Financial Reporting for Non-Profit Organizations: The Case of Peace Corps Gambia

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Abstract

Concerns about the non-profit sector's alleged lack of accountability and transparency have led to calls for the creation of accounting standards or recommended practices. This should be a framework for covering all aspects of the NPO sector, from governance and compliance to information asymmetry and transparency, and effectiveness. The purpose of this article is to review the Financial Statements of the Peace Corps Gambia, in view of the IFR4NPO prepared by CIPFA and search for some common points.

Keywords: Non-Profit Organisation, Financial Reports, Peace Corps Gambia, CIPFA, IFR4NPO

JEL classification: G1, M4

1. Introduction

Non-profit organizations (NPOs, henceforth) are becoming increasingly influential and powerful across the world. They range in size from small and local to huge, national, and worldwide organizations and encompass a wide range of social activities, such as religion, politics, education, health, the environment, charity, and so on. The most important thing that can give a clear picture of the performance of these organisations and an opportunity to evaluate their activities, is the nature of their financial reporting, which has the effect of increasing the trust of their donors and financiers. It has been observed that the financial statements of many NPOs operating globally are not perfect in terms of disclosing true and fair information. Many

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of them just provide lists of activities with the belief that this will give the public a clear picture of their financial resources and how they were distributed (Dhanani & Connolly, 2015). These organisations are inattentive to the necessity of the preparation of financial statements and attached notes which are so important to access the required financial

reporting according to recommended financial reporting standards for NPOs. However, the sector's growth and reputation have been tempered by high-profile incidents of financial misappropriation, organizational inefficiencies, and abuse of power (Fassin, 2009), and concerns are being raised about whether NGOs embrace the same accountability and transparency standards that they demand from others (Chunakov et al., 2019).

Providing "high-quality accounting and reporting information", is a vital component of carrying out the responsibility to major stakeholders (Crawford et al., 2018a). The Charity Finance Group (CFG) Symposium (2012) noted the need for a "common understanding of NPOs' financial reporting so that funders, beneficiaries, and international networks may use this information responsibly. Financial reporting, together with non-financial and narrative reporting, may be one way for NPOs to fulfil pluralistic accountability to their numerous stakeholders (Ryan et al., 2014). However, there aren't many countries in the world with NPO-specific requirements. Financial reporting doesn't have a sector-specific conceptual framework, and the regulation of the standards that are there is usually substandard (McDonnell & Rutherford, 2019). The creation of the unique financial reporting framework and consideration of NPO financial reporting concerns need a clear understanding of what is meant when the word 'NPO' is used. With such a wide range of NPOs, any attempt to categorize them risks mistakenly excluding organizations that may benefit from the Guidance being prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Non-profit institutions servicing homes are not the only organizations that may be classified as NPOs because they have non-profit features. Private businesses, for example, charge market prices for the goods and services they create while reinvesting any surpluses to advance service delivery goals. They (private businesses) are also classified as non-profits since they do not seek financial rewards from investors. While many NPOs are likely to exhibit all of these broad features to some degree or another, they are meant as indicators of an organization's status as an NPO rather than a set of regulations. As a result, an organization needs not to possess all of the qualities to be classified as an NPO for financial reporting reasons. It might be strongly aligned with certain features while being completely unaligned with others. Some non-profits, for example, are wholly funded by the sale of products and services, with all earnings going toward furthering public-benefit goals. NPOs are likely to gain from the Guidance in this case, but other features may be less applicable. This article aimed at highlighting the reality of financial reporting by Peace Corp Gambia as a non-profit organisation and the importance of adopting international standards to improve this reporting process through the focus on the implementation of the International Financial Reporting for Non-Profit Organisations (IFR4NPOs) standard. It is supposed that the NPOs adopting this standard will improve the process of their financial reporting and increase the users' confidence in their financial information. The importance of studying the financial reporting process of non-profit organisations and improving it, is as important as the financial reporting output of the for-profit organisations, since the two are part of society and provide services regardless of their goals, whether profitable or not.

2. Literature Review

Financial reporting, according to(Dhanani et al., n.d.) and (Crawford et al., 2018b), is a crucial component of a set of social and functional accountability that is significant to a wide range of stakeholders for determining an NPO's effectiveness and stability in the pursuit of mission fulfilment. According to (Baskerville & Grossi, 2019), financial reporting transparency, which affects NPO accountability, has to be extended to conceptually sound and unique financial reporting standards. Some believe that international standards will be a cost-effective solution to ensure NPO accountability given the increasing rise of NPOs to support community development in developed and less-developed countries (Melookaran et al., 2015) and that it would result in savings in terms of audit and regulatory work. Despite the need for NPO International Financial Reporting Standards, only a small number of countries such as Canada, England, Wales, Scotland, Belgium, New Zealand, Switzerland, and the United States have NPO sector-specific standards in place (Crawford et al., 2018). In The Gambia, there is no standard reporting structure for NPOs. Comparatively, the public and for-profit sectors can benefit from an associated set of international accounting standards and sector-specific that are issued by the International Public Sector Accounting Standard Board (IPSASB) and the International Accounting Standard Board (IASB) respectively (IPSASB, 2014; IASB, 2010). These frameworks detailed the aspects of information that are likely to be most beneficial to users in certain sectors and describe the respective goals of financial reporting. The academic literature, however, does not support using for-profit or public sector practices to report NPO performance because they ignore taking into account the issues unique to NPOs and negatively affecting NPO accountability. These techniques were taken from the business sector, passed through the public sector, and applied ad hoc to situations in the voluntary sector (Crawford et al., 2018b). Another crucial point is that the NPO sector's opinions were not extensively solicited during the proper procedures and open discussions that led to the IASB and the IPSASB's declaration of standards.

According to some, globally adopted, conceptually sound accounting standards may support disclosures that are complete, relevant, reliable, and comparable across and within jurisdictions. These standards should be subjected to regulation, oversight, and audit, and transparent, helping to explain to stakeholders how an NPO's efforts translate into results that help it achieve its mission (Yasmin & Ghafran, 2021). The Chartered Institute of Public Finance and Accountancy (CIPFA) and Humentum[1] are currently partnering on a project called "International Financial Reporting for Non-Profit Organizations (IFR4NPO)." The goal of this project is to create the first globally applicable financial reporting guidance for the non-profit sector. The project is a five-year program created to overcome the current financial reporting gaps. CIPFA hosted a meeting of standard-setters from countries such as Australia, Canada, Japan, Ireland, the Netherlands, Norway, Sierra Leone, South Africa, Turkey, the UK, the USA, and Zimbabwe to discuss the potential creation of NPO-IFR standards or guidelines for the industry (The Chartered Institute of Public Finance & Accountancy & Humentum, 2021). It focuses on the perspectives of involved parties in NPO financial reporting throughout the world to assess the potential and possibility for NPO-IFR to support accountability. Also the project analyses perspectives regarding worldwide contemporary NPO financial reporting practices and beliefs, accountability linkages between NPOs and their stakeholders, and consequences for the sector's development of globally convergent financial reporting.

The practical and political relevance of strong and comprehensive displays of accountability, especially financial accountability, is increasingly acknowledged due to their growing economic and social significance (Christine Ryan, Janet Mack, Stuart Tooley, 2014). From a theoretical perspective, several scholars argue the necessity for NPO accountability (Ahmed et al., 2019). All organizations may be expected to report truthfully on their present financial status, according to (Mulgan, n.d.). The reporting frameworks detail the aspects of information that are likely to be most beneficial to users in certain industries and describe the respective goals of financial reporting. Understandability, timeliness, comparability, and verifiability are

[1] Humentum was founded in July 2017 by the merger of Inside NGO, named LINGOs, and Mango. They are a leading global non-profit working with humanitarian and development organizations to improve how they operate and to make the community more equitable, accountable, and resilient.

the qualitative attributes of pertinent information that accurately depicts the underlying transactions and events of the reporting entity in the context of the sector. These traits facilitate the disclosure of financial and non-financial information for accountability reasons and support public views of financial reporting's openness.

According to (Dhanani & Connolly, 2015) and (Hall & O'Dwyer, 2017), the NPO sector is distinguished by its accountability relationships with a wide range of stakeholders. These stakeholders include beneficiaries, donors, the government, and regulators. The dominant logic of comparability or uniformity to drive a transactional or sector-neutral stance is therefore used when these powerful stakeholders seek globalization (Cordery et al., 2019). This is possible in countries where IFRS is endorsed as the ideal option, even though for-profit accounting is different from NPO accounting. Numerous studies done in the past have shown how frustrating these variations are, especially in light of the possibility that globalization would enable NPOs to lower compliance costs. The literature also cautions against the lack of the users' "voice" in the process of establishing financial reporting standards (Bamber & McMeeking, 2016). The main determinants of NPO reporting at this moment are lawmakers, standard-setters, regulators, and funders also determine what and how reporting is carried out. There is evidence that a "third set of norms," designed expressly for NPOs, is gaining popularity. This data reveals that International Public Sector Accounting Standard (IPSAS) and International Financial Reporting Standard (IFRS), two worldwide standards for reporting on the public and for-profit sectors, are now widely seen as being inadequate or unsuitable for non-profit organizations.

3. Theoretical Framework

3.1 Fund Accounting

Fund accounting is a method of financial reporting used when public sectors receive restricted contributions. A fund is described as a distinct pool of financial and other resources created to support certain activities that are managed and reported separately from other accounting entities. Funds are created when there are limitations on the uses of specific resources. According to (Herzlinger & Sherman, 1980), "Fund accounting was designed to report truthfully the financial transactions specific to non-profit organizations." This statement reflects the responsibility or stewardship paradigm. The underpinning of fund accounting is the explicit formation of distinct funds (sometimes known as "pots of assets" separated for accounting reasons). Additionally, it may be utilized to improve organization monitoring and guarantee total transparency when using certain sources concerning your budget. An organization that is not for profit may legally establish several funds to represent the various limitations imposed on it, either internally or externally. Fund accounting is a popular and preferred choice among NPOs since separate financial statements are issued for each fund to address the issue of constrained resources and demonstrate transparency. Fund accounting also enhances planning, budgeting, and performance assessment by keeping track of numerous funds and presenting a clear picture of the organization's financial situation.

How Fund Accounting Works

An essential management duty is keeping track of net assets that are restricted internally and contributions that are restricted externally. Utilizing fund accounting is a typical approach to accomplishing this. Fund accounting is an option for a non-profit organization. In other words, even if donations are regulated by donors, fund accounting is not required. It is required to keep track of limited donations to make sure they are used under the restrictions. NPOs are required to account for all monies received, including any particular cash donated for use in a specific project, as well as the general responsibility to properly utilize the organization's resources. By publishing separate financial accounts for each "fund," the problem of the need for separate accounting for restricted resources to show accountability and stewardship is resolved. The major reason for fund accounting's widespread adoption by NPOs is this.

Inter-Fund Transfers and Inter-Fund Appropriations

Due to the idea of fund accounting, inter-fund transfers and appropriations are specific to NPOs and increase the complexity of financial statements. While inter-fund appropriations refer to the use of competent authorities to approve the use of resources for certain objectives, inter-fund transfers refer to the use of "transfers" to allocate resources between funds. Transactions and accounts connected to similarly limited activities are grouped in fund accounting. Each fund keeps track of its receipts, payments, assets, and liabilities in addition to its net asset balance (when using fund accounting, the latter is called a fund balance). These many diverse funds are sometimes merged into a limited number of comparable funds for reporting purposes especially external reporting. Endowments, limited funds, and unrestricted funds are often represented by these funds.

There is also a distinction between funds that are restricted internally (board-restricted funds) and those that are restricted externally (i.e. by the donors). For each type of fund, the Statement of Operations and Fund Balances lists the revenues, expenditures, excess (or deficit) of revenues over expenditures, and change in the fund balance as a whole. The closing fund balance is determined as follows: *Opening Fund Balance + Excess of Revenues over Expenditure = Closing Fund Balance.* The Statement of Financial Position displays the assets, liabilities, and fund balance for each of the chosen fund categories. In an equation, *Fund Balance = Assets - Liabilities*. It is possible to transfer money from internally restricted funds to unrestricted funds; in this case, the net fund balance of the former would be reduced and the net fund balance of the latter would be increased proportionately. Any transfers between funds typically need board permission.

4. Financial Reporting Standards for Npos

4.1 International Financial Reporting Standards for Npos

Some believe that international standards will be a cost-effective strategy to ensure NPO accountability. This will result in savings in terms of audit and regulatory work given the increasing rise of NPOs to aid community development in developed and less-developed countries (Barrientos, E., & Reilly, 2016). When donors realize that their money has been used responsibly, they have more trust and confidence in NPOs. A few countries, including Canada, England and Wales, Scotland, Belgium, New Zealand, Switzerland, and the United States, have NPO sector-specific rules, notwithstanding the need for an international standard for Non-Profit Organizations' Financial Reporting (NPO-IFR). There is no overarching reporting structure or framework for NPOs globally. Due in part to the absence of a single acknowledged worldwide accounting framework, donors on their part have devised financial reporting standards to match their unique needs, but this has produced a range of financial reporting requirements. Annual reporting by NPOs is crucial for stakeholders to monitor NPO activities (Indriani, 2015). It is also "increasingly acknowledged as one of the most extensively utilized methods with which NPOs may account to their stakeholders." However, modern NPO financial reporting practices are often jurisdiction-specific; in fact, it is common for NPOs to create reports in a variety of formats depending on the intended audience (Reheul et al., 2014). Additionally, due to a lack of regulation and various organizational structures, financial reporting varies not just depending on the audience for that information but also frequently lacks uniformity within a given country (Ball, 2012).

Consequently, there are differences in financial reporting between jurisdictions as a result of the absence of accepted NPO-specific international standards. Varied financial reporting obligations as imposed by donors can place a significant burden on NPOs, especially when combined with the many rules and regulations that are applicable in various regions. The International Financial Reporting for Non-Profit Organizations (IFR4NPO) is a project initiated to address these difficulties for enhancing NPO governance and financial management. The Chartered Institute of Public Finance and Accountancy (CIPFA) and Humentum are working together to implement the project, which is being supported by contributions and grants. Making NPO financial reports more transparent, reliable, and easy to compare, will help a wide spectrum of NPOs and their stakeholders. The following three goals determined by the IFR4NPO standard will be achieved over years to come by the guidance.

Objective 1: To raise the standard, trustworthiness, and openness of NPO financial disclosures.

Objective 2: To balance the demands of preparers and users to facilitate the supply of NPO financial information that is helpful for decision-making and accountability.

Objective 3: Addressing particular NPO challenges will help to make NPO financial reporting more comparable.

The following are three steps for creating guidelines on international financial reporting for NPOs. The first of three steps, as shown below, is the Consultation Paper.

Consultation

- Recognizing problems and potential solutions
- Activating Country Champions and Advisory Groups
- Increasing community and website awareness

This Consultation Paper is released on Jan 2021.

Development

- Creating the draft guideline
- Outlining suggested remedies
- Getting regional input

Final Product: Exposure Draft is to be released in mid-2023

Launch

- Finishing and releasing the guidance.

- Creating instructional materials
- Aiding with transition and adoption

Final Recommendations are expected to be released in mid-2025

The main objective is to educate stakeholders about the importance of universal financial reporting standards for non-profit organizations that will be used globally. Senior NPO executives, grantmakers (big donors), regulators, governments (including tax authorities), auditors, NPO finance teams, creditors, scholars, and members of the public who support or benefits from the activities of NPOs are a few examples of NPO stakeholders. Therefore, the Consultation Paper examines topics that are thought to be significant to those people or entities within these groups that have an interest in NPO financial reporting. The Consultation Paper's content has been set up so that one can remark on part or all of its elements. This is done to elicit feedback from a wide variety of people or groups who might have various interests in NPO financial reporting. The Consultation Paper provides several recommendations. These include a model that has been put out for creating the guidance. The purpose of making these suggestions is to allow for input to be given from a common platform, which will subsequently help with the analysis of the replies. The input received will be used to inform the creation of the Exposure Draft (*International Financial Reporting for Non-Profit Organisations*, 2021).

Introducing Cipfa

CIPFA, initially called the Corporate Treasurers and Accountants Institute, was established in Manchester in 1885 and has contributed to the development of public financial management in the UK and increasingly around the world. Public finance professionals are represented by the Chartered Institute of Public Finance and Accountancy (CIPFA). Its members and trainees are employed by the whole public sector, as well as national audit organizations, sizable accountancy firms, and other organizations where the effective and efficient management of public funds is required. The credentials of CIPFA serve as the basis for a career in public finance because it is the only professional accountancy organization in the world that focuses on public services. Additionally, they support good performance in public services, converting the knowledge and expertise of members into clear recommendations and useful services. By advocating for effective public financial management and good governance on a global scale, CIPFA is a leader in public finance. To promote public finance and support better public services, they collaborate with international assistance donors and organizations, partner governments, accounting authorities, the larger public sector, and private sector partners throughout the world.

The Project for Financial Reporting For Npos

Stakeholders in non-profits need financial reporting data that shows whether an NPO is achieving its goals in a way that maximizes economy, efficiency, and effectiveness in resource utilization, while also conforming to limitations and rules in the context of its long-term financial health. The project for financial reporting Guidance will assist all NPOs in producing financial reports that meet the standard needs of a wide range of stakeholders for financial information. It is not intended to include specialized reports produced especially to satisfy the information requirements of donors for a particular grant. All NPOs, from small membership groups to significant global humanitarian organizations, are expected to gain from the Guidance. The benefits of the Guidance to particular NPOs will differ, however, due to the diversity of organizations within the sector, the financial reporting contexts they operate in, and the extent to which there are already jurisdictional level NPO-specific requirements. Like previous international financial reporting standards, each jurisdiction will choose whether to implement the Guidance entirely or in part. The Guidance won't be needed as a result. A Consultation Paper is the first step in the process of CIPFA developing globally acceptable financial reporting standards for NPOs. Parties interested in or affected by NPO financial reporting have their first opportunity to learn more about the planned scope of the guidance and the procedure by which it will be developed through the Consultation Paper. It is intended to start a dialogue and solicit feedback so that members of the NPO community can assist in creating a solution for the sector.

The not-for-profit sector consists of a diversified range of institutions with accountability mechanisms with various stakeholder groups for a variety of social activities and goals. Although accountability frameworks for the sector have been offered in academic literature, it is still unknown how well these frameworks can explain current financial reporting practices globally and guide modern financial reporting advances(Dumay et al., 2017). When compared to the for-profit and governmental sectors, the NPO sector stands out because it operates "in an atmosphere of predominantly non-exchange interactions with volunteer funders" (Christine Ryan, Janet Mack, Stuart Tooley, 2014). This makes it difficult for an NPO to show its numerous stakeholders that it is accountable for fulfilling its social objective. In contrast to the for-profit industry, there are no owners who may be given priority when it comes to accountability for generating financial value. The International Accounting Standards Board's (IASB) conceptual framework's single-minded emphasis on prioritizing reporting to investors and lenders to support economic decision-making is inappropriate for the NPO sector. The International Public Sector Accounting Standards Board (IPSASB) conceptual framework, which differentiates its users (the general public and their political representatives) of public sector financial reporting for accountability reasons and as input for decision-making, is also unhelpful (Crawford et al., 2018c). There is no similar organization as the IASB or IPSASB on a global scale for the NPO sector, according to current arguments.

The goals of the "Guidance" project of CIPFA will be realized by general-purpose financial reports prepared on an accrual basis and representing the shared needs of many diverse stakeholders. Accrual-based financial information provides a comprehensive picture of an entity's financial condition and performance. The information that can be used to hold management responsible and make decisions about funding and other things is enhanced. Narrative, non-financial information gives additional information required for understanding an entity's aims for accountability, strategy, risk, performance and decision-making purposes. Since the 1970s, organizations in the public and private sectors as well as their stakeholders have greatly benefited from the development and application of international standards. It would be beneficial to have a global accounting standard or guidelines specifically for non-profit organizations. In a global survey conducted in 2014 that received more than 600 responses from 179 countries, 72% of participants reportedly supported the proposal (Zainon et al., 2014). To improve the possibility that it will be accepted by any jurisdiction, it will be prepared using reliable techniques. The Guidance should be used more frequently by funding organizations in their compliance and due diligence processes, and they should insist that grantee financial reports be generated in conformity with its requirements.

5. Peace Corps Gambia

5.1 History Of Peace Corps Gambia

At the government of The Gambia's request, the first Peace Corps Volunteers came to the country in September 1967. They established local cooperatives and engaged in specialized crafts like carpentry, engineering, and mechanic labour. Another set of volunteers came to help in education two years later. Since then, the major objective of Peace Corps work in The Gambia has been education. Education Volunteers have established resource centres for elementary schools, created curriculum and teaching resources for classes in mathematics, science, English, environmental protection, and forestry, and trained teachers in these disciplines(Peace Corp, 2013). On the other hand, environment Peace Corps Volunteers have participated in managing seven Department of Forestry divisional nurseries and improved vegetable and fruit tree output in school gardens and orchards. They have also helped control freshwater runoff and seawater intrusion built homemade dams that have increased rice productivity and produced and sold historical tales for the traditional Griot Society. Health volunteers fight against illnesses including malaria, respiratory infections, diarrhoea, and HIV/AIDS as well as other common diseases. Additionally, they support mother and child health by fostering community development and education (*Peace Corps Gambia Annual Review for 2016*, 2016).

5.2 Financial Reporting for Non-Profit Organizations And Financial Statements Of Peace Corps Gambia

Financial Reporting is essential for transparency. The Financial statements which are tools of communication between the reporting entity and the stakeholders can shed light on a non-profit's effectiveness and the proportion of resources it allocates to achieving its primary goals in addition to its financial health. The Financial statements which are common to all entities are the Balance sheet (Financial Position Statement), the Income statement, the Cash Flow Statement, and the Statement of Changes in Shareholders' Equity. However, the Peace Corps as a non-profit organization prepares another special statement which is called, "Statement of Net Costs" as shown below:

Table 1: Statement of Net Costs

Peace Corps
Statements of Net Cost
For the Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Gross Program Costs (Note 11)		
Gross Costs	$ 362,067	$ 481,999
Less: Earned Revenue	(5,894)	(1,968)
Net Cost of Operations	$ 356,173	$ 480,031

The statement of financial position for a non-profit organization, commonly referred to as a balance sheet, is a report that provides a quick overview of the organization's financial situation. In a single document, it measures the assets, liabilities, and net assets of the organization. With regards to the balance sheet of the Peace Corps, in an analysis of Financial Position given in a Peace Corps (Peace Corps Fiscal Year 2021 agency financial report, p.17) shows us that there is a Balance Sheet item called *"Total Net Position"* instead of "Shareholders' Equity". As a result, "the Statement of Changes in Shareholders' Equity" is now referred to as "Changes in Net Position." This is important for a non-profit organization as having no capital. The change in net assets for non-profits is a surplus or deficit that is carried forward. A non-profit's primary goal is to carry out its mission rather than to maximize profits. Therefore, a non-profit's surplus or loss may not always provide useful information about its performance. Assessing a non-profit's resource usage is one way of evaluating its performance. Net position is defined as, "Net position or its equivalent, net assets, is the arithmetic difference between the total assets and total liabilities recognized in the federal government's or a component entity's balance sheet. Net position may be positive (assets greater than liabilities) or negative (assets less than liabilities) (FASAB-Federal Accounting Standards Advisory Board, 2007).

Table 2: Analysis of Financial Position for Fiscal Year 2020-2021

Condensed Balance Sheets	FY 2021 (In Thousands)		FY 2020 (In Thousands)		Variance (In Thousands)		Variance (In Percentage)
Fund Balance with Treasury	$	279,510	$	249,595	$	29,915	12%
Accounts Receivable		4,687		1,068		3,619	339%
General Property, Plant, and Equipment		44,299		38,230		6,069	16%
Other Assets		6,388		4,129		2,259	55%
TOTAL ASSETS	**$**	**334,884**	**$**	**293,022**	**$**	**41,822**	**14%**
Accounts Payable	$	4,572	$	4,108	$	464	11%
Federal Employee and Veterans Benefits		160,295		165,283		(4,989)	-3%
FSN and PSC Severance Liability		39,221		35,590		3,631	10%
Payroll Related Liability		22,014		23,704		(1,690)	-7%
Non-Entity Funds		1,125		170		955	562%
Other Liabilities		8,748		9,596		(848)	-9%
TOTAL LIABILITIES	**$**	**235,975**	**$**	**238,451**	**$**	**(2,477)**	**-1%**
TOTAL NET POSITION	**$**	**98,909**	**$**	**54,571**	**$**	**44,339**	**81%**
TOTAL LIABILITIES AND NET POSITION	**$**	**334,884**	**$**	**293,022**	**$**	**41,862**	**14%**

Also available are some special Balance Sheet items such as, "Fund Balance with Treasury", "Deposit Fund", and "Clearing Accounts".

- **Deposit Fund:** The deposit fund comprises the volunteer readjustment allowance earned by volunteers for each month of satisfactory service and is payable upon their return to the United States. It is observed that the balance has depleted the form financial year 2020 to 2021 as a result of the temporary suspension of overseas programs, with the complete evacuation of all Volunteers and Trainees from the field, in response to the COVID-19 pandemic.
- **Clearing Accounts:** These are proceeds of sales funds which represent cash received from the sale of assets, primarily vehicles, and are available once transferred to the Peace Corps appropriated funds to be reinvested in a like-kind replacement purchase (e.g., proceeds from vehicle sales used to purchase replacement vehicles).

The liabilities section of the non-profit statement of financial position sums up what the organization owes. The major part of the total liabilities amount as stated in the Peace Corps financial statement is made up of;

- **Unfunded Federal Employees' Compensation Act (FECA) Liability:** A liability for the direct dollar costs of compensation and medical benefits paid on the agency's behalf by the Department Of Labour (DOL). Since the agency is dependent on annual appropriation, it will include the amount billed for the direct costs in its budget request two years later.
- **Federal Employee and Veteran Benefits Payable:** This is the liability for the actuarial value of future payments for FECA as estimated by DOL for the agency.
- **Liability for Non-Entity Assets:** Non-entity assets comprise a deposit fund and clearing accounts. These funds are not available for the use of the Peace Corps and are not part of the Peace Corps resources. The Peace Corps monitors collections, status, and distribution.
- **Liabilities covered by budgetary resources:** These include accounts payable for goods and services received by the agency and for the separation and retirement payments for eligible foreign service Personal Services Contractors (PSCs) and Foreign Service Nationals (FSNs) and other liabilities.

The Peace Corps' statement of Net cost is made up of;

- **Intragovernmental activity:** This represents the costs of goods and services provided to other federal agencies.

- **Public Costs:** They are classified as goods and services and any revenue earned from outside federal sources.

Accountability and transparency to stakeholders are two terms frequently used nowadays when discussing the financial reporting of any firm. Donors, members, lenders, grantors, consumers, and other people that give NPOs resources are stakeholders of NPOs that use not-for-profit financial statements. While some NPOs may employ the cash basis of accounting, the General Accepted Accounting Principle (GAAP) requires that external financial statements be prepared on an accrual basis. All NPOs must, according to Financial Accounting Standard Board (FASB), provide a statement of financial position, a statement of activities or operations, and a statement of cash flows that summarize the entity's overall financial information. Additionally, a declaration of functional expenditures must be provided by non-profit health and welfare groups. It is also recommended but not necessary to use comparative financial statements for financial reporting purposes. FASB authorizes NPOs to offer extra disaggregated information in addition to reporting financial data for the business as a whole, such as fund information, which may be helpful to internal management, donors, and others. Peace Corps complies with The Federal Accounting Standards Advisory Board (FASAB). The FASAB and its sponsors believe that any description of federal financial reporting objectives should consider the needs of both internal and external report users and the decisions they make. This implies a different role for the FASAB than for the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). The FASB sets financial reporting standards for privately owned entities in the United States. The GASB sets financial reporting standards for state and local governments (Financial et al., 1993). According to “The Preamble to Statements of Federal Financial Accounting Concepts”, the GAAP hierarchy provides that statements of federal financial accounting standards constitute level A (the highest level) guidance. Statements of federal financial accounting concepts are not GAAP. Instead, concept statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature.

NPOs in The Gambia are subject to less strict reporting obligations due to minimum regulatory requirements since there is no particular accounting standard devoted primarily to NPOs in The Gambia. The Peace Corps as a US-based organization abides by “The Accountability of Tax Dollars Act of 2002”.According to this Act, the Peace Corps must disclose its audited financial accounts to Congress and the director of the Office of Management and Budget. These statements serve the agency's goal to enhance financial management and offer precise, trustworthy data for evaluating performance and allocating resources. Resources allocated by Congress and handled by the Department of Treasury make up the majority of what an agency has available (*Peace Corps AGENCY FINANCIAL REPORT Fiscal Year 2021*, 2021). Financial statements enlighten a wide spectrum of stakeholders, according to IFR4NPO. Since they are essential records for keeping an NPO accountable and for making financial choices, they contain details regarding the financial performance, financial situation, and cash flows of an NPO. It might not be obvious which assets and reserves included in the financial accounts can be utilized by a non-profit organization for continuing operations and which ones can only be used for the objectives for which they were granted. The Peace Corp's financial operations are therefore divided into entity assets and non-entity assets. Assets held by the Peace Corps but not available for use by the agency are referred to as non-entity assets. Entity assets are those that the agency is authorized to use in its operations. Although the agency is in charge of managing both entity and non-entity assets, they are reported but separated for presentation. The nature of NPOs and the methods used to support many NPOs create some special problems with financial reporting. These affect how financial statements are presented and what they say.

The fact that NPOs get funds with restrictions, prohibitions, or other terms attached might imply that they are not free to spend their resources in any way they deemed fit. The level of comprehension of the financial statements by the stakeholders may be crucial here. Some gifts could come in the form of endowments, which need to be put into the economy. The capital itself cannot be utilized by an NPO, but the income from the investment can be. Again, the financial statements could not make this restriction obvious. Due to the variety of activities or service areas provided by NPOs, stakeholders may have differing opinions regarding the information that belongs in the financial statements. Some funders might want information in a certain format. For instance, a donor who has donated funds with a condition may want to see a statement that goes beyond the information offered in typical financial statements and displays the cash received from the contribution and the cash payments made with that donation. Financial statements often do not include information on the funds received and paid concerning individual donations. Donors may be looking for more data to back up their evaluation of how their gifts were used. This may be a particular problem if the gift is just meant to cover a portion of the project's expenses. Donors could want details on costs that have been agreed upon but have not yet been incurred and are thus not yet recorded in the financial accounts. Additionally, even if these sums are recorded in the financial accounts, donors who approve in-kind services acquired by an NPO to be deducted from the overall project cost might not be able to verify these numbers.

Agency (NPOs and Peace Corps to be specific) activities are presented in the principal statements: Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Combined Statements of Budgetary Resources. The financial statements were prepared using the Peace Corps' books and records under the guidelines set out for federal agencies by the Federal Accounting Standards Advisory Board. Agency management is responsible for the accuracy of the financial statements. Processing many transactions and other events that occur during a financial reporting period leads to the creation of financial statements. Finding a specific transaction in the financial accounts is quite unlikely. It may also be confusing for users of financial statements to provide different viewpoints on the same transactions. In general purpose financial statements that are meant to serve the demands of several stakeholders; will be required to take into account the extent to which the various viewpoints of stakeholders may be taken into account. Generally, the reporting entity's perspective is used to generate general-purpose financial statements. It is necessary to balance the conflicting requirements of many parties.

In the relevant literature, Net Assets are defined as "That part of the report which shows the equity of your organization (its total assets minus your total liabilities)". *Net Assets=Total Assets-Total Liabilities.* These net assets are subsequently split and organized in accordance with the restrictions imposed on them. Donors, grant-makers, and government entities all reserve the right to restrict the contributions made to nonprofits so that they can only be used for certain activities or programs(*Nonprofit Accounting: A Guide to Basics and Best Practices | Jitasa Group*, n.d.). For this reason, it's crucial to carefully manage grants and other restricted contributions in your accounting system. The net assets are split into the following categories of restrictions:

- Without donor restrictions.
- With donor restrictions; purpose or timing.
- With donor restrictions; held in perpetuity.

However, the above types of classifications were not made in the "Net Position" of the Peace Corps. Instead, the Peace Corps resources are classified as obligated and unobligated apportioned resources. As stated in the Peace Corps combined statements of budgetary

Resources, its planned spending was subjected to discretionary and mandatory budgeted spending.

Table 3: Peace Corps Comparative Statement of Financial Position[2]

Peace Corps
Balance Sheets
As of September 30, 2021 and 2020
(In Thousands)

	2021	2020
Assets (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	$ 279,510	$ 249,595
Accounts Receivable, Net (Note 4)	4,190	190
Total Intragovernmental	283,700	249,785
Other than Intragovernmental/with the Public		
Accounts Receivable, Net (Note 4)	497	878
General Property, Plant, and Equipment, Net (Note 5)	44,299	38,230
Other Assets (Note 6)	6,388	4,129
Total Other than Intragovernmental/with the Public	51,184	43,237
Total Assets	$ 334,884	$ 293,022
Liabilities (Note 7)		
Intragovernmental		
Accounts Payable	$ 21	$ 1
Other Liabilities		
Unfunded FECA Liability (Note 7)	26,039	26,857
Other Unfunded Employment Related Liability (Note 7)	122	56
Liability for Advances and Prepayments (Note 8)	13	-
Total Intragovernmental	26,195	26,914
Other than Intragovernmental/with the Public		
Accounts Payable	4,551	4,107
Federal Employee and Veteran Benefits Payable (Note 7)	134,256	138,426
Other Liabilities		
Liability for Advances and Prepayments (Note 8)	8,520	9,540
Liability for Non-Entity Assets (Notes 2 and 7)	1,125	170
Other Unfunded Employment Related Liability (Note 7)	54	-
Commitments and Contingencies (Notes 8 and 10)	93	-
Accrued Funded Payroll and Leave (Note 8)	7,439	8,826
Unfunded Annual Leave (Note 7)	14,521	14,878
FSN and PSC Separation Liability (Note 8)	39,221	35,590
Total Other than Intragovernmental/with the Public	209,780	211,537
Total Liabilities	$ 235,975	$ 238,451
Net Position		
Unexpended Appropriations	$ 231,313	$ 199,374
Cumulative Results of Operations	(132,404)	(144,803)
Total Net Position	98,909	54,571
Total Liabilities and Net Position	$ 334,884	$ 293,022

[2] The source of this financial statement is " https://www.peacecorps.gov/about/open-government/budget-and-performance/ ".

6 Comments on the Financial Statements of Peace Corps Gambia in View of Ifr4npo

6.1 Information Disclosure

The annual report contains both qualitative and quantitative information. Financial and non-financial information are included in the quantitative data. Additionally, a lot of annual reports include graphics, diagrams, and illustrations. Therefore, according to (Song et al., 2013), disclosure is an abstract term that cannot be assessed directly but may be quantified indirectly. An NPO may not be able to tell which assets and reserves listed in the financial accounts can be used for on-going operations and which can only be utilized with the reasons for which they were granted. The nature of NPOs and the methods used to support many NPOs create some special problems with financial reporting. From the above findings, it can be pointed out that the Peace Corps' financial statements are being effectively utilized as a means of communication for information. The statements provided uniform information as a result of a unique reporting guideline (Accountability of Tax Dollar Act of 2002), which resulted in consistency in their accounting practices. This, therefore, eases comparing the performances of Pearce Corps with respective NPOs.

The fact that NPOs get funds with conditions (stipulations) attached may imply that they are not free to spend their resources in any way they see fit. This can be important for how stakeholders interpret financial accounts. NPOs are to keep the requirements in the international standards (IFRS Standards, the IFRS for SMEs Standard, and IPSAS) intact and offer further guidance, as advised by the IFR4NPO standard. When it is pertinent to their stakeholders, this guidance may indicate how extra information will be provided in the financial statements which in this case are supplied below the Peace Corps' financial statements. Disclosures relating to restricted funds may be required. It may not be evident what is included as part of an NPO (i.e. which, if any, branches are included) and which entities are managed and formed part of an NPO's financial statements without extra disclosures. The complexity is in the requirement for transparency, which includes the decisions taken to improve users' understanding of the reporting entity and their capacity to judge if it is to be compared to other NPOs.

It is relevant to keep in mind the difference between figures presented "at a point in time" and figures presented as "cumulative sums over time". Some financial data are calculated at a specific moment in time, such as a specific reporting date. For instance, the *accounts payable* figure represents the total dollar amount due by the organization to suppliers as of the indicated date. Another example is the *Fund Balance with Treasury* amount reported in the Peace Corps' statement of financial position at the specified reporting date. The Peace Corps does not keep agency funds in business bank accounts. All cash receipts and disbursements are processed by the Treasury or the U.S. Department of State (DOS). Other financial data is computed as cumulative sums over time, or the overall financial worth of activity over a predetermined period, such as a full year or a quarter of a year, ending on the reporting date. For instance, the Peace Corps' statement of changes in net position's *cumulative costs of operations* figure represents the total cost of operations that the organization incurred during the given period. Net assets, assets, and liabilities are all "point in time" financial indicators. The terms "cumulative amounts over time" refer to both revenues and expenses. They represent the accumulation of several transactions that took place throughout the period in question. Also, it is advised that NPOs employ the accrual mechanism under IFR4NPO. The Peace Corp applies an accrual basis of accounting. The accrual approach recognizes revenues when received and costs when an obligation is incurred, regardless of receipt or payment of cash. For simplicity, many NGOs retain their records on a cash basis and convert them to an accrual basis at year-end to prepare the annual financial statements. The Peace Corps financial statements must be prepared in accordance with Generally Accepted Accounting Principles (GAAP) to ensure that they are presented consistently year after year and are comparable between organizations.

We can also measure the current liquidity of the nonprofit. Doing so can help us better understand which funds are a leverageable part of your operational budget and can be used to take on additional risks, such as expanding the organization. We can do this by calculating the months for cash and assets that your organization has on hand to pay for items outside of your usual expenses. There are two different equations we can use to calculate this: the *months of Liquid Unrestricted Net Assets (months of LUNA)* and the *months of cash on hand*. Both are calculated using the information located in the non-profit statement of financial position.

- **Months of Liquid Unrestricted Net Assets (LUNA)**---To calculate the months of LUNA, we need to take the total unrestricted net assets found on our nonprofit balance sheet and subtract the property and equipment assets (found in the first section). This is because those assets are tied up in physical belongings (property, software, etc.) and cannot be liquidated to cover additional liabilities. Then, divide this number by the average monthly expenses incurred by the organization. The result is the number of months that we can cover with the liquid assets we have on hand. It's generally recommended that organizations have the assets on hand to cover at least three months of operating expenses(*Non-profit Statement of Financial Position (or Balance Sheet)*, n.d.). Here's what to consider when calculating months of LUNA.

To calculate LUNA for PEACE CORPS;

		2021		**2020**
Months of Liquid Unrestricted Net Assets	$\left[\frac{334,884-44,299}{279,510}\right]$	**1.04**	$\left[\frac{293,022-38,230}{249,595}\right]$	**1.02**

The Peace Corps Months of LUNA is within the range of 0 and 3 for the accounting years 2020 and 2021. It is therefore recommended that they start considering how to readdress their financial positioning in terms of distributing their resources. This is the most accurate way of calculating an organization's liquidity and its potential risk simply because it takes into account the organization's restricted assets ensuring that they are used for the intended purpose.

- **Months of Cash on Hand---**The second equation you can use to find the liquidity of your organization is the months of cash on hand. This calculation does not account for asset restriction, in contrast to the months of LUNA . However, it is a simpler equation to calculate. We can find it by dividing the average monthly expenses by your total cash and cash equivalents.

To calculate the months of Cash on hand for PEACE CORP;

		2021		**2020**
Months of Cash on hand	$\left[\frac{356,173}{279,510}\right]$	**1.27**	$\left[\frac{480,031}{249,595}\right]$	**1.92**

Generally, you'll want to have between three and six months of cash on hand to determine that your organization is in a financially stable and healthy position which is unattainable by the Peace Corps (within the range of 1 to two months).

After reading "The Peace Corps Statements of Changes in Net Position for the Years Ended September 30, 2021 and 2020," the following reconciliation can be made with other financial statements of the Peace Corps;

	(000)	(000)	(000)
	$	**$**	**$**
1. Unexpended Appropriations:			
Beginning Balance		**199,374**	
Appropriations Received	410,500		
Other Adjustments	(31,796)		
Appropriations Used	(346,765)		
Change in Unexpended Appropriations		31,939	
Total Unexpended Appropriations as end of 2021			***231,313***
Cumulative Results of Operations:			
Beginning Balances		(144,803)	
Change in Cumulative Results of Operations (144803-132404)		12,399	
Cumulative Results of Operations			**(132,404)**
Net Position			***98,909***

	(000)	(000)	(000)

	$	$	$
2. Breakdown of Unexpended Appropriations			***[3]231,313***
Beginning Balance		**(144,803)**	
Appropriations Used	346,765		
Donations and Forfeitures of Cash and Cash Equivalents		869	
Transfers In/Out without Reimbursement		66	
Donations and Forfeitures of Property		143	
Imputed Financing (Note 12)			11,746
Other		8,983	
Total Cost of Operations		**[4](223769)**	
Net Cost of Operations		***[5]356,173***	
Cumulative Results of Operations			(132,404)
Total Net Position ***98,909***			[6]

Appropriation means the amount available for Peace Corps. There is $199,374 carried forward from the year 2020 as the fund not spent. Also, an amount of $410,500 is received during the year 2021 and $346,765 was used during the year 2021 and by small adjustment ($31,796) remains not spent of $231,313 as the end of 2021 and disclosed on the Balance Sheet. Thus reflected as Unexpended Appropriations as a source on the Balance Sheet. However, we can criticize that there is no breakdown of appropriations used to have information about how the funds are used. Peace Corps applies a method of disclosure which gives the changes on some important amounts but not the details as the Beginning balance of Cumulative Results of Operations and Change in Cumulative Results of Operations.

[3] Disclosed under Net Position title of the Balance Sheet
[4] Disclosed as bottom line of Statement of Net Cost
[5] Disclosed under the Peace Corps Statement of Net Cost
[6] Disclosed on the Balance Sheet under title Net Position

Table 4: Statements of Changes in Net Position

Peace Corps
Statements of Changes in Net Position
For the Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Unexpended Appropriations		
Beginning Balance	199,374	156,403
Appropriations Received	410,500	498,500
Other Adjustments	(31,796)	(2,935)
Appropriations Used	(346,765)	(452,594)
Change in Unexpended Appropriations	31,939	42,971
Total Unexpended Appropriations	231,313	199,374
Cumulative Results of Operations		
Beginning Balances	$ (144,803)	$ (145,704)
Appropriations Used	346,765	452,594
Donations and Forfeitures of Cash and Cash Equivalents	869	726
Transfers In/Out Without Reimbursement	66	167
Donations and Forfeitures of Property	143	-
Imputed Financing (Note 12)	11,746	8,894
Other	8,983	18,551
Net Cost of Operations	356,173	480,031
Change in Cumulative Results of Operations	12,399	901
Cumulative Results of Operations	(132,404)	(144,803)
Net Position	$ 98,909	$ 54,571

7 Conclusion

The objective of this article is to determine the current condition of NPO reporting practices and to review the contents and presentation of the Peace Corps financial statements. It is observed that NPOs are not efficiently using financial statements as a means of communicating information. There are no globally accepted accounting and financial reporting standards for non-profit organizations as IFRS for privately owned and profit-oriented business entities. Also, The International Public Sector Accounting Standards Board (IPSASB) works to improve public sector financial reporting worldwide through the development of (IPSAS), international accrual-based accounting standards, for use by governments and other public sector entities around the world (*IFAC*, n.d.). CIPFA has a project for financial reporting for NPOs which is introduced in this article. Contents of the financial statements for non-profit organizations are having differences compared to the profit-oriented business entities depending on their unique characteristics. Also, additional financial statements are possibly needed as we observe in Peace Corp. Fund accounting is briefly covered since its relevance to NPOs.

The Peace Corps financial statements are prepared abiding by the "Accountability of Tax Dollars Act 2002" and the Federal Accounting Standards Advisory Board (FASAB) since the Peace Corps is a USA organization. There are no sufficient regulations in the Gambia for NPOs. Different regulatory frameworks for various types of NPOs may exist both within and between national jurisdictions, as mentioned by the IFR4NPO standard. For instance, a UK charity incorporated as a business abides by the Companies Act 2006 rules, but a social enterprise charity will adhere to the Charities Statement of Recommended Practice (SORP). The various frameworks might result in various financial reporting consequences for comparable activity. Since accounting tends to be a common language to evaluate financial performance for all firms to enable better comparison and comprehension, there has been a convergence of accounting standards around the world in recent years for profit-oriented business entities. One of the goals of this article is to better understand the accounting problems that are unique to the international network of not-for-profit organizations. It also takes into account whether there is merit in adopting certain common accounting standards for NPOs globally, given the results of the literature review and empirical evidence. The question focuses on whether the creation of standards will allow NPOs to properly report to their stakeholders and so meet their demands. The essential financial information presented in the statements for NPOs will be quite consistent because they are required to use just a single set of fundamental underlying accounting standards and reporting methods, although the reporting formats may vary from organization to organization.

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