



Attachment to Board Meeting Summary Paper

Subject: Revision and Redrafting of AGS 1054 *Auditing Revenue of Charitable Entities* to GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities*

Prepared by: AUASB Technical Group

Date: 17 February 2011

ATTACHMENT 1

Key Issues for AUASB Consideration (Refer Comments and Disposition paper at 7.2):

1. Materiality:

Refer Specific Item # 9, 10 and 11 of Comments and Disposition paper:

Feedback is sought from the Board on the additional qualitative materiality considerations included in paragraph 15(c) (i) to (v).

2. Control over cash donations – when does this occur for a NFP entity?

Refer Specific Item # 12, 13 and 14 and 15 of Comments and Disposition paper:

This issue is around recognition of cash donations as a source of fundraising revenue which does not normally occur until three factors have been met (under Accounting Standards):

- a) entitlement – when there is **control** over the rights or other access to the resource;
- b) certainty – when it is virtually certain that the incoming resource will be received; and
- c) measurement – when the monetary value of the incoming resources can be measured with sufficient reliability

Is the recognition issue about (1) “point from which the NFP gains control” or (2) the point from which they “should” gain control over cash donations? The guidance statement currently adopts the (1) position in its wording. If both propositions need to be considered in the guidance then under point (2) the risk of understatement of cash donations probably needs to be further highlighted as noted at point 14 and 15.

Feedback is sought on the Board’s views on this matter.

3. Emphasis of Matter Paragraph under ASA 706:

Refer General Item # 6, 7 and 8 of Comments and Disposition paper:

The use of an Emphasis of Matter paragraph under ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* was raised by three stakeholders as a matter for inclusion in the guidance statement.

Under ASA 706 paragraph 6:

“If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the financial report that, in the auditor’s judgement, is of such importance that it is fundamental to users’ understanding of the financial report, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial report. Such a paragraph shall refer only to information presented or disclosed in the financial report”.

Aus 6.1 “In addition to the requirements in paragraph 6 of this Auditing Standard, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report where required by other Auditing Standards”.

The comments have been considered and an additional paragraph 21 has been included in the GS to discuss when the auditor may consider including an emphasis of matter paragraph in an unqualified audit opinion under ASA 706.

Feedback is sought from the Board on the wording of paragraph 21.