification of expenses is not standard in NPOs. Most of the time, expenses are based on the budget, although the basis of preparing budgeted expenditures also varies. Some practices of classifying expenses are:
 - Natural classification of expenses, i.e., enumeration of expenses in expense categories such as salaries, rent, electricity, etc. This may not reflect the services, programs, projects of an NPO which reflect its goals and objectives.
 - Classifying expenses into administrative and program/project expenses wherein personnel and overhead costs are included in administrative expenses and only the direct expenses are included in the program/project expenses. This practice may overstate the administrative costs and may not properly account for all program/project costs.
 - Classifying expenses into personnel, administrative, and program/ project expenses. It is similar to the second type of practice except that personnel costs are categorized as another major item. This practice may not properly account for all costs under each program/project.
 - Functional classification of expenses wherein expenses related to the major classifications – programs/projects, administrative, fund-raising – are charged each respective category. This practice classifies all costs according to the different functions of an NPO.

- A more radical classification states that “there are no administrative costs – all costs are intended towards the delivery of services, programs, projects”. Overhead expenses are allocated to programs/projects. This practice is difficult to implement; also, the allocation method may not be appropriate.

Recommendations

- The functional classification of expenses is recommended. These include:
 - a. Program/Project expenses
 - b. Administrative expenses, which are further classified as:
 - General expenses
 - Human resource development (includes Training Expenses)
 - c. Fund-raising expenses

Program/Project expenses are those put towards program/project service activities resulting in services (or goods) distributed to beneficiaries or members to fulfill the basic mission of an NPO. An organization can have more than one category of program services.

Administrative and general expenses are those put towards activities such as oversight management, general record keeping, office maintenance, and similar expenses.

Human resource development pertains to expenses incurred for the purpose of developing and consolidating an NPOs’ board of trustees, management, and staff.

Fund-raising expenses are those incurred in encouraging donors to contribute to an NPO.

- Personnel and other costs traceable to a specific program should form part of program costs. Administrative personnel and overhead costs are part of Administrative expenses.

4.12 Allocation of Joint Costs

Description

This issue addresses a situation where a cost incurred by an NPO relates to two or more different activities. The cost is allocated and reflected in the financial statements, with a particular impact on the functional reporting in the statement of activities.

Joint costs and indirect costs are allocated to programs and support services. There are three criteria permitting cost allocation:

- a. Purpose criterion, which is met if the purpose of the joint activity includes two or more programs or support services.
- b. Audience criterion, which is met if the target audience or beneficiaries includes two or more programs or support services
- c. Content criterion, which is met if the joint activity supports program or support services

Issue

- What is the proper way of allocating joint costs?

Recommendation

- There are varied methods of allocation, but the chosen allocation method should form part of the accounting policies of the NPO and be applied consistently for the same type of transaction until the policy is revised. The following are some of the methods:
 - a. Physical units method. This method allocates costs based on the physical materials that make up the joint costs.
 - b. Relative direct method. This method allocates joint costs in relation to the direct costs of each of the activities.
 - c. Stand-alone cost method. This method allocates joint costs to each component of the joint activity on a ratio that estimates the costs that would have been incurred had the joint activity been performed separately.

4.13 Agency Transactions, Pass-through Accounts or Funds-Held-in-Trust

Description

These are advances made to an organization later to be used for a specific purpose but not necessarily administered by the organization. The AICPA calls this type of transaction Agency Transaction, some European NPOs call it a Pass-Through Account, while some Asian NPOs term it as Funds-Held-in Trust.

These are “resources received in transactions in which an NPO acts as an agent, trustee, or intermediary for a resource provider.”

The AICPA Audit and Accounting Guide, states that these *agency transactions* “should be reported as increases in assets and liabilities and distributions to third party recipients should be reported as decreases in these accounts. Amounts held under agency transactions should be included as liabilities in the Statement of Financial Position. Cash received and paid in such a transaction should be reported as cash flows from operating activities in a Statement of Cash Flows.”

Issues

- How to classify these transactions;
- These transactions may affect the over-all financial position of the organization, particularly liabilities and/or net asset accounts.

Recommendations

- Agency transactions/Funds-held-in-trust form part of an NPO's liabilities. As the NPO is not the donee; therefore, this account should be treated as a liability.
- However, if the donor explicitly grants the recipient organization variance power, i.e., unilateral power to redirect the use of the transferred assets to another beneficiary, or if the recipient organization and the specified beneficiary are financially interrelated organizations, the recipient organization should recognize the amount as a contribution received. NPOs are financially interrelated if (a) one organization has the ability to influence the operating and financial decisions of the other and (b) one organization has an ongoing economic interest in the net asset of the other.
- The transactions pertaining to this type of transactions should be properly disclosed.

4.14 Matrix Reporting/Fund Accounting

Description

The IAS did not make mention of Matrix Reporting/Fund Accounting as this type of financial accounting is peculiar to NPOs and government institutions., While the AICPA provided initial guidelines on this topic, SFAS 117 eventually did not require the reporting of financial information by funds.

Matrix Reporting/Fund Accounting is defined as a system of recording resources whose use may be limited by donors, granting agencies, governing boards, management, or by law. To keep the books and records in a way that recognized the restrictions put in place by donors, some NPOs kept a series of separate funds for a variety of specific purposes. Each fund consisted of a self-balancing set of assets, liabilities and net asset accounts.

Issues

- While the concept of matrix reporting/fund accounting was not included in the IAS as well as in national statements of financial accounting standards, matrix reporting/fund accounting has been practiced by many NPOs in several countries. This is also required by some donor agencies.
- Financial reports are prepared only for a specific audience, usually donor agencies. There is a problem of consolidating project financial statements to come up with organizational reports. Reporting requirements also vary significantly - in some cases, such as India, there is a multiplicity of reporting requirements; in others, like the Philippines, reporting requirements may be illustrated in matrix form.
- In the US, a statement of financial accounting standards removed the earlier requirement for NPOs to report on individual funds and fund groups. AICPA recognized fund accounting more as an internal mechanism for monitoring the use of restricted funds. It was pointed out that external reporting on individual funds may not only be tedious but may even create difficulty on the part of the reader in obtaining a complete picture of an organization's financial affairs and seeing the organization as a "single entity and not separate entities called funds". However, there is a requirement that all pertinent information on the restricted funds be disclosed in the financial statements.

Recommendation

- Matrix Reporting/Fund Accounting reports may be considered special-purpose financial reports and therefore not included as basic requirements in financial reporting. However, Matrix Reporting/Fund Accounting, as part of the accounting system of NPOs, may contribute to better NPO accounting based on the following justifications:
 - Matrix Reporting/Fund Accounting is a concept peculiar to NPOs. NPOs receive funds under various terms and conditions and may be grouped in various ways based on their intent and purpose and restrictions set by donors and management. Funding sources and funding arrangements may also vary - single fund, co-funding, or multi-funding for individual activities, individual programs, several programs or the entire organization.
 - Accountability, transparency, and monitoring are on the top of the list of reasons why NPOs chose to apply the concept of matrix reporting/fund accounting.
 - Matrix Reporting/Fund Accounting is also the expression of "matching of sources against intentions" (a fundamental concept in accounting) in NPOs. In business, there should be a proper matching of costs against revenues. In the same manner, NPOs properly match funds/sources with their particular intentions. A fund is defined as an amount set aside for a specific purpose.
 - IPSAS 18 – Segment Reporting states that reporting financial information by segments will:

- help users of the financial statements to better understand the NPO's past performance and to identify the resources allocated to support the major activities of the entity; and
- enhance the transparency of financial reporting to enable the NPO to better discharge its accountability obligations.

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

It is recommended, therefore, that Matrix Reporting/Fund Accounting be used as an accounting method for NPOs.

4.15 Other Applicable Standards

Recommendation

IAS # 8 states that "in the absence of a standard or an interpretation that specifically applies to a transaction, other events or conditions, management shall use its judgment in developing and applying an appropriate accounting policy.

In making the judgment, management shall refer to, and consider the applicability of the following sources in descending order:

- Requirements and guidance given by Standards and Interpretations dealing with similar and related issues;
- Definitions, recognition criteria, and measurement concepts for assets, liabilities, income, and expenses in the framework.

In making the judgment, management may also consider the most recent pronouncements of other standard-setting bodies that use similar conceptual frameworks to develop accounting standards, other accounting literature, and accepted industry practices, to the extent that these do not conflict with the sources stated in the preceding paragraph.

5. LEGISLATION ISSUE

5.1. IASB and National Standards-Setting Boards

Basic Issue

The accounting practices of specific countries are governed by the pronouncements of their respective standards-setting bodies. However, these are not totally independent from the pronouncements of the International Accounting Standards Board (IASB). The national standards are, in fact, based on IASB pronouncements, taking into consideration national laws and regulations.

Recommendations

APPC shall recommend the formulation of International Accounting Standards for NPOs to the IASB in the same manner that IASs are being formulated for small and medium enterprises (SMEs) and other industries.

Simultaneously, APPC may also work with national accounting standards-setting bodies in the Asia-Pacific region. A process of harmonizing existing accounting practices of NPOs in Asia may also be tackled.

6. Appendix – 1

The Process of Developing the Issues Paper

- 1.1 The writer (Eribert S. Padilla), commissioned by APPC, looked at all the country presentations in the Bangkok conference (January 2005) and drafted the initial Issues Paper, a document that lays out the conceptual and specific issues affecting NPO financial accounting and the corresponding recommendations, both majority and minority.
- 1.2 The writer made reference to IAS/IFRS and to FASB (AICPA) pronouncements for items not categorically included in the IAS because, as agreed upon, the Issues Paper will be submitted to IASB and because of the fact that countries have already adopted or committed to adopt the IAS/IFRS.
- 1.3 Dr. Jianqiao Lu (China representative) and Sanjay Agarwal (India representative) provided comments on the first draft. Basically, the writer looked at their comments and recommendations based on the following:
 - 1.3.1 Consistency of the whole document. The writer tried to reconcile the presentations of the different countries, which were the bases of the original Issues Paper, with the individual comments of Jianqiao and Sanjay.
 - 1.3.2 Weight of the comments and recommendations on the issues affecting the NPOs as a sector. In this regard, the writer tried very hard to exercise objective judgment after trying to recognize the assumptions of their comments.
- 1.4 The second draft was circulated to all conference participants as the reference for the country consultations held which were spearheaded by the Steering Committee. The country consultations involved government regulators, donors, NPOs and chartered accountants and NPO finance directors. The Steering Committee members in each country ensured that the National Standards Setting Boards were involved in the process and were able to give their own inputs.
- 1.5 Based on the feedback from the country consultations, the writer revised the Issues Paper and presented it to the Steering Committee for approval. The revision also followed the criteria in 1.3.1 and 1.3.2 above.
- 1.6 A final revision of the paper was done based on the Steering Committee's discussion and agreements. Upon approval, the standards will be forwarded to the IASB.

7. Appendix – 2

The Project Steering Committee Members and Country Consultation Convenors

BANGLADESH

AMITA DEY

Executive Director
Bangladesh Freedom Foundation
Apt. B-4, House 74, Road 21, Block B, Banani, Dhaka 1213 Bangladesh
Tel. (88-2) 885-3229

CHINA

LU JIANQIAO

Deputy Director
Accounting Regulatory Department, Ministry of Finance, P.R. China
San Li He, Xicheng District, Ministry of Finance, Beijing 100820
Tel. (86-10) 685-52540
E-mail: lujianqiao@mof.gov.cn

HONG KONG SAR (participated in first regional conference only)

JOSEPH WONG

Business Director, Corporate Management
The Hong Kong Council of Social Service
13th Floor, Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai, Hong Kong
Tel. (852) 286- 42929
Fax. (852) 286- 54916
Email. joseph.wong@hkcss.org.hk

INDIA

SANJAY AGARWAL (Steering Committee Member)

Chartered Accountant
Sanjay Aditya and Associates
55-B, Pocket C, Siddhartha Extension, New Delhi, 1100 014, India
Tel. (91-11) 263-47253, 263- 46253
Fax. (91-11) 263-43852
E-mail: 26347430@bol.net.in
Web. www.ngoAccounting.net

SURESH KUMAR KEJRIWAL (Country Convenor)

Partner

Agarwal Kejriwal & Co.

No. 1, Ganesh Chandra Avenue, 4th Floor, Kolkata 700 013, West Bengal, India

Tel. (91-33) 223- 65177

Fax. (91-33) 222-56372

E-mail: agarwalkejriwal@vsnl.com

INDONESIA

RUSTAM IBRAHIM (Steering Committee Member)

The Institute for Economic and Social Research, Education/

Lembaga Penelitian, Pendidikan dan Penerangan (LP3ES)

Jl. S. Parman 81, Slipi, Jakarta 11420, Indonesia

Tel. (62-21) 567- 4211

Fax. (62-21) 568-3785

Email. ribrahim@indo.net.id

Web. www.lp3es.or.id

SRI YANTO (Country Convenor)

Ikatan Akuntan Indonesia (IAI)/ Indonesian Institute Of Accountants

Jl. Sindanglaya No. 1, Menteng, Jakarta 10310, Indonesia

Tel. (62-21) 319-04232

Fax. (62-21) 724-5078

E-mail : sy@iaiglobal.or.id / Sri.Yanto@iaiglobal.or.id

PAKISTAN

SYED MOHAMMAD AHMAD

Manager, Finance and Administration

Pakistan Centre for Philanthropy

1-A, Street 14, F-8/3, Islamabad, Pakistan

Tel. (92-51) 285-5903

Fax. (92-51) 285-5069

E-mail: sm.ahmad@pcp.org.pk

PHILIPPINES

GIL SALAZAR (Steering Committee Member)

Executive Director

Philippine Business for Social Progress

3/F Magallanes corner Real Streets, Intramuros, Manila, 1002 Philippines

Tel. (63-2) 527-7741 to 50

Fax. (63-2) 5273743

Email. gtsalazar@pbsp.org.ph

ERIBERT S. PADILLA (Country Convenor)

President

Accountants for NGO Concerns (ANC) Inc.

Padilla, Padilla and Co.

Rm. 217-C, PSSC Bldg., Commonwealth Ave., Diliman, Quezon City, Philippines

Tel. (63-2) 928-2632

Fax. (63-2) 926-6709

Email. eribert@gmail.com

THAILAND

GAWIN CHUTIMA (Steering Committee Member)

Associate Director

Thai Fund Foundation

2044/23 New Phetburi Road, Huaykwang

Bangkok 10310, Thailand

Tel. (66-2) 718- 1852 to 53

Fax. (66-2) 718- 1850

Email. gawin@thaingo.org

PANSA TAJAROENSUK (Country Convenor)

Managing Director

Rural Capital Partnership, Ltd.

2044/23 New Phetburi Road, Huaykwang Bangkok 10320, Thailand

Tel. (66-2) 718-1852-3

Fax. (66-2) 718-1850

E-mail: tpansa@yahoo.com

8. Appendix – 3 Workshop Participants

First Regional Workshop Participants January 2005 Bangkok, Thailand

BANGLADESH

A.F.M. MAYEEN

Manager, Finance & Administration
Campaign for Popular Education
5/14 Humayun Road Mohammadpur, Dhaka 1207 Bangladesh
Tel. (880-2) 913- 0427, 811- 5769
Fax. (880-2) 811- 8342
E-mail: mayeen@campebd.org
Web. www.campebd.org

A.N.M. NURUL WAHAB

Partner
A. Wahab & Co.
Hotel Purbani Annex, 4th floor, 1 Dilkhusha C/A. Dhaka 1000 Bangladesh
Tel. (880-2) 716-1517, 716-9268
Fax. (880-2) 716-1517
E-mail: wahab_co@agni.com / wahab_co@agni.com

IFTEKHAR ZAMAN

Executive Director
Transparency International Bangladesh
5th floor, House 1, Road 23, Gulshan 1, Dhaka 1212 Bangladesh
Tel. (880-2) 9884811, 8826036;
Fax. (880-2) 9884811
E-mail: edtib@ti-bangladesh.org

PARVEEN MAHMUD

Deputy Managing Director
Palli Karma-Sahayak Foundation (PKSF)
PKSF Bhaban, E-4/B Agargaon Administration Area Shere-Bangla Nagar,
Dhaka 1207 Bangladesh
Tel. (880-2) 914- 1785
Fax. (880-2) 912- 6244
E-mail: pmahmud-pksf-bd.org / parveenm@bol-online.com
Web. www.pksf-bd.org

MD. RAFIQUUL ISLAM

Director
NGO Affairs Bureau
Prime Minister's Office
Matshaya Bhaban, 9th Floor, 13, Shahid Captain Mansur Ali Sarani,
Ramana, Dhaka-1000 Bangladesh
Tel. (880-2) 956- 2743 – 5
Fax. (880-2) 956- 2844

CHINA

FENG LI

Project Manager
China NPO Network
Room 303, Unit 7, Building 2, New Era Garden,
Wan Liu Zhong Lu, Haidian District, Beijing, 100089, P.R. China,
Tel. (86-10) 825- 73870, 825- 73850
E-mail: fengli@npo.com.cn

HAOMING HUANG

Executive Director
China Association for NGO Cooperation (CANGO)
18 Bei San Huan Zhonglu, 100011 Beijing, P.R.China
Tel. (86-10) 620-1308
Fax. (86-10) 620-11328
E-mail: hmhuang@cango.org
Web. www.cango.org

LU JIANQIAO

Deputy Director
Accounting Regulatory Department, Ministry of Finance, P.R. China
San Li He, Xicheng District, Ministry of Finance, Beijing 100820
Tel. (86-10) 685-52540
E-mail: lujianqiao@mof.gov.cn

PENGCHENG WANG

Partner
Pan-China Certified Public Accountants
17/F, Bid A, Investment Plaza, 27 Financial Street, West District, Beijing, 100032, P.R. China
Tel. (86-10) 662- 11008
Fax. (86-10) 662- 12110
E-mail: wangpc@pccpa.com.cn

YAO WEN

CFO Assistant

China Youth Development Foundation (CYDF)

A-1, Houyuanensi Hutong, Jiadaokou Nandajie, Beijing, 100009, P.R. China

Tel. (86-10) 840- 22256

Fax. (86-10) 640- 33895

E-mail: yaowenw@vip.sina.com

Web. www.cydf.org

HONG KONG SAR**ALFRED HONG CHENG**

Senior Manager for System and Finance

St. James Settlement

85 Stone Nullah Lane, Wanchai Hong Kong

Tel. (852) 257- 45201

Fax. (852) 283- 49634

JOSEPH WONG

Business Director

The Hong Kong Council of Social Service

13th Floor, Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai Hong Kong

Tel. (852) 286- 42992

Fax. (852) 286- 54916

E-mail: joseph.wong@hkcss.org.hk

Web. www.hkcss.org.hk

WAI-CHI HO

Fundraising Consultant

The Hong Kong Council of Social Service

13th Floor Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai Hong Kong

Tel. (852) 286- 42961

Fax. (852) 286- 22561

INDIA**ILA HUKKU**

Director

Child Relief and You (CRY)

12/3-1, Madhavi Mansion, Bachammal Road, Cox Town,

Bangalore - 560 005, Karnataka, India

Tel. (91- 80) 254- 84952, 254- 88574

Fax. (91- 80) 254- 87355

E-mail: psu.blr@crymail.org

LALIT KUMAR

Senior Technical Officer
The Institute of Chartered Accountants of India
P. B. # 7100, Indraprastha Marg, New Delhi - 110 002
Tel. (91-11) 233- 78651
Fax. (91-11) 233- 79398
E-mail: lalit@icai.org
Web. www.icai.org

RAIBAT M. DUTT

Senior Programme Officer - Resource Mobilisation
National Foundation for India
India Habitat Centre, Zone 4A UGF, Lodhi Road, New Delhi - 110 003
Tel. (91-11) 246- 41864
Fax. (91-11) 246- 41867
E-mail: moondutt@nfi.org.in
Web. www.nfi.org.in

SANJAY AGARWAL

Chartered Accountant
Sanjay Aditya and Associates
55-B, Pocket C, Siddhartha Extension, New Delhi, 1100 014, India
Tel. (91-11) 263- 47253, 263- 46253
Fax. (91-11) 263- 43852
E-mail: 26347430@bol.net.in
Web. www.ngoAccounting .net

SURESH KUMAR KEJRIWAL

Partner
Agarwal Kejriwal & Co.
No. 1, Ganesh Chandra Avenue, 4th Floor Kolkata 700 013, West Bengal, India
Tel. (91-33) 223- 65177
Fax. (91-33) 222-56372
E-mail: agarwalkejriwal@vsnl.com

INDONESIA**BENEDICTUS W. SADEWO**

Head of SRS Division
USC-SATUNAMA
JL. Sambisari 99, Duwet, Sendangadi, Mlati, Sleman – Yogyakarta 55285
Tel. (62-274) 867- 745 or 747 ext 303
Fax. (62-274) 869- 044 ext 108
E-mail: wahyu_s@usc-satunama.org
Web. www.usc-satunama.org

EKO KURNIAWAN KOMARA

Finance Administration Manager
KEHATI Foundation (The Indonesian Biodiversity Foundation)
Jl. Bangka VIII, no. 3B, Pela Mampang, Jakarta 12720
Tel. (62-21) 718-3185 / 718- 3187
Fax. (62-21) 719- 6131
E-mail: eko@kehati.or.id

RUSTAM IBRAHIM

The Institute for Economic and Social Research, Education
Lembaga Penelitian, Pendidikan dan Penerangan (LP3ES)
Jl. S. Parman 81, Slipi, Jakarta 11420, Indonesia
Tel. (62-21) 567- 4211
Fax. (62-21) 568-3785
Email. ribrahim@indo.net.id
Web. www.lp3es.or.id

SRI YANTO

Ikatan Akuntan Indonesia (IAI)
The Indonesian Institute of Accountants
Graha Akuntan, Jalan Sindanglaya No. 1, Menteng, Jakarta 10310 Indonesia
Tel. (62-21) 319- 04232
Fax. (62-21) 724- 5078
E-mail : sy@iaiglobal.or.id / iai-info@iaiglobal.or.id
Web. www.iaiglobal.or.id

YODDI SINE

Audit Partner
Paul Hadiwinata, Hidajat, Arsono & Rekan Registered Public Accountants
Member of PKF International Association
Jl. Barito 2 no. 31, Jakarta 12130
Tel. (62 21) 725- 2780
Fax. (62 21) 720- 3026
E-mail: Yoddi-Sine@centrin.net.id / pkf-indo@centrin.net.id

ELAN MERDY

Chief Operating Officer
Sampoerna Foundation
Sampoerna Strategic Square, Tower B, 3rd Floor
Jl. Jend. Sudirman Kav. 45, Jakarta 12930 Indonesia
Tel. (62-21) 577- 2340
Fax. (62-21) 577- 2341
E-mail: Elan.Merdy@Sampoernafoundation.org
Web. www.sampoernafoundation.org

TATOK INDRIYANTO

Finance and Accounting Department
Sampoerna Foundation
Sampoerna Strategic Square, Tower B, 3rd Floor
Jl. Jend. Sudirman Kav. 45, Jakarta 12930 Indonesia
Tel. (62-21) 577- 2340
Fax. (62-21) 577- 2341
E-mail: Tatok.Indriyanto@Sampoernafoundation.org
Web. www.sampoernafoundation.org

PAKISTAN**ASAD ZIA IQBAL**

Desk Reviewer
Pakistan Centre for Philanthropy
1-A, Street 14, F-8/3, Islamabad, Pakistan
Tel. (92-51) 285- 5903
Fax. (92-51) 285- 5069
E-mail: asad.zia@pcp.org.pk
Web. www.pcp.org.pk

HIDAYAT ALI

Chief Executive Officer
Ali Associates Chartered Accountants
305 Block A, City Towers, University Road Peshawar Pakistan
Tel. (92-91) 5844237 to 38
Fax. (92-91) 5844239
Email. hidayat@brain.net.pk
Website: www.aaca.com.pk

NOOR MUHAMMED

Secretary
Pakistan NGO Forum C/O SPO - Sindh Office
House No. 49, Muslim Housing Society, Qasimabad, Hyderabad, Sindh, Pakistan
Tel. (92- 221) 654- 725, 65633
Fax.. (92- 221) 652- 126
E-mail: noornm@hotmail.com / Soonharani@yahoo.com

SAJJAD ALI

Secretary Income Tax Policy
Room 421 Central Board of Revenue, Islamabad, Pakistan
Email. sajjadali@cbr.gov.pk

SYED MOHAMMAD AHMAD

Manager of Finance & Administration
Pakistan Centre for Philanthropy
1-A, Street 14, Sector F-8/3, Islamabad 44000, Pakistan
Tel. (92-51) 285-5903
Fax. (92-51) 285-5069
E-mail: sm.ahmad@pcp.org.pk
Web. www.pcp.org.pk

AAMIR HASSAN ALI NANAWATI

NGO Resource Centre (A project of AGAKHAN Foundation – Pakistan)
Finance Manager
D- 114, Clifton Block 5, Karachi, Pakistan
Tel. 92-021-5865501-2
Fax. 92-021-5865503
Mobile: 92-0333-2166195
Email. aamir.hassan@ngorc.org.pk
Web address: www.ngorc.org.pk

SULAIMAN SADIQ ALI DHANANI

Finance Manager
Aga Khan Foundation, (Pakistan)
House No. 1, Street 61, F-6/3, Islamabad, Karachi, Pakistan
Tel. (92-51) 227-6812 to 14
Fax. (92-51) 227-6815
E-mail: sulaiman.dhanani@akfp.org
Web. www.akdn.org

PHILIPPINES

ALFREDO F. MARIANO

President
Philippine Institute of Certified Public Accountants (Northern Chapter)
143 Ma. Clara St., between 6th & 7th Ave. Caloocan City
Tel. (63-2) 363-9939 / 323-9201
Fax (63-2) 363-9939
E-mail: a_f_mariano@yahoo.com

ERIBERT S. PADILLA

President
Accountants for NGO Concerns (ANC) Inc.
Padilla, Padilla and Co.
Rm. 217-C, PSSC Bldg., Commonwealth Ave., Diliman, Quezon City, Philippines
Tel. (63-2) 928-2632
Fax. (63-2) 926-6709
Email. eribert@gmail.com

FLORINDA M. LACANLALAY

Consultant
Peace & Equity Foundation
69 Esteban Abada St., Loyola Heights, Q.C.
Tel. (63-2) 426-8402
Fax. (63-2) 426-8402 ext 102
E-mail: findamanuel@yahoo.com
Web. www.peacefdn.org

GIL SALAZAR

Executive Director
Philippine Business for Social Progress
3/F Magallanes corner Real Streets, Intramuros, Manila, 1002 Philippines
Tel. (63-2) 527-7741 to 50
Fax. (63-2) 5273743
Email. gtsalazar@pbsp.org.ph

MA. LOURDES V. DEDAL

Director IV, Central Financial Management Office
Department of Finance
7th Floor EDPC Bldg. BSP Bldg. Complex
Roxas Blvd. corner P. Ocampo St., Malate Manila, 1004 Philippines
Tel. (63-2) 526-8166
Fax. (63-2) 526-6941
E-mail: mdedal@dof.gov.ph

THAILAND

KANCHIT SUKJAIMITR

Executive Director
Thai Fund Foundation
2044/23 New Phetburi Road, Huaykwang, Bangkok 10310 Thailand
Tel. (66-2) 718-1852 to 53
Fax. (66-2) 718- 1850
Email. kanchit@thaingo.org

KETKANOK CHANGKOM

Financial Director
Children Fund Office
71/12 Soi Pongdamri 2 Moo Baan Pongpetnivet 2, Ngarmwongwarn Road, Thung Song Hong,
Laksi Bangkok, 10210 Thailand
Email. kchangkom@yahoo.com

URUCHAR CHATIKANON

Accountant

Thai Fund Foundation

2044/23 New Phetburi Road, Huaykwang, Bangkok 10310 Thailand

Tel. (66-2) 718-1852 to 53

Fax. (66-2) 718- 1850

Email. chatikanon@yahoo.com

TAWEE WIRIYATOON

Secretary

Community Financial and Welfare Organization Institute

107 Moo Baan Panya, Pattanakarn 30 Road, Suan Luang, Prawase, Bangkok 10250 Thailand

PANSA TAJAROENSUK

Managing Director

Rural Capital Partnership, Ltd.

2044/23 New Phetburi Road, Huaykwang Bangkok 10320, Thailand

Tel. (66-2) 718-1852-3

Fax. (66-2) 718-1850

E-mail: tpansa@yahoo.com

GAWIN CHUTIMA

Associate Director

Thai Fund Foundation

2044/23 New Phetburi Road, Huaykwang, Bangkok 10310, Thailand

Tel. (66-2) 718-1852 to 53

Fax. (66-2) 718- 1850

Email. gawin@thaingo.org

PAIBOON WATTANASIRITHAM

Chair

Thai Fund Foundation

2044/23 New Phetburi Road, Huaykwang, Bangkok 10310 Thailand

Tel. (66-2) 298- 0222 ext 501

Fax. (66-2) 298- 0222 ext 502

Email. paiboonwattana@yahoo.com

SUKICH UDINDU

REACT

80 Ramkhanhaeng Road, Soi 9, Moo Baan Tararom

Wangthonglang, Bangkok 10310, Thailand

Email. reactth@yahoo.com

APPC

RORY F. TOLENTINO

Chief Executive

Rm. 208 CSPPA Bldg. Ateneo De Manila University

Loyola Heights, 1108 Quezon City PHILIPPINES

Tel. (63-2) 426 6001 ext 4645

Fax. (63-2) 426 1427

E-mail: roryappc@pltdsl.net

Web. www.asianphilanthropy.org

TINA V. PAVIA

Former Program Officer

ASSOCIATION OF FOUNDATIONS

NORMAN JOSEPH Q. JIAO

Executive Director

Association of Foundations

Rm 1102, 11/F Aurora Tower Aurora Blvd, Cubao Quezon City 1109 Philippines

Tel. (63-2) 913-7231

Fax. (63-2) 911-9792

E-mail: oman@info.com.ph

Web. www.afonline.org

*Training Design Workshop Participants
February 2006
Bangkok, Thailand*

BANGLADESH

KRISHNA ROY KAMAL

Manager Finance and Administration
Bangladesh Freedom Foundation
Apt. B-4, House # 74, Road 21, Block B Banai, Dhaka-1213, Bangladesh
Tel. (88-02) 988 7690, 8853229, 9861813
Fax. (88-02) 9886157
Email. kamal@freedomfound.org

NURUL WAHAB, FCA

Partner
A. Wahab & Co.
Annex-2, 4th floor, 1 Dilkusha C/A, Dhaka-1000, Bangladesh
Tel. (88-02) 716- 9268, 716- 1517
Fax. (88-02) 716- 9268, 716- 1517
Email. wahab_co@agni.com

A.F.M. MAYEEN

Manager Finance & Administration
Campaign for Popular Education
5/14 Humayun Road Mohammadpur, Dhaka 1207 Bangladesh
Tel. (880-2) 913- 0427, 811- 5769
Fax. (880-2) 811- 8342
E-mail: mayeen@campebd.org
Web. www.campebd.org

MD. MOINUL HAQUE

Accounts Officer - Grants
Manusher Jonno Foundation
House No. 122, Road 1, Block F, Banani Model Town, Dhaka 1213 Bangladesh
Tel. (88-02) 882-4309, 881-0162, 881-1161 ext 121
Fax. (88-02) 882- 4309 ext 103
Email. moinul@manusher.dhaka.net

CHINA

HAIYAN ZHANG

Accounting Department
Renmin University of China
30-706, Taipingqiaodongli, Fengtai District, Beijing, P.R. China 100073
Tel. (86-10) 632- 69399
Fax. (86-10) 685- 51141
Email. hyzhang2004@hotmail.com

TONGQIAN LIU

Director for Public Relations
China Association for NGO Cooperation (CANGO)
18 Bei San Huan Zhong Lu, Beijing, 100011, P.R. China
Tel. (86-10) 620- 49988 - 8848
Fax. (86-10) 620-11328
Email. ltq@cango.org
Web. www.cango.org

YONGQING GUO

Director of Distance Education Department
Shanghai National Accounting Institute
No. 200 Panlong Road, Xujing, Qingpu, Shanghai, P.R. China, 201702
Tel. (86-21) 697-68041
Fax. (86-21) 697-68063
Email. guoyq@snai.edu

DONG DONG

School of Accountancy
Shanghai University of Finance and Economics
No. 777 Guoding Road, Yangpu District, Shanghai, P.R. China 200433
Tel. (86-21) 659-15642
Fax. (86-21) 651-12195
Email. pearlman@pku.org.cn

INDIA**MARTIN P. PINTO, FCA**

Chartered Accountant
Pinto M.P. and Associates
304, Om Bhawan, 3583, Netaji Sublash Marg, Dariyaganj, New Delhi, 110 002
Tel. (91-11) 232-84965; 223-24965
Fax. (91-11) 232- 84965 / 415- 63032
Email. martin@vsnl.com / pinto@airtelbroadband.in

TEJAS MEHR, ACA

Manager
GIVE India
301 New Delhi Industrial Estate
Off Mahaklai Caves Road, Andheri (East) Mumbai 400 093, Maharashtra, India
Tel. (91-22) 268- 78774
Fax. (91-22) 268- 78775
Email tejas@givefoundation.org

HIMANSU KISHNADWALA, FCA

Partner

Contractor Nayak & Kishnadwala Chartered Accountants
Jash Chambers (Mustafa Building) 7-A Sir Phirozesh Mehta Road
Mumbai 40 001 Maharashtra India
Tel. (91-22) 563- 59681 to 82
Fax. (91-22) 226- 15814
Email. Himanshu@cnkindia.com

SURESH KUMAR KEJRIWAL

Partner

Agarwal Kejriwal & Co.
No. 1, Ganesh Chandra Avenue, 4th Floor, Kolkata 700 013, West Bengal India
Tel. (91-33) 223- 65177
Fax. (91-33) 222-56372
E-mail: agarwalkejriwal@vsnl.com

INDONESIA

RIENA LUCIANA

Accountant

Yappika Indonesia (Civil Society Alliance for Democracy)
Jl. Pedati Raya No. 20 RT 007/RW 09, Jakarta Timur 13350 Indonesia
Tel. (62-21) 819-1623
Fax. (62-21) 850-0670
Email. riena_l@yahoo.com
Web. www.yappika.or.id

YODDI SINE

Audit Partner

Paul Hadiwinata, Hidajat, Arsono & Rekan Registered Public Accountants
Member of PKF International Association
Jl. Barito 2 no. 31, Jakarta 12130
Tel. (62 21) 725- 2780
Fax. (62 21) 720- 3026
E-mail: Yoddi-Sine@centrin.net.id / pkf-indo@centrin.net.id

JUSTINUS SIDHARTA

Partner

Johan Malonda Astika CPA Firm
Pluit Raya 200 block V No. 1 -5 Jakarta 14440, Indonesia
Tel. (62-21) 661-7155
Fax. (62-21) 669-6918
Email. justinus@johanmalonda.com / justinus@dnet.net.id

MOCHAMMAD ACHSIN

Public Accountant, Tax & Management
Drs. H. M. Achsin MM Registered Public Accountant
JL. Rasamala Raya No. 17 Pancoran South Jakarta 12870 Indonesia
Tel. (62-21) 700- 37844; 705- 09773
Fax. (62-21) 835- 4642
Email. kaphma@yahoo.com / kaphma@telkom.net

JOVITA LIE HOEI GAN

Manager
Johan Malonda Astika CPA Firm
Pluit Raya 200 Block V No. 1 – 5, Jakarta 14440 Indonesia
Tel. (62-21) 661-7155
Fax. (62-21) 669-6918
Email. jovita@johanmalonda.com

PAKISTAN**SHAMSUDDIN QAZI**

Second Secretary - CBR
Constitution Avenue, G-5, Islamabad, Pakistan
Email. nasir_shams@yahoo.com

SHAHID MEHMOOD

Senior Manager, Finance
Strengthening Participatory Organization
9, Street 89, G-6/3 Islamabad 44000, Pakistan
Tel. (92-51) 227- 2978 / 282- 0426
Fax. (92-51) 227- 3527
Email. shahid@spopk.org
Web. www.spopk.org

SYED MOHAMMAD AHMAD

Manager of Finance & Administration
Pakistan Centre for Philanthropy
1-A, Street 14, Sector F-8/3, Islamabad 44000, Pakistan
Tel. (92-51) 285-5903
Fax. (92-51) 285-5069
E-mail: sm.ahmad@pcp.org.pk
Web. www.pcp.org.pk

MUHAMMAD RASHID RAFIQ

Finance and Administration Officer
Pakistan Centre for Philanthropy
1-A, Street 14, Sector F-8/3, Islamabad 44000, Pakistan
Tel. (92-51) 285-5903
Fax. (92-51) 285-5069
Email. rashid.rafiq@pcp.or.pk

PHILIPPINES

FLORINDA M. LACANLALAY

Consultant
Peace & Equity Foundation
69 Esteban Abada St., Loyola Heights, Quezon City, Philippines
Tel. (63-2) 426-8402
Fax. (63-2) 426-8402 ext 102
E-mail: findamanuel@yahoo.com
Web. www.peacefdn.org

ALFREDO F. MARIANO

President
Philippine Institute of Certified Public Accountants (Northern Chapter)
143 Ma. Clara St., between 6th & 7th Ave. Caloocan City, Philippines
Tel. (63-2) 363-9939 / 323-9201
Fax (63-2) 363-9939
E-mail: a_f_mariano@yahoo.com

ERIBERT S. PADILLA

President
Accountants for NGO Concerns (ANC) Inc.
Padilla, Padilla and Co.
Rm. 217-C, PSSC Bldg., Commonwealth Ave., Diliman, Quezon City, Philippines
Tel. (63-2) 928-2632
Fax. (63-2) 926-6709
Email. eribert@gmail.com

LETICIA TAGLE

Partner
Alba Romeo & Co
7th Floor MNBC 6805 Ayala Avenue, Makati, Metro Manila, Philippines
Email. lctagle@bdo-albaromeo.com

ADELA NICOLAS

Finance Manager
Peace and Equity Foundation, Inc.
69 Esteban Abada St., Loyola Heights, Quezon City, Philippines
Tel. (63-2) 426-8402 ext 121
Fax. (63-2) 426-8402
Email. ella@peacefdn.org
Web. www.peacefdn.org

THAILAND

GAWIN CHUTIMA

Associate Director
Thai Fund Foundation
2044/23 New Phetburi Road, Huaykwang, Bangkok 10310, Thailand
Tel. (66-2) 718-1852 to 53
Fax. (66-2) 718- 1850
Email. gawin@thaingo.org

PANSA TAJAROENSUK

Managing Director
Rural Capital Partnership, Ltd.
2044/23 New Phetburi Road, Huaykwang Bangkok 10320, Thailand
Tel. (66-2) 718-1852-3
Fax. (66-2) 718-1850
E-mail: tpansa@yahoo.com

URUCHAR CHATIKANON

Accountant
Thai Fund Foundation
2044/23 New Phetburi Road, Huaykwang, Bangkok 10310 Thailand
Tel. (66-2) 718-1852 to 53
Fax. (66-2) 718- 1850
Email. chatikanon@yahoo.com

APPC

RORY F. TOLENTINO

Chief Executive
Rm. 208 CSPPA Bldg. Ateneo De Manila University
Loyola Heights, 1108 Quezon City Philippines
Tel. (632) 426 6001 ext 4645
Fax. (632) 426 1427
E-mail: roryappc@pltdsl.net
Web. www.asianphilanthropy.org

JEANETTE BANDIOLA

Finance and Administrative Officer
E-mail: jcbnette@yahoo.com

ALESSANDRA FERRERIA

Program Officer
E-mail: alexieferreria@yahoo.com

9. Appendix – 4 APPC Board of Directors

Officers

DARWIN CHEN

Chair, APPC
Habitat for Humanity China

NOSHIR H. DADRAWALA

Vice Chair, APPC
Executive Secretary
Center for Advancement of Philanthropy India

ERNA WITOELAR

Vice Chair, APPC
Chair of the Executive Board
KEHATI Foundation Indonesia

ROBERTO CALINGO

Treasurer, APPC
Executive Director
Mirant Philippines Foundation

Directors

ROBERT L. BUCHANAN

Director, International Programs
Council on Foundations, Washington D.C., USA

JOYCE YEN FENG

Chairperson
Department of Social Work of National Taiwan University

CHRISTINE EDWARDS

Chief Executive Officer
The Myer Foundation, Australia

JENNIFER MARY GILL

Chief Executive
ASB Trusts Auckland

HIDEKO KATSUMATA

Managing Director
Japan Center for International Exchange

WON-SOON PARK
Executive Director
The Beautiful Foundation, Seoul, South Korea

NATALIA SOEBAGJO
Board Member
Center for Strategic and International Studies Indonesia

CHEE KOON TAN
Chief Executive Officer
National Volunteer and Philanthropy Center Singapore

SUKICH UDINDU
Managing Director
TG Advance Concrete LTD., Bangkok

PRIYA VISWANATH
Chief Executive Officer
Charities Aid Foundation India

SHAHNAZ WAZIR ALI
Executive Director
Pakistan Center for Philanthropy

IFTEKHAR ZAMAN
Executive Director
Transparency International Bangladesh

AILING ZHUANG
Chair and Executive Director
NPO Development Center, Shanghai, China

Founding Governors

BARNETT F. BARON
Executive Vice President
The Asia Foundation

TADASHI YAMAMOTO
President
Japan Center for International Exchange