

# **Financial Reporting by Charities: A Matched Case Study Analysis from Four Countries**

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## ABSTRACT

This paper analyses financial reporting requirements applicable to charities in four jurisdictions: Australia; England; Ireland; New Zealand, using case study analysis which compares the actual financial statements of four carefully matched charities operating in the same field and with similar levels of total income. We highlight common issues and implications in terms of the concepts underpinning not-for-profit (NPO) financial reporting and the case for harmonized international NPO accounting standards.

## KEYWORDS

Charity accounting, non-profits, financial reporting, accounting standards, matched case studies.

## 1. Introduction

The financial reports of charities and other not-for-profit organizations (NPOs) comprise primary accountability mechanisms (Irvine and Ryan, 2013; Connolly *et al.*, 2013; Connolly and Hyndman, 2000) consequently they receive considerable research attention. One research stream focuses on exploring broader conceptual issues: for example, NPO accountability requirements which differ from other entities (Ryan *et al.*, 2014). Another stream identifies the inability of current frameworks to effectively report on NPO sector-specific issues: volunteers and non-reciprocal transfers, for example (Ryan *et al.*, 2014, Hyndman and McMahon, 2010; Cordery and Narraway, 2008). A further stream focusses on specific reporting frameworks and requirements in particular countries, or from a cross-jurisdictional perspective (Crawford *et al.*, 2014; Torres and Pina, 2003). Other research addresses NPO users' information needs (Hyndman, 1990; Kilcullen *et al.*, 2007). Crawford *et al.* (2014) compare the accounting standards and legal frameworks for NPO reporting in different jurisdictions, exploring the case for NPO international standards. Further, the International Integrated Reporting Committee (IIRC) (2011) suggests the for-profit framework it is developing is also applicable to NPOs. These represent sector and regulator interest in establishing a NPO international accounting and reporting framework ('international Framework') such as exists for the private sector (International Accounting Standards Board (IASB)) and the public sector (International Public Sector Accounting Standards Board (IPSASB)).

Two implicit assumptions imbue the promotion of a NPO international Framework. The first is that substantial inter-jurisdictional differences currently exist between NPOs' financial statements. The second is that a common Framework could meet users' accountability needs across jurisdictions. While previous studies have investigated inter-jurisdictional differences in regulation requiring NPO financial reporting, and the treatment of specific transactions or accounting issues (Breen, 2013, Cordery and Baskerville, 2007; Kilcullen *et al.*, 2007; Torres and Pina, 2003), empirical research examining the financial statement reporting practices of individual NPOs across jurisdictions is scarce. Neither has empirical work attempted to determine the accountability needs of users of those financial statements. The objective of this research is to address the first issue by analysing recent *actual instances* from distinct jurisdictions of financial statements produced by four charitable organisations working in a similar field, to determine the degree of congruence. We examine the financial statements, highlight common themes, report idiosyncrasies and draw comparisons.

This research contributes to the charitable and NPO financial reporting literature, in particular to the debate examined by Crawford *et al.* (2014) as to whether a set of international NPO accounting standards is necessary. Because our case study analysis is based solely on one charity in each country, we make no claim our findings are representative. Nevertheless, we suggest the comparative discussion of actual financial statements of relatively similar NPOs from four countries contributes substantially to debates on the development of NPO financial reporting and possible harmonised international standards.

Section 2 examines the extant literature. Section 3 elaborates our selection criteria and methodology with an overview of the case study charities, and a review of their reports (Section 4). A comparative analysis in Section 5 precedes the conclusions offered in Section 6.

## **2. Prior Literature**

As noted, research empirically examining financial statements of NPOs across jurisdictions is scarce. Yet, it is essential to understand current jurisdictional reporting practices and users' needs for a mature debate about the potential utility of a NPO international framework. Limited research has attempted this. Hyndman (1990) importantly highlighted that understanding users' information needs was paramount in determining required accounting information. His study of users of UK charity annual reports revealed a mismatch between the information they received (largely audited financial statements) and their preferred information (e.g. performance information). More recently Connolly *et al.* (2009) sought to identify the information needs of UK NPO funders, preparers of financial statements, auditors and academics, finding each group held different priorities. Nevertheless, the information content of NPO annual reports and financial statements is largely determined by regulators' perceptions of users' needs. However, Hyndman and McMahon (2010) identified that other voices *are* being heard in the UK, despite government being the dominant stakeholder influencing the development of the charity Statement of Recommended Practice (SORP).

With respect to NPO users' needs, many (for example: Simpkins 2006; Ryan *et al.*, 2014) note that ideal NPO reporting differs from the frameworks designed for the for-profit and public sectors, particularly with respect to discharging accountability. Simpkins (2006), in a report prepared for various national accounting standard-setters (the Accounting Standards Boards of Australia, Canada, New Zealand and the United Kingdom, as well as the Canadian Public Sector Accounting Standards Board), identifies that the IASB's Conceptual Framework places insufficient emphasis on accountability and cash flows – both important foci for NPO reporting. A conceptual framework primarily concerned with reporting performance in terms of profit and loss cannot adequately or fairly reflect NPOs' performance, where mission, rather than profit generation, is the operating motive (Ellwood and Newberry 2006; Kilcullen *et al.*, 2007; Cordery and Narraway 2008). Further, NPOs have a broader cohort of stakeholders (funders, members, service beneficiaries, volunteers and advocates) with unique information needs (Crawford *et al.*, 2014).

At a practical level, several researchers identify specific NPO accounting issues which are currently either not addressed or are poorly addressed. Ryan *et al.* (2014) note the divergent treatment of non-reciprocal, restricted fund and volunteer contributions amongst international jurisdictions. They argue that divergence is in part a function of the inappropriateness of adapting for-profit concepts to NPO reporting. These issues and others, including the donation of assets and grants, were also identified by Torres and Pina (2003) and Connolly *et al.* (2009).

Most recently, a study conducted for the Consultative Committee of Accountancy Bodies assessed the need and demand for NPO international financial standards (Crawford *et al.*, 2014). Unlike previous research, it elicited NPO stakeholders' views as to the need for NPO international reporting standards, gathering more than 600 responses from 179 countries. Crawford *et al.* (2014) found 72% of respondents agreed NPO international financial reporting standards would be useful to provide a common language and meet users' diverse needs.

In determining the appropriateness of a NPO international Framework, a first step is to examine current cross-jurisdictional financial reporting practice and regulation. This paper takes this first step by comparing and analysing *actual instances* of financial statements produced by relatively similar charitable organisations from four different jurisdictions. Charitable organisations were chosen from the suite of NPO types since they are the most regulated NPOs and consequently are more comparable.

### **3. Selection criteria and methodology and charity overview**

The case-selection approach was based on the "most-similar method" (Seawright and Gerring, 2008). It was utilised to ensure the four examples were not only relatively similar in size and field of activity, but also were located in jurisdictions where a shared societal view of the activity could be reasonably expected. Thus, as far as possible, we compared like with like, particularly with respect to the presentation and content of the organisations' financial reports. This resulted in the identification of Australia, England, Ireland and New Zealand as appropriate jurisdictions. In each case we focused on organisations which met the definition of a "charity" or "tax-exempt organisation" (where tax relief applied to private donations) in the jurisdictions. We describe all four organisations as "charities", although the legal definition of this term differs slightly between each jurisdiction.

The following criteria were used:

- (a) A charity was selected in each jurisdiction which published annual financial statements (accounts) that were not more than 12 months old at 1 November 2014 when this study began.
- (b) Only publicly available accounts were considered.
- (c) The reporting entity was essentially self-governing, and not a branch of a larger charity (while two charities include 'branch' in their names, they are entities in their own right).
- (d) The charities provided services (not grants) and operated primarily in the animal welfare field. Such organisations can gain charitable recognition in all four countries. Further, animal welfare charities are unlikely to receive income primarily from the state, making them dependent on donations or fees from private sources.
- (e) The charities selected had a total income between approximately €500,000 and €1,000,000 (or equivalent in local currency). Charities of this size are likely to be undertaking significant activities, employ a number of staff and be responsible for premises. Also, charities of this size would be required to meet the jurisdiction's full charity reporting requirements (for example, none was eligible to produce cash-

based accounts), but, as they were not large, were more likely to be typical of the sector.

Table 1 provides a summary of the legal form, charitable status, size of the selected charities, whether they report under GAAP and whether their accounts were required to be audited (using the legal requirements applicable to these charities in the financial years concerned).

**Table 1: Summary of the four organisations selected**

Jurisdiction	Name of organisation	Legal form	Charitable status or equivalent	Financial year end	Total income (Local currency)	Total income (Euro equivalent)	Financial reporting framework	Audit Required?
Australia	Tasmanian Canine Defence League Inc.	Incorporated Association (Tasmania)	Donations are tax deductible	30 June 2014	A\$1,447,985	€935,688	Sector neutral standards	Accountant sign off permitted as not a company
England	Royal Society for the Prevention of Cruelty to Animals Sheffield Branch	Charitable association (unincorporated)	Registered charity in England & Wales	31 Dec 2013	£742,670	€945,820	Sector-specific Charities SORP but aligned to UK GAAP <sup>1</sup> .	Audit mandatory for 2013 as income > £500,000 income <sup>2</sup>
Ireland	Dublin Society for the Prevention of Cruelty to Animals (Inc.)	Company limited by guarantee	Irish Registered charity	31 Dec 2013	€1,372,813	€1,372,813	Company law standards only <sup>3</sup>	All companies limited by guarantee file audited accounts with Companies Registration Office. <sup>4</sup>
New Zealand	Waikato Branch of the Royal New Zealand Society for the Prevention of Cruelty to Animals Inc.	Incorporated Society	NZ Registered charity	31 Dec 2013	NZ\$874,838	€543,378	Sector-neutral (based on IFRS) <sup>5</sup>	Only if in constitution. <sup>6</sup>

<sup>1</sup> A new Charities SORP aligned to IFRS concepts was issued for use in the UK for financial years commencing 2015 onwards - see Charity Commission (2005) or [www.charitySORP.org](http://www.charitySORP.org)

<sup>2</sup> Below this level an independent examiner's report is allowed - the limit for this was increased to £1M (€1.28M) from 2015.

<sup>3</sup> Use of the Charities SORP is expected to become mandatory in Ireland by virtue of new regulations under the Charities Act 2009, but previously only approximately 3% of Irish charities elected to follow the SORP (INKEx 2012).

<sup>4</sup> At time of case-study, prior to changes introduced by the Companies Act 2014.

<sup>5</sup> New reporting requirements apply for periods ending on or after 1 April 2015 based on IPSASB standards.

<sup>6</sup> For financial statements with periods ending on or after 1 April 2015, charities with annual expenditure of > NZ\$500,000 (€310,000) must have their accounts reviewed and > NZ\$1M (€621,000) must be audited.

#### 4. Financial Reporting by the case study charities

The charities chosen for analysis all operate in the broad area of animal welfare through animal shelters, animal rehousing schemes and some sort of retail operation. Further, they have all operated for many years.

**Table 2: Overview of the financial reporting by the four charities**

Case	Number of pages	Narrative performance information	Primary financial statements provided	Statutory directors or trustees Report	Audit Report
Australia	37	Yes	Profit and Loss Statement & Balance Sheet	Yes	Yes
England	41	Yes	Statement of Financial Activities (SOFA), Balance Sheet	Yes	Yes
Ireland	19	No	Statement of Financial Activity, Balance Sheet & Cash Flow Statement	Yes	Yes
New Zealand	10	No	Trading account, Statement of Financial Performance, Statement of Movement in Equity, Statement of Financial Position & Depreciation Schedule	No	Yes

##### *Australia:*

The *Tasmanian Canine Defence League* was established as an incorporated association in 1950. It operates in four locations, caring for stray, lost and abandoned dogs. Its financial statements for the year ended 30<sup>th</sup> June 2014 are prepared on an accrual basis based on historical cost. They are audited by a registered company auditor. As is common in organisations of this type, the audit is qualified to reflect the impracticability of the League being able to maintain effective internal 'control over cash donations, fundraising and other income until their initial entry into the accounting records'. The accounts comprise a Board statement (stating the financial statements show a true and fair view), the audit report, consolidated income statement and balance sheet (as well as individual income statements and balance sheets for each of the dogs' homes operated by the league and the head office) and the accompanying notes. Such presentation of the individual accounts is additional to requirements for a set of general purpose financial reports. The auditor's report notes the statements have been prepared for the needs of the members and to satisfy the requirements of the Associations Incorporations Act and may not be suitable for any other purpose.



The League's income is derived from bequests and donations, the sale of dogs and local authorities' payments for the provision of animal shelter services. The major expenditures are for labour, veterinary expenses, general expenses and running costs. The income statements sum the operating surplus/(deficit) ((A\$466,780)) and total surplus/(deficit) ((A\$128,784)). Items appearing below the operating surplus/deficit include depreciation, bequests, extraordinary expenditure and capital expenditure. The balance sheet contains detail that normally would be included in notes to the accounts. Of interest is, while leasehold assets are recorded on the balance sheet, no leasehold liability is presented. There is also no explanation of the increase in the value of investments reported in accumulated funds.

*England:*

The *Royal Society for the Prevention of Cruelty to Animals* is one of the most well-known charities in England, established by Act of Parliament, with income exceeding £121M. However there are also 200 local charities allowed to use "RSPCA" in their names - they are known as 'branches' but they are self-governing registered charities in their own right: their accounts are not consolidated into the national body. The *RSPCA Sheffield branch* is one of the largest of these: it is an unincorporated association and its main activities are providing an animal shelter and clinic. The RSPCA Sheffield states their accounts for the year ending 31 December 2013 are prepared on an accrual basis in accordance with the Charities SORP 2005 and the Financial Reporting Standard for Smaller Entities 2008, as required by their size. The audit report, by a local firm of Chartered Certified Accountants, is unqualified and correctly worded under the requirements of the Charities Act 2011.

The charity's income is derived from three roughly equal sources: voluntary income (donations and legacies), trading activities to raise funds (a charity shop plus other fundraising activities), and charges for services provided (including fees received from the national RSPCA for housing dogs which are the subject of animal cruelty court cases, and animal adoption fees).

Restricted and unrestricted income is distinguished on the SOFA (as required by the SORP regime) though only £7,266 (less than 1%) of the charity's 2013 income was restricted. However, the expenditure includes £79,002 of restricted expenditure (charged to restricted funds brought forward from the previous year) - which shows how fund accounting can highlight substantial year to year differences. A detailed note (as required by the SORP) shows movements on each fund individually: there were two separate restricted funds, and there is also a designated fund (towards a new animal shelter) within the unrestricted funds heading.

Although the charity's income is £774,670, its total assets are over £5.5M, comprising primarily land and buildings belonging to restricted funds and investments valued at £123,728 at the balance sheet date (the SORP requires investments to be shown at market value). The total expenditure was £867,290, thus the charity recorded a deficit of (£124,620) after more than £111,000 of depreciation.

In most respects the accounts show a high level of compliance with the SORP regime, although there are some curious features in the classification of resources expended. The SORP requires expenditure to be split between costs of fundraising, costs of charitable activities and governance costs which the charity does, but the note analysing the full breakdown of expenditure does not offer any straightforward reconciliation with the functional breakdown shown on the SOFA. The costs of fundraising of £179,443 on the SOFA are substantial (21% of total expenditure), but this clearly includes the costs of running charity shops. The note states that support costs are apportioned 10% to fundraising and 90% to charitable activities, but no reason is given for this basis of apportionment.

*Ireland:*

Founded in 1840, the *Dublin Society for the Prevention of Cruelty to Animals* (DSPCA) is Ireland's oldest animal charity and is a company limited by guarantee. The DSPCA investigates allegations of cruelty to animals, runs an animal ambulance service, and operates an animal shelter for rescued animals, with a related re-homing service for cats and dogs and a wildlife care and release programme. The DSPCA prepared its accrual accounts for the year ended 31 December 2013 under the historical cost convention in accordance with Irish General and Accounting Practice (GAAP). They are audited by a statutory auditor from a local firm of chartered accountants and registered auditors. The accounts reveal fundraising comprised the charity's principal source of income but reveal an operational deficit ((€455,010)) although overall the DSPCA made a gain (€412,300) due to bequests (in excess of €800,000) and other recognised gains on the re-evaluation of investments. The Balance Sheet reveals a net accumulated surplus on unrestricted fund income of €4,678,152. These are invested in land, buildings and investments, all of which are described as 'unrestricted funds'.

The DSPCA has a wholly owned trading subsidiary, DSPCA Animal Shelter, the assets of which comprise newly constructed kennels, catteries and a veterinary clinic, built on the charity's land. Founded in 2010, the subsidiary is supported by the parent charity by way of a €2.6m loan agreement which appears in the notes to the DSPCA's Financial Statement as an investment. This investment of charitable funds in the trading company has yet to result in a return to the parent charity. The separate accounts of the subsidiary reveal a more perilous financial position with the auditors noting in the subsidiary's 2013 accounts the legal requirement to hold an EGM to discuss what measures should be taken to deal with the serious loss of capital revealed in the accounts (Companies Act 1983, s.40(1)). This raises concerns about the value of the parent charity's 'investment'.

The accounts represent all funds as being unrestricted; yet, note 1.3 suggests certain grants were received for specific purposes without further details of these restricted funds being given. Thus, the accounts are not SORP compliant. Further, it is a condition of state funding that grant recipients make certain specified disclosures in their financial statements.<sup>7</sup> Yet,

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<sup>7</sup> Department of Finance, Circular 17/2010. Requirements for grants and grants in aid, (recently replaced by an even more stringent Department of Public Expenditure and Reform Circular 13/2014 on Management of and Accountability for Grants from Exchequer Funds).

DSPCA lists grant income as a total figure, with no indication as to the specific government grant-making agency/(ies), the duration and purpose of the grants, or whether the amount is restricted funding or not, in breach of Department of Finance Circular 17/10.

*New Zealand:*

The *Waikato SPCA* is an incorporated society that exists to improve the lives of animals through investigating allegations of cruelty, running an animal centre, re-homing animals and educating the public to reduce the incidence of animal cruelty, abuse and neglect. The SPCA Waikato accounts for the year ended 31 December 2013 are single entity general purpose financial reports prepared on an accrual basis based on historical cost. The accounts follow “typical accrual accounting principles”. They are audited by a chartered accountant who runs an eponymous public practice, due to a requirement in their constitution, (although from 2016 they will be required to have an audit under the new Financial Reporting Act 2013).

As is common with entities in New Zealand, the trading accounts are shown separately from the main statement of financial performance. While these show income of NZ\$236,668, direct expenditure of NZ\$111,550 means NZ\$125,118 is brought forward as net income in the Statement of Financial Performance.

The statements further comprise consolidated income statement, balance sheet and statement of movements in equity, as well as the accompanying notes. The auditor’s report is addressed to members and has a qualification that states “in common with organisations of similar nature, control over income prior to being recorded is limited and there are no practical audit procedures to determine the effect of this limited control” (this is common to other NPOs).

The majority of the Waikato SPCA's income (NZ\$874,838) is derived from donations and bequests as well as sales (adoption of animals). Grant income comprised approximately NZ\$60,000. While philanthropic trusts are not strong in New Zealand, there are many gaming machine societies and local businesses that support this organisation. The major expenditures (NZ\$905,145) are for labour, veterinary expenses, general expenses and running costs. The income statements provided distinguish between an operating deficit ((NZ\$30,308)) and a total deficit ((NZ\$34,903)). The only item appearing below the operating surplus/deficit is depreciation (and some depreciation recovered from asset sales), although capital items would often be included here. As is also common in these organisations, the expenditure is listed alphabetically – this is not that useful for users, who might prefer to see this aggregated or grouped by expenditure type. However, they offer clear related party disclosures (from 2016 all charities must disclose all related party transactions). Further, this Incorporated Society is clearly related to the Waikato SPCA Trust which has NZ\$380,000 in investments and receives rent and interest income to make donations to the Waikato RSPCA. This relationship should be clarified and the subsidiary, associate or related party consolidated or otherwise accounted for appropriately.

## 5. Comparative Analysis

These cases are compared on: (i) organisational type, (ii) the type of account preparation and assurance, and (iii) the specific format and content of the financial statements.

### (i) Organisational type

As can be seen from Table 1, In Australia, Ireland and New Zealand, each of the charities is incorporated as either an association/society or a company. In England, the RSPCA Sheffield is unincorporated. This is likely to reflect the English prioritisation of regulation over legal form (Cordery *et al.*, 2016). Nevertheless, Cordery *et al.* (2016) argue that NPOs should incorporate for effective operation, to clarify the reporting entity and who bears liabilities.

### (ii) Type of account preparation and assurance

In all four cases, the charities prepared accrual accounts. Torres and Pina (2003) argue this is necessary and this reflects the high levels of accrual accounting in NPOs in Europe and Oceania evidenced in Crawford *et al.* (2014) and the size of the NPOs selected. It further reflects the strong influence of international standard-setters (IASB and IPSASB) in the four jurisdictions. While England has a long history of sector-specific charity reporting requirements (the SORP), the other three cases reflect their jurisdiction's relatively sector-neutral stance and follow for-profit standards, with reduced requirements in disclosure or recognition and measurement as relevant to their situation. Australia's new regulator (the ACNC) has not prescribed new standards so NPOs follow IFRS-based standards, Ireland will require the English SORP from 2017 and New Zealand IPSASB-based standards from 2015 (2016 year-ends). Each of the cases were audited by local firms.

### (iii) Financial accounting issues

Despite the basic accrual accounting used by these charity cases, there are many differences of note. The first and most obvious is the format of the accounts. All of the charity accounts include an income statement and a balance sheet (variously titled), but these are the only primary statements presented in the English NPOs (although further detail is given in notes). The Australian charity also provide the accounts for each individual dog home and then combines these for the primary statements, providing a type of segment reporting. Similarly, the New Zealand charity also provides a trading account, but in addition it also publishes a statement of movements in equity and a schedule of fixed assets and depreciation, while the Irish charity provides equity statements and a cash flow statement. The second difference of note is that the RSPCA (Sheffield Branch) financial statements distinguish between restricted and unrestricted funds in both the statement of financial activities and balance sheet. Such fund accounting is an important indicator of the purpose for which funds can be used. The charity reports from the other three jurisdictions which are based on private sector GAAP frameworks do distinguish between restricted and unrestricted funds, as identified by Kilcullen *et al.* (2007). Nevertheless, the Irish DSPCA also refers to unrestricted funds in the notes to its accounts yet, while acknowledging 'elements of the unrestricted fund may be designated to particular projects', states the designation is only for administrative purposes and therefore none of the funds are

considered to be restricted. For donors of funds for specific purposes, this is likely to be unsatisfactory, as they cannot be assured their funds will be used for the purpose intended and 43% of Crawford *et al.*'s (2014) respondents confirmed this was not adequately covered in national frameworks.

The issue of reporting entity is also of interest, ranking at the top of Kilcullen *et al.*'s (2007) list of NPO reporting issues and felt not to be adequately covered by national reporting frameworks by 43% of Crawford *et al.*'s (2014) respondents. First, Australia allows entities to exercise the option of producing special purpose financial reports if they judge that they do not qualify as a reporting entity (this includes for-profit sector organisations as well). Thus, the Tasmanian Canine Defence League similar to many of its Australian counterparts, did not produce general purpose reports as it could 'pick and choose' the standards it wished to apply, including non-GAAP lease accounting and valuation of investments. Also, the Irish and New Zealand charities have been sparse with their reporting entity approach. They both have subsidiaries that appear to need to be consolidated, but neither has supplied a set of consolidated statements, nor the accounts for the 100% owned subsidiary. Yet, since the finances of both cases are in a precarious state, not reporting the subsidiaries' wealth able to be drawn on would seem to be a considerable omission. Further, the issue of reporting related parties is also considered a prime user need by Hyndman (1990) and Kilcullen *et al.* (2007).

Narrative or non-financial reporting as to the benefits provided by the charity is an issue raised as a prime user need by many NPO researchers (e.g. Kilcullen *et al.*, 2007; Hyndman, 1990) and 53% of Crawford *et al.*'s (2014) respondents felt it was inadequately covered by national frameworks. England is the only jurisdiction ameliorating this at the time of this study, with the Charities Act 2011 requiring a narrative trustees' report and the SORP including a strong emphasis on linking the narrative and financial reporting. In Australia, the new regulator (the ACNC) is still developing its reporting framework and the New Zealand and Irish regulators also require pro-forma detail about mission and activities. In New Zealand, charities will be required to provide a full Statement of Service Performance for periods beginning on or after 1 April 2015. Practice shows the continued mismatch identified by Hyndman (1990) between what users seek (performance information) and what they receive (financial statements).

While some issues are evidently present in one jurisdiction but not others, the case studies also show the need for a more in-depth analysis of the financial reporting policies underlying the statements provided. It appears the assets are largely valued using historical cost, further 60% of Crawford *et al.*'s (2014) respondents noted asset valuation is inadequately covered in national frameworks. We also found no evidence of accounting for donations of assets or time, a matter considered very relevant by Cordery and Narraway (2008) and Ryan *et al.* (2014), and felt to be inadequately covered in national frameworks by 38% of Crawford *et al.*'s (2014) respondents.

In sum while, as would be expected, there are both differences and commonalities in the reporting frameworks, there is no cohesive cross-jurisdictional approach to the regulation of financial reporting by charities. England has the most mature approach and in particular a

sector specific approach. In contrast, the regulation of the provision of financial information for charities in Ireland, New Zealand and Australia can best be described as evolving, and characterised by a reliance on private sector accounting and reporting frameworks. These results are consistent with those of Crawford *et al.*, (2014).

Despite the charities' similar work, organisational size, funding sources, and presumably similar stakeholders and users of financial information, it is notable that the charities report in quite different ways both in terms of the reports produced and the disclosures made within those reports. This has clear implications for the comparability of the financial statements across the jurisdictions echoing the findings of Crawford *et al.* (2014).

## **6. Conclusions**

This research, motivated by the recent advocacy for an international NPO accounting and reporting framework, sought to determine the degree of congruence of both the regulatory frameworks and financial statements produced by charitable organisations working in a similar field from four jurisdictions.

The research findings indicate that, despite the four charities undertaking similar work with potentially similar users, their financial reports differed markedly. This raises two potential questions. First, do the users in each jurisdiction have different information requirements; and second, do the reports reflect users' needs? For an international Framework to be useful as an accountability mechanism it is important it be predicated on user needs. Assuming the long-standing charities selected for this research are currently meeting user needs, this research has identified users' needs in different jurisdictions are not necessarily aligned. Determining these cross-jurisdictional needs is important future research.

This study also provides a practical insight into the theoretical work which advocates for a separate conceptual framework for NPOs to enable them to adequately discharge their accountability, and argues that the IASB and IPSASB frameworks are inadequate for NPOs (eg Ryan *et al.*, 2014). In respect of specific issues raised by Crawford *et al.* (2014) (drawn from the literature), we found similarly that, of the jurisdictions studied, fund accounting is undertaken only in England, that the issue of reporting entity and related parties is poorly described (especially in Australia and New Zealand) and narrative reporting is again only evident in the English case which has a standard specific to the charity sector.

While our research has been conducted by analysing the reporting of the charities in the current regulatory environment, as noted, three of the jurisdictions are currently undergoing substantial changes in their regulatory environments. Most recently in Ireland the Charities Act 2009 and the Companies Act 2014 have been commenced, changing the financial reporting regulations for charities. New Zealand has also moved to sector-specific financial reporting requirements as a consequence of the Financial Reporting Act 2013. In England and Wales, a new SORP based on IFRS principles has been issued from 2015, and the charity audit threshold has been increased to £1M income.

As already noted, this case study approach has limitations. However, our results indicate future research is warranted to determine the demand and support for international

standards for financial reporting by charities. The prime area is to discern cross-jurisdictional NPO users' needs. With national boundaries becoming increasingly blurred as people live and work across boundaries, and where there is a raised awareness of international need as well as domestic need, it is important for the sustainability of the NPO sector to have access to accounting and reporting standards that reflect performance on all dimensions, but also allow for both international and international comparisons so users can make informed resource allocation decisions.

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