

The background of the slide is a close-up photograph of a wood grain, showing wavy, concentric patterns in shades of light to medium brown. A dark blue rectangular overlay covers the right side of the image, containing the title and presenter information. A white L-shaped graphic element is positioned on the left side of the blue overlay, with a vertical line extending upwards and a horizontal line extending to the right.

# Accounting for the New Societies Act

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# Disclaimer

This presentation was prepared for a Sport Yukon HUDDLE and only contains summary information. The information contained in this presentation should not be used as your only resource. For further clarification on anything discussed, please reach out to Corporate Affairs or a Chartered Professional Accountant (CPA) as necessary.

# Agenda

Changes to *Act & Regs*

Compilation Engagements

Review Engagements

Comparative Discussion

Tips & Tricks

Q&A

# Financial Statement Vocabulary

**Profit & Loss = Income Statement = Statement of Operations/Activities**

- This captures revenues and expenses in the period

**Balance Sheet = Statement of Financial Position**

- This captures what you own and owe at specific moment in time
- Assets, Liabilities, Net Assets (Retained Earnings)

**Cashflow Statement**

- Cash from/used in: Operations, Investing, Financing

# Changes to the Act & Regs

- *Accounting requirements*
- *Classes of Societies*
- *Financial reporting options*
- *Transitioning to new Act*

# Changes to the Act & Regs

- **Accounting requirements**
  - Financials are no longer filed with Corporate Affairs
  - No changes to:
    - Disclosure of amounts received from Government
    - Disclosure of itemized YG funding
    - Disclosure of Public Donations
    - Disclosure of remuneration to Directors or those associated with them
  - Need to report on remuneration paid to employees/contractors > \$75,000

# Changes to the Act & Regs

- **Classes of Societies**
  - **Class A**
    - Revenues > \$120K OR Assets > \$250K
  - **Class B**
    - All others

# Changes to the Act & Regs

- **Class A societies**
  - Required to appoint an accountant at their AGM for the upcoming fiscal year
  - Can waive this requirement by special resolution at AGM each year for up to two consecutive years
    - Must have waiver provision in bylaws (this is included in the model bylaws from Corporate Affairs)
- **Class B societies**
  - No requirement to appoint an accountant



# Changes to the Act & Regs

## 9. Accountant

### 9.1 Requirement for Accountant

- (a) If the Society is a Class B society, the Society is not required to have an accountant.
- (b) If the Society is a Class A society, the Society is required to have an accountant. However, a Class A society may, by **special resolution at an annual general meeting, waive the requirement to have an accountant for the fiscal year for which financial statements will be presented at the next year's annual general meeting.** The Society may not waive the requirement to have an accountant for more than **two consecutive fiscal years.**

[https://yukon.ca/sites/yukon.ca/files/cs/cs-class-a-or-b-society-model-bylaws\\_0.pdf](https://yukon.ca/sites/yukon.ca/files/cs/cs-class-a-or-b-society-model-bylaws_0.pdf)

# Changes to the Act & Regs

- Financial reporting options for Class A societies
  - Compilation (formerly, Notice to Reader)
  - Review
  - Audit (this is not discussed, and typically is not recommended as an option unless the circumstances warrant an audit)

# Changes to the Act & Regs

- **Transitioning to new Act**
  - “Transition year” is the year the Society submits their transition application and supporting documents to Corporate Affairs
  - Corporate affairs has materials available on [www.yukon.ca](http://www.yukon.ca)
  - Transition year is governed by old Act and Regulations

# Compilation Engagements

- Work the accountant performs
- Report provided by the accountant
- New compilation standards
- Compilation engagement report example

# Compilation Engagements

- **Work the accountant performs**
  - “Compiles” financial information provided by society
  - Minimum compilation standard does not require any scrutiny or additional work by the accountant
  - Accountant is required to ensure the financial information is not “misleading”
- **Accountant’s report**
  - Report does not provide any assurance regarding society’s compliance with accounting standards/frameworks
  - Outlines work done and accountant/management responsibilities

# Compilation Engagements

New compilation standard for years ending December 2021 and onwards

- Mandatory “Basis of Accounting” note to the Financial Statements
- No longer called “Notice to Reader” instead “Compilation Engagement Report”
- New report emphasizes management responsibilities
  - Accuracy and completeness of financial information
  - Selection of basis of accounting

# Ben Robinson, CPA

Chartered Professional Accountant



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## COMPILATION ENGAGEMENT REPORT

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To the Members of Yukon Society of Things

On the basis of information provided by management, I have compiled the statement of financial position of Yukon Society of Things as at December 31, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

I performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires me to comply with relevant ethical requirements. My responsibility is to assist management in the preparation of the financial information.

I have not performed an audit engagement or a review engagement, nor was I required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

# Review Engagements

- Work the accountant performs
- Materiality and risk assessment
- Report provided by the accountant
- Review engagement report  
example



# Review Engagements

- **Work the accountant performs**
  - Documents thorough understanding of the organization and its governance, operations, and environment
  - Analytical review of financial trends
    - Year-over-year changes
    - Financial ratios
  - Evaluation of information obtained and further investigation of material and high-risk areas

# Review Engagements

- **Materiality:** The dollar threshold at which an error/omission in the financial statements could be expected to influence the decisions of the users of the financial statements.
- Accountant uses this to guide focus of review procedures
  - Material account balances = greater focus, analytical and inquiry procedures
- High-risk accounts and inter-relationships guide review procedures as well. For example:
  - Repairs & Maintenance and Capital Asset accounts
  - Revenue and Deferred Revenue accounts

# Review Engagements

- **Review Engagement Report**
  - Management responsibility for preparation of F/S under ASNPO (Accounting Standards for NPOs in Canada)
  - Accountant's conclusion on financial statements
    - Unmodified (unqualified) conclusion
    - Modified (qualified) conclusion
    - Adverse conclusion/Disclaimer of conclusion (these are not good)
- **ASNPO requires full financial statements, statements of:**
  - Operations
  - Financial Position
  - Changes in Net Assets
  - Cashflows
  - All note disclosure required by ASNPO

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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To the Members of Yukon Society of Things

I have reviewed the accompanying financial statements of Yukon Society of Things (the organization) that comprise the statement of financial position as at December 31, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Practitioner's Responsibility*

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

### *Conclusion*

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Yukon Society of Things as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

### *Basis for Qualified Conclusion*

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities, the completeness of which is not susceptible to me obtaining evidence I considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, current assets and net assets as at December 31, 2020.

### *Qualified Conclusion*

Based on my review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Yukon Society of Things as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

# Compilation vs. Review

High-level discussion for decision makers:

- Level of assurance
- Cost to the society
- Other factors

# Compilation vs. Review

Factor	Compilation	Review
Level of assurance	None	Limited (negative) assurance - conclusion is provided
Cost	\$1,500 - \$3,000	\$4,000 - \$8,000
Quality/Quantity of information in report	Low - very minimal	Med/High - extensive accounting framework
Administrative burden on organization	Low - very minimal	Much higher - responding to accountant queries/providing documents

# Compilation vs. Review

Factor	Compilation	Review
Impact on financial operations of organization	Minimal	3 <sup>rd</sup> party scrutiny can increase effectiveness of finance staff and bookkeepers



# Compilation vs. Review

Class A organizations will need to consider:

- How often to waive accountant requirement
  - Must at least meet minimum standard for compliance with the Act
  - Infrequent reporting impact on quality of product, cost to organization, and administrative burden
- Compilation vs. Review
  - How involved is the Board in the organization's finances
  - Does the Board and/or management have accounting expertise
  - Importance of quality financial reporting to the Board
  - What can the organization afford

# Tips for a Smooth Process

- **Timeliness of communication with accountant**
  - Initial contact and communication of deadlines
  - Follow-up requests, questions from accountant
- **Cleanliness of books and records**
- **Understanding nature of questions from your accountant**
  - Example: “Why did revenue go up this year compared to prior year?” This is not an interrogation - it is basic variance analysis.
- **Ask your accountant questions (within reason) – this is a good way to help you understand and make sure your accountant is engaging with you**



# Thank you

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