

**REVIEW THE REQUIREMENT OF REPORTING OUTSTANDING DEBT FOR 5
YEARS**

Presented by FIC

SUMMARY

This paper reviews the requirement for reporting the debt of terminated members on the annual financial report and proposes an alternative process to fulfill the requirements as stipulated in Part 2 Chapter 2 para 5.2.5

1. INTRODUCTION

1.1 IFATCA Administrative Manual (IAM) Part 2 Chapter 2 Para 5.2.1 outline the condition for termination of membership and provides the condition for managing the associated debt.

1.2 Part 2 Chapter 2 para 5.2.5 The debt of terminated Member Associations will be reported annually to Directors for 5 years. (Jerusalem 95.A.7; Melbourne 05.A.11).

1.3 The debt can be forgiven if MA is able to establish compelling reasons upon request to rejoin the federation within 5 years of termination.

1.4 The usual practice/ procedure is keeping this record as part of our annual financial statement for 5 years. According to the 2023 financial report trade accounts receivable for 2022 and 2023 stood at USD\$10043 and USD \$6760 respectively, mainly accounting for the debt of terminated members.

1.5 The need for this practice was questioned by Netherland during the Jamaica conference, prompting FIC to review its requirements.

2. DISCUSSION

2.1 General Accounting practices outline reasons for reporting the debt of a terminated member association on annual financial statements over a period (five years) as essential for transparency, accountability, risk management, and compliance with legal and regulatory obligations. It also serves as a valuable resource for decision-making, conflict resolution, and strategic planning.

2.2 In contrast not reporting the debt of a terminated member association on annual financial statements can simplify financial reporting and present a more positive and

forward-looking image to directors. It will enable us to focus on current financial goals and priorities.

2.3 2.3 Under the Canada Not-for-profit Corporations Act (NFP Act) associations that are incorporated under not-for-profit are subject to certain reporting and disclosure requirements. These organizations must maintain records and financial statements, which may need to be presented at annual meetings and provided to members upon request.

2.4 Reporting the debt of terminated member associations can be managed in several ways to ensure transparency, compliance, and effective financial management. The following are methods to ensure the above:

- 2.4.1 **Separate Debt Register:** Maintaining a separate debt register or ledger where you track the outstanding debts of terminated member associations. This register can be updated periodically, such as quarterly or semi-annually, instead of annually, to reduce the reporting frequency.
- 2.4.2 **Financial Database:** Using a dedicated financial database or software system to manage historical debt records. This system can allow for easy tracking, retrieval, and reporting of debt information when needed, even if it's not included in the annual financial statement.
- 2.4.3 **Financial Reports to the Board:** Providing periodic financial reports to the EB or directors that include an update on the debt of terminated member associations. These reports can be scheduled based on the board's meeting frequency (e.g., quarterly or semi-annually).
- 2.4.4 **Internal Audit or Review:** Conduct periodic internal audits or financial reviews (e.g., annually) that specifically focus on debt status from terminated member associations. The results of these audits can be reported at conference.
- 2.4.5 **Financial Committee Oversight:** A financial committee or a subgroup responsible for financial oversight can periodically review and monitor the status of historical debts and report to the larger board or membership.
- 2.4.6 **Financial Transparency Reports:** Publish periodic financial transparency reports that include historical debt information. These reports can be shared with members and stakeholders to demonstrate the organization's commitment to transparency.
- 2.4.7 **Financial Archive:** Maintain a secure financial archive where historical financial records, including terminated member debt records, are stored and accessible for auditing or reference purposes.
- 2.4.8 **Customized Reporting:** customize reporting based on the unique nature of the organization to meet a schedule and format that aligns with its specific objectives and financial circumstances.

3 CONCLUSION

3.1 Continues report of the debt of terminated membership even though Healthy does not provide the simplicity required by directors and clarity in tracking the federation's current financial status.

3.2 As a nonprofit organization there are no legal or regulatory requirements to keep recording debt for an extended period of 5 years as captured in Part2 Chapter 2 Para 5.2.5.

3.3 The forgiveness of debt by directors within the 5yrs period raises management issues concerning financial statement reporting if this process is carried out. It compromises transparency, consistency, and simplicity.

3.4 Various ways to handle the debt of terminated member associations apart from reporting this on the annual financial statement, ensuring transparency, compliance, and effective financial management have been discussed above.

3.5 For transparency, consistency, and effective record keeping while ensuring simplicity and clarity of the annual financial records, EVP-F could be tasked to track and report the debt of terminated members to directors at conferences or as required.

4 RECOMMENDATION

4.1 EVP-F reports the debt of the terminated member association as an Annex in the financial report to directors.

5 REFERENCES

5.1 IFATCA Administrative Manual 2022

5.2 ised-isde.canada.ca

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