

FINANCIAL REPORTING FOR NOT FOR PROFIT ORGANISATIONS(NP OS)

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1

DEFINITION

- Not-for-Profit Organisations (NPOs) are also often referred to as “Development Organisations”, “Private Voluntary Organisations”, “Civil Society Organisations” “Non Governmental Organisations”, “Non-Profit Organisations”, “Charities” and other similar terms.

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2

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- ◉ The requirement to register under a statute may apply to all charities and humanitarian agencies. They can also be registered under NGO Act , Companies Act and Trust law

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3

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- The World Bank uses the term Civil Society to refer to the wide array of non-governmental and nonprofit organisations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organisations (CSOs) therefore refer to a wide array of organisations:
 - Community groups, non-governmental organisations (NGOs), labour unions, indigenous groups, charitable organisation, faith-based organisations, professional associations, and foundations

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4

CHARACTERISTICS/FEATURES

- ◉ The common salient features of the vast variety of NPOs which the reporting standard would apply are:
 - They are voluntary organisations, either local (to a particular area), national or international;
 - They have formulated specific objective(s) to the benefit of the general society, a particular vulnerable group of the society, or to particular identified interest or target groups;

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5

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- Their objectives are not profit oriented, unlike that of business entities;
- Profit may be generated in an NPO, but since there are no ownership interests, it is not distributed to those providing the resources;
- They solicit and receive financial support for promotion of the organisation's objective(s) or purpose, either from individuals (or groups of individuals) in society, corporate entities, governmental entities, international organisations or agencies of sovereign states;

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6

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- ◉ Financial dispositions are made for the purpose of promoting the objective(s) of the Organisation

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7

LEGISLATION

- ◉ NGOs are registered under the NGO Coordination Act,
- ◉ Community Based Organization, are registered under the Ministry of Youth , Gender and Social Services

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8

NGO DEFINITION

An NGO is a voluntary organization or grouping of individuals or organizations which is autonomous and not-for-profit sharing; operating in the voluntary sector; organized locally at the grassroots level, nationally, regionally or internationally for the purpose of enhancing the legitimate economic, social and/or cultural development or lobbying or advocating on issues of public interest or interest of a group of individuals or organizations; but shall not include Trade Unions, social clubs and entertainment sports clubs, political parties, private companies or faith propagating organizations.

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9

STATUTORY REPORTING

All NGOs after the end of their financial year irrespective whether it received income or not are required to complete form 14 and submit it to the NGOs Board within a period not exceeding 3 months after the end of its financial year. Directors are under a legal duty to complete and submit an Annual Return - form 14 form to the Board. The Annual Return - form 14 gives us general information relating to the NGO, financial details, personnel information, projects and governance information

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10

THE DIRECTORS' ANNUAL REPORT

NGOs with a gross income which exceeds Ksh. 1,000,000 must prepare a Directors' Annual Report. The contents of the directors Annual Report is in a narrative form which highlights the activities of the NGOs during the financial year. Some information may not be captured in financial terms nor in form 14, hence the need to have a director's report. Although NGOs with income of less than Ksh. 1,000,000 which are not subject to audit are not required to provide as much information as larger NGOs which are legally required to have an audit, but are encouraged to provide the annual director's report

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11

ANNUAL REPORT

Objectives and activities

- The Annual Report should help the reader understand the aims and objectives set by the NGO, and the strategies and activities undertaken to achieve them. The report may also, where relevant, explain how the objectives set for the year relate to longer term strategies and objectives set by the NGO.
- A summary of the objects of the NGO as set out in its governing document.
- An explanation of the NGO's aims including the changes or differences it seeks to make through its activities.

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12

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- 12. Accounting for Government Grants and Disclosure of Government Assistance IAS 20
- 13. The Effects of Changes in Foreign Exchange Rates IAS 21
- 14 Borrowing Costs IAS 23
- 15. Related Party Disclosures IAS 24
- 16. Accounting for Investments IAS 25
- 17 Consolidated and Separate Financial Statements IAS 27
- 18. Provisions, Contingent Liabilities and Contingent Assets IAS 37

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17

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- 19. Intangible Assets IAS 38
- 20. Non-current Assets held for Sale and Discontinued Operations IFRS 5
- 21. Investment Property IAS 40

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18

FINANCIAL REPORTING STANDARDIZATION

- The objective in standardizing financial reporting is to assist those who are responsible for the preparation of the financial statements, to improve the quality of financial reporting by NPOs, thereby providing adequate information to the users of the financial statements.
- The intention is also to reduce the diversity that currently exists as among NPOs in accounting practice and presentation.
- In all but exceptional circumstances, NPOs should follow the Standards for NGOs in order that their accounts provide a true and fair view of the state of affairs of their organisations.

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19

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- Financial statements also show the results of the stewardship of management, and/or the accountability for resources entrusted to the management. Those users who wish to assess the stewardship or accountability of management do so in order that they may make economic decisions on, for example, whether or not to finance activities to be carried out by the NPO.

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20

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- Financial statements meet common needs of most users. However, since the statements do not necessarily provide non-financial information, they do not contain *all* the information that users may need to make economic decisions

