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# *Financial reporting : What is required for a NPO in Switzerland ?*

Geneva, 4 April 2019

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# 1. Introduction

## Survey June 2015

**“What accounting standards do you currently apply ?”**

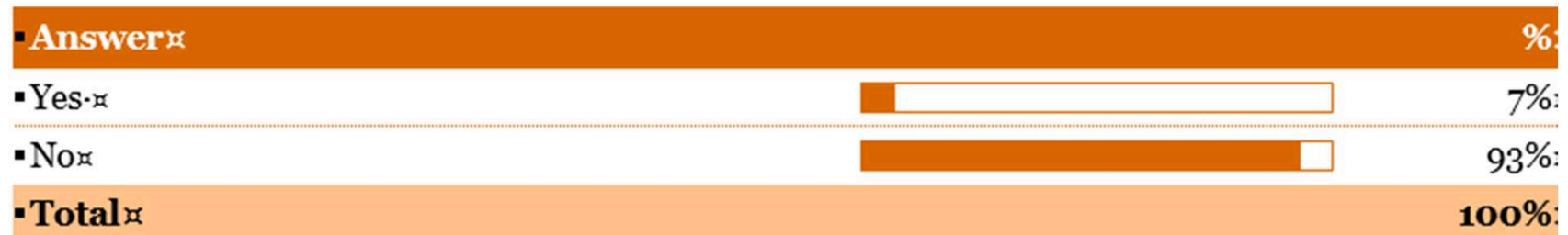
Answer		%
Swiss Code of Obligations – Accounting Act		40%
Swiss GAAP FER		32%
IFRS		14%
IPSAS		14%
US GAAP		0%
<b>Total</b>		<b>100%</b>

Source : Not-For-Profit Excellence' Survey – PricewaterhouseCoopers SA - June 2015

# 1. Introduction

## Survey June 2015

***“Are you considering any change in your accounting standards in the next three years ?”***



Source : Not-For-Profit Excellence' Survey – PricewaterhouseCoopers SA - June 2015

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## ***2. Swiss Accounting law***

The last major revision to the Swiss Code of Obligations came into force on 1 January 2013 => **Swiss law on accounting**

- ➡ Accounting and financial reporting no longer depend on the legal form
- ➡ Simplification: distinction made between small, medium-sized and large entities
- ➡ Large foundations need to prepare their financial statements according to recognised standards (Swiss GAAP FER, IFRS, IPSAS, ...)
- ➡ Consolidated financial statements may be required. For large foundations, they need to be prepared according to recognised standards (Swiss GAAP FER, IFRS, IPSAS, ...)


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## ***2. Swiss Accounting law***

**The provisions of the 'new' Swiss accounting law apply to:**

**Small entities**       Entities with income above CHF 500,000

**Medium entities**       Entities with a revenue-earning activity  
Association (10/20/50)  
Foundation (20/40/250)

**Large entities**       Cooperatives with a minimum of 2,000 members.  
  
Foundations that are required by law to have an ordinary audit.

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## ***2. Swiss Accounting law***

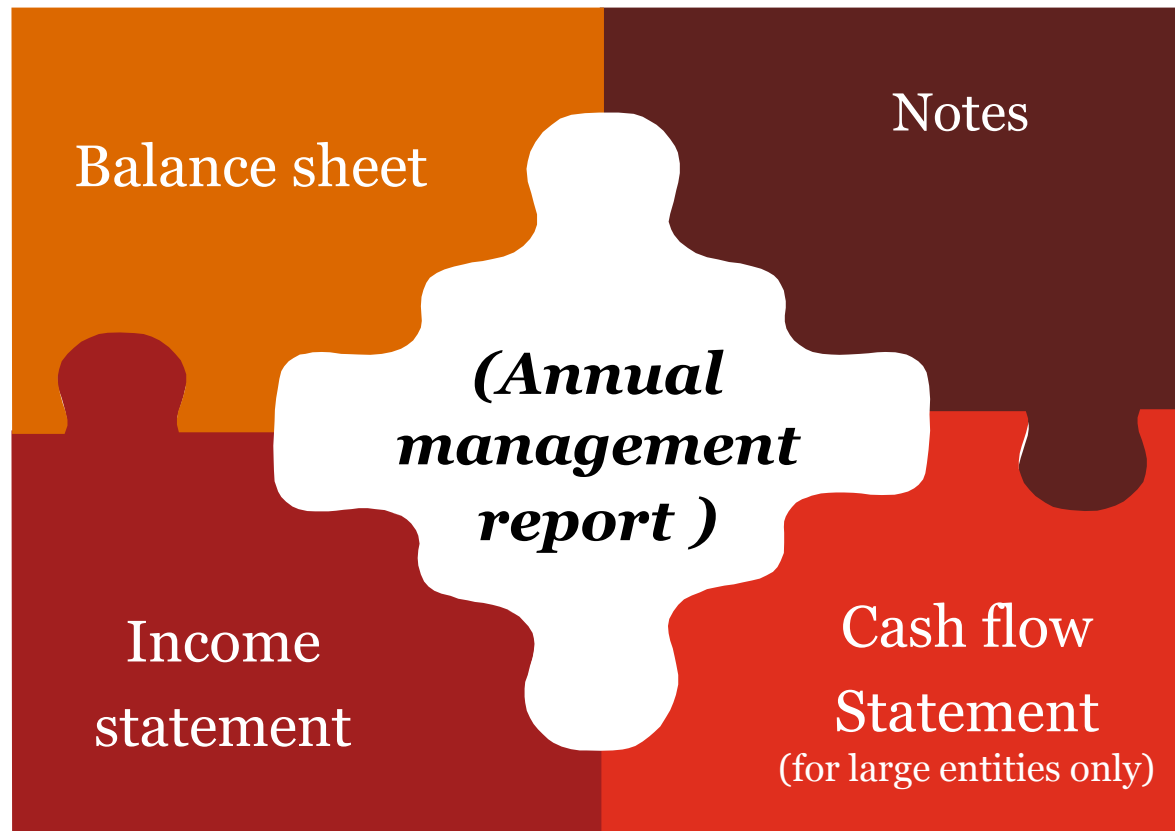
### **Basic requirements**

- Assumption that the NPO will remain a **going concern**
- Corresponding values of **prior year** must be shown
- Financial reports are presented in the national currency or in the **currency required for business operations** with the exchange values in CHF shown.
- Financial statements may be presented in one of the official Swiss languages or **in English**
- Accounting records and accounting vouchers together with management report and audit report must be retained for **ten years**.

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## ***2. Swiss Accounting law***

### ***Financial statements of a NPO***



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## ***2. Swiss Accounting law***

### ***Consolidated financial statements for a NPO***

Art. 963 CO: Where a legal entity that is required to file financial reports controls one or more entities that are required to file financial reports, the entity must include the annual consolidated financial statements in the management report including all the entities controlled.

#### **Definition of control**

- A legal entity controls another entity when it:
  - directly or indirectly holds a majority of votes in the highest management body;
  - directly or indirectly has the right to appoint or remove a majority of the members of the high management or administrative body;
  - it is able to exercise a controlling influence based on the articles of association, the foundation deed, a contract or comparable instruments.

## ***2. Swiss Accounting law***

### ***Consolidated financial statements for a NPO***

#### **Consolidated financial statements: mandatory?**

- ***FURTHER OBLIGATIONS:***
  - ➡ Consolidated FS are necessary in order to make the most reliable assessment of the economic position.
  - ➡ Members who represent at least 10% of the members of a cooperative or **20% of the members of an association (qualified minority)** require that consolidated FS be prepared.
  - ➡ The foundation supervisory authority requires it.

## ***2. Swiss Accounting law***

### ***Consolidated financial statements for a NPO***

#### **Consolidated financial statements: mandatory?**

- ***EXEMPTIONS:***

- ➡ Thresholds (20/40/250) are not exceeded.
- ➡ Associations, foundations and cooperatives may delegate the duty to prepare consolidated FS to a controlled entity.

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## ***2. Swiss Accounting law***

### ***Consolidated financial statements for a NPO***

- ***A recognised financial reporting standard applies to:***
  - ➡ Cooperatives with a minimum of 2,000 members.
  - ➡ Foundations that are required by law to have an ordinary audit.
  - ➡ All entities if a qualified minority requires it.

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### ***3. Swiss GAAP FER - FER 21***

#### ***Definition***

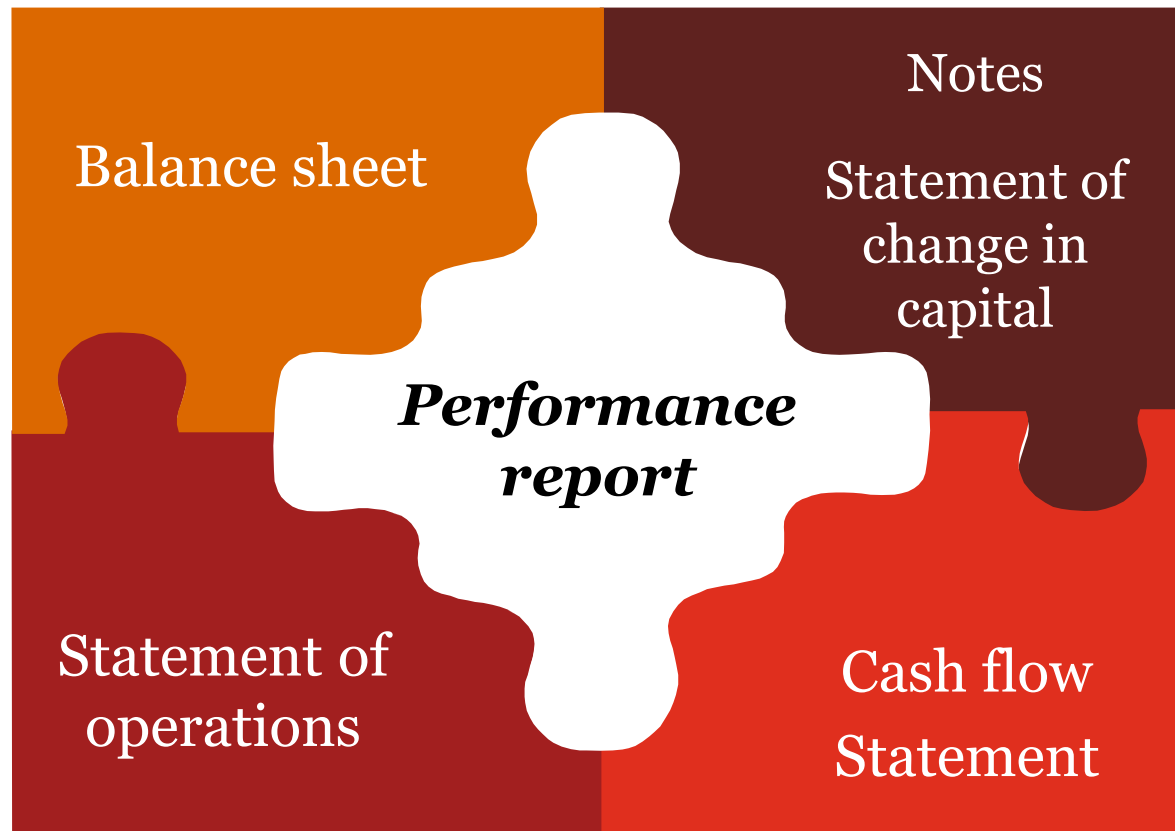
**FER 21** applies to non-profit organisations (NPOs) – regardless of their legal form – that :

- provide services in the interest of the general public, in particular services of a charitable nature, independent of the claims of third parties and/or members.
- raise funds publicly from an undefined number of donors and/or receive restricted contributions from public authorities.

In principle, all Swiss GAAP FER apply, but **Swiss GAAP FER 21** is a priority

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### ***3. Swiss GAAP FER - FER 21*** ***Financial statements of a NPO***



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### ***3. Swiss GAAP FER - FER 21***

#### ***Basis and principles***

#### **Basic requirements**

- True and fair view
- Going concern
- Accrual accounting
- Completeness
- Consistency in presentation, disclosure and valuation
- Gross principle (no netting)
- Individual valuation of assets and liabilities

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### ***3. Swiss GAAP FER - FER 21***

#### ***Basis and principles***

#### **Basic requirements**

- In addition : same requirements than in Swiss code of obligations :
  - › language
  - › currency
  - › accounting records
  - › prior year comparative figures
  - › disclosure of the valuation principles and accounting treatments
- Consolidation requirements : same as Swiss code of Obligations

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### ***3. Swiss GAAP FER - FER 21***

#### ***Special item : funds accounting***

- Assets
  
- Liabilities
  - Short- and long-term liabilities
  - **Restricted funds**
  
- Entity's funds (equity)
  - Capital of the organisation
  - Unrestricted funds
    - Internally generated **unrestricted funds**
    - Internally generated **restricted funds**

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### ***3. Swiss GAAP FER - FER 21***

#### ***Special item : funds accounting***

- Allocation, use and balance of internally generated earmarked funds are shown in the **Statement of changes in capital**
  - Transparency within internally generated earmarked funds of the NPO
  - Transfers between funds are disclosed separately
  - Reasons for the transfers shall be disclosed in the notes (often a decision of a responsible body)

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## ***4. Concluding remarks***

Since 1 January 2013, NPOs have a framework to use =>  
**Swiss law on accounting**

- ⇒ A framework means more transparency
- ⇒ If some more transparency is needed, Swiss GAAP FER is good alternative
- ⇒ Experience so far is very good in the market
- ⇒ IFRS and IPSAS non necessarily relevant for NPOs, but sometimes used on donor's request

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***Thank you for your attention***