

Financial Reporting Alert

ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO)

APRIL 2019

Accounting Standards Applicable to Private Sector Not-for-Profit Organizations

The *CPA Canada Handbook – Accounting (Handbook)* defines a not-for-profit organization (NFPO) as “an entity, normally without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose. A not-for-profit organization’s members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.”¹

The Accounting Standards Board (AcSB) recognizes the diversity of Canadian NFPOs and the resulting diversity in the needs of their stakeholders. As such, private-sector NFPOs are given the choice of applying either the accounting standards in Part III (Accounting Standards for Not-for-Profit Organizations) or Part I (International Financial Reporting Standards) of the *Handbook*. It should be noted that government-controlled NFPOs apply the accounting standards in the *CPA Canada Public Sector Accounting Handbook* which are outside the scope of this Alert. Unless otherwise noted, references to NFPOs in this Alert refer to private-sector NFPOs only.

A NFPO applying the accounting standards in Part III of the *Handbook* also applies the standards for private enterprises in Part II (Accounting Standards for Private Enterprises) to the extent the standards in Part II address topics not addressed in Part III. In addition, several of the standards in Part III refer to a standard in Part II. When a NFPO applies a standard in Part II, references to “private enterprise” and “entity” should be read as “not-for-profit organization.”

¹ See paragraph 3(c) of the Preface to the *CPA Canada Handbook – Accounting*

The following table sets out the applicability of the standards in Part II of the *Handbook* to NFPOs. Where a standard in Part II is not applicable to NFPOs, the relevant standard in Part III is identified. When a standard in Part III refers to a standard in Part II, such references have been described further in the Comments column below.

Some NFPOs may have control of, or significant influence over, a for-profit enterprise. The for-profit enterprise will apply the standards in Part II.

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 1000, <i>Financial statement concepts</i>		Section 1001, <i>Financial statement concepts for not-for-profit organizations</i>	
Section 1100, <i>Generally accepted accounting principles</i>		Section 1101, <i>Generally accepted accounting principles for not-for-profit organizations</i>	
Section 1400, <i>General standards of financial statement presentation</i>		Section 1401, <i>General standards of financial statement presentation for not-for-profit organizations</i>	
Section 1500, <i>First-time adoption</i>		Section 1501, <i>First-time adoption by not-for-profit organizations</i>	
Section 1505, <i>Disclosure of accounting policies</i>	X		
Section 1506, <i>Accounting changes</i>	X		
Section 1508, <i>Measurement uncertainty</i>	X		
Section 1510, <i>Current assets and current liabilities</i>	X		

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 1520, <i>Income statement</i>		See "Statement of Operations" in Section 4400, <i>Financial statement presentation by not-for-profit organizations</i> .	
Section 1521, <i>Balance sheet</i>		See "Statement of Financial Position" in Section 4400.	
Section 1540, <i>Cash flow statement</i>	X	See also "Statement of Cash Flows" in Section 4400.	Paragraph 4400.46 indicates that a NFPO should prepare its statement of cash flows in accordance with Section 1540. In addition, paragraphs 4400.48-.53 contain application guidance on how to apply some of the guidance in Section 1540 to NFPOs.
Section 1582, <i>Business combinations</i>			not applicable to NFPOs
Section 1591, <i>Subsidiaries</i>	X	See also Section 4450, <i>Reporting controlled and related entities by not-for-profit organizations</i> .	A NFPO refers to Section 4450 for presentation and disclosure requirements on reporting controlled, significantly influenced and related entities in its financial statements. However, paragraph 4450.05 directs a NFPO to paragraphs 1591.03, .05-.06, .08-.13 and .22 for further factors to consider when determining whether a NFPO controls a profit-oriented enterprise.

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 1601, <i>Consolidated financial statements</i>	X	See also Section 4450.	A NFPO refers to Section 4450 for presentation and disclosure requirements on reporting controlled, significantly influenced and related entities in its financial statements. However, if a NFPO chooses to consolidate its controlled for-profit entities, paragraph 4450.33 indicates the consolidated financial statements are to be prepared in accordance with Section 1601. Further, paragraph 4450.35 indicates that a NFPO refers to the disclosure requirements contained in Section 1601 when such consolidated financial statements are prepared.
Section 1602, <i>Non-controlling interests</i>			not applicable to NFPOs
Section 1625, <i>Comprehensive revaluation of assets and liabilities</i>			not applicable to NFPOs
Section 1651, <i>Foreign currency translation</i>	X		
Section 1800, <i>Unincorporated businesses</i>			not applicable to NFPOs
Section 3031, <i>Inventories</i>		Section 3032, <i>Inventories held by not-for-profit organizations</i>	

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 3051, <i>Investments</i>	X	See also Section 4450.	<p>A NFPO refers to Section 4450 for presentation and disclosure requirements on reporting controlled, significantly influenced and related entities in its financial statements.</p> <p>However, if a NFPO chooses to account for its controlled for-profit entities using the equity method, paragraph 4450.33 indicates the equity method is to be applied in accordance with Section 3051. Further, paragraph 4450.35 indicates that a NFPO refers to the disclosure requirements contained in Section 3051 when the equity method is used to account for its controlled investments.</p> <p>If a NFPO has significant influence over a profit-oriented enterprise, paragraph 4450.43 states that such investment is accounted for using the equity method in accordance with Section 3051. Further, paragraph 4450.44 indicates that a NFPO refers to the presentation and disclosure requirements contained in Section 3051 when the equity method is used to account for a significantly influenced investment.</p>

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 3056, <i>Interests in joint arrangements</i>	X	See also Section 4450.	A NFPO refers to Section 4450 for presentation and disclosure requirements on reporting controlled, significantly influenced and related entities in its financial statements. However, paragraph 4450.39 directs a NFPO to Section 3056 for guidance on different types of joint venture arrangements and how they may be identified.
Section 3061, <i>Property, plant and equipment</i>	X	See also Section 4433, <i>Tangible capital assets held by not-for-profit organizations</i> and Section 4441, <i>Collections held by not-for-profit organizations</i> .	A NFPO refers to Section 4433 when accounting for tangible capital assets. However, paragraph 4433.01(a) directs a NFPO to Section 3061 for guidance on tangible capital assets unless otherwise provided for in Section 4433. Further, paragraph 4433.29 indicates that upon initial adoption of Section 4433, a NFPO refers to Section 3061 to apply the requirements of componentization and related amortization to its tangible capital assets.
Section 3063, <i>Impairment of long-lived assets</i>		Section 4433	
Section 3064, <i>Goodwill and intangible assets</i>		Section 4434, <i>Intangible assets held by not-for-profit organizations</i>	
Section 3065, <i>Leases</i>	X		
Section 3110, <i>Asset retirement obligations</i>	X		

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 3240, <i>Share capital</i>		See "Statement of Changes in Net Assets" in Section 4400.	
Section 3251, <i>Equity</i>		See "Statement of Changes in Net Assets" in Section 4400.	
Section 3260, <i>Reserves</i>		See "Statement of Changes in Net Assets" in Section 4400.	
Section 3280, <i>Contractual obligations</i>	X		
Section 3290, <i>Contingencies</i>	X		
Section 3400, <i>Revenue</i>	X	See also Section 4410, <i>Contributions - revenue recognition</i> and Section 4420, <i>Contributions receivable</i> .	A NFPO refers to Section 4410 when accounting for contributions and related investment income and Section 4420 when accounting for contributions receivable. Paragraph 4410.01 directs a NFPO to Section 3400 when accounting for other types of revenue, such as revenue arising from the sale of goods or services.
Section 3462, <i>Employee future benefits</i>	X	See also Section 3463, <i>Reporting employee future benefits by not-for-profit organizations</i> .	A NFPO refers to Section 3463 when accounting for employee future benefits. However, paragraph 3463.01 directs a NFPO to Section 3462 for guidance on employee future benefits, unless otherwise provided for in Section 3463.
Section 3465, <i>Income taxes</i>			not applicable to NFPOs

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
Section 3475, <i>Disposal of long-lived assets and discontinued operations</i>	X		
Section 3610, <i>Capital transactions</i>			not applicable to NFPOs
Section 3800, <i>Government assistance</i>			not applicable to NFPOs
Section 3805, <i>Investment tax credits</i>			not applicable to NFPOs
Section 3820, <i>Subsequent events</i>	X		
Section 3831, <i>Non-monetary transactions</i>	X		
Section 3840, <i>Related party transactions</i>		Section 4460, <i>Disclosure of related party transactions by not-for-profit organizations</i>	
Section 3841, <i>Economic dependence</i>			not applicable to NFPOs
Section 3850, <i>Interest capitalized – disclosure considerations</i>	X		
Section 3856, <i>Financial instruments</i>	X		
Section 3870, <i>Stock-based compensation and other stock-based payments</i>			not applicable to NFPOs

Standard in Part II of the <i>Handbook</i>	Applicability to NFPOs	Relevant Standard in Part III of the <i>Handbook</i>	Comments
AcG-2, <i>Franchise fee revenue</i>	X		
AcG-14, <i>Disclosure of guarantees</i>	X		
AcG-16, <i>Oil and gas accounting – full cost</i>			not applicable to NFPOs
AcG-18, <i>Investment companies</i>			not applicable to NFPOs
AcG-19, <i>Disclosures by entities subject to rate regulation</i>			not applicable to NFPOs
Disclosure of allocated expenses (no relevant standard in Part II of the <i>Handbook</i>)		Section 4470, <i>Disclosure of allocated expenses by not-for-profit organizations</i>	

Comments

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