

July 13<sup>th</sup>, 2010

Peter Martin, CA  
Director, Accounting Standards  
Accounting Standards Board  
Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2

Dear Mr. Martin:

I am writing on behalf of CAPACOA and our membership of presenters, festivals, arts organizations, agents, artistic companies, presenting networks and those who work to serve the presenting and touring sector in Canada to express concern about an aspect of the new Exposure Draft: Accounting Standards for Not-for-Profit Organizations.

We note a significant change within Section 1001.24-27 regarding the definition of an asset - a change that could have a major impact on many of our non-profit members.

We have been advised that some administrative, advertising and fundraising costs which pertain to future events will no longer be eligible to be deferred and expensed in the year in which the related event or revenue takes place. We understand that this practice may no longer be acceptable for fiscal years beginning after October 1, 2008.

Canadian presenters and arts organizations routinely incur costs directly related to future projects, events and fundraising activities. Examples of these include future season advertising costs and subscription sales revenues for that future season, and lottery and fundraising event set up costs and lottery and fundraising revenues. For decades, these organizations have followed generally accepting accounting principles and matched these expenses to the future revenues.

This practice of matching has provided valuable information to our financial statement users, including members of our Boards of Directors, funders and partners, when evaluating the associated revenues and expenses of specific programs and projects. Abandoning this practice will diminish the relevance and usefulness of our financial statements for these users.

The Accounting Standards Board states its intention to “carry forward the existing standards for not-for-profit organizations substantially unchanged”. If this is the intention, there seems to have been an oversight when it comes to the International Financial Reporting Standards asset recognition rules. If for example, items such as 'prepaid advertising, etc.' for performances, fundraising or lotteries could be reported on the Balance sheet as Other Assets with an accompanying note and additional info in an accompanying note, this needs to be clarified.

In our experience, there is a direct relationship between:

- future season/pre-paid advertising costs and subscription sales revenues for that future season;
- lottery and fundraising event set up costs and lottery and fundraising revenues;
- direct costs including credit card/other charges to sell tickets and future revenue to be collected for direct staff time working on those future events, etc.

Accordingly, **we recommend** that the Accounting Standards Board **address and clarify the issue** of asset recognition specifically for not-for-profit organizations. To be consistent, the traditional asset recognition rules should apply to not-for-profit organizations until a change has been adequately considered.

Thank you very much for your time.

Sincerely,

A handwritten signature in cursive script, appearing to read "Erin Benjamin".

Ms. Erin Benjamin  
Executive Director