

Advisor Alert

ASNPO — Proposed changes to the accounting for contributions by not-for-profit organizations

MAY 2023

What's changing?

In March 2023, the Accounting Standards Board (AcSB) issued an Exposure Draft proposing the following changes to the Accounting Standards for Not-for-Profit Organizations (ASNPO):

- Introducing a new standard, Section 4411 *Contributions received by not-for-profit organizations*, which would replace Section 4410 *Contributions — revenue recognition* and Section 4420 *Contributions receivable*
- Replacing the current accounting policy choice between the deferral method and restricted fund method of recognizing contributions with a single approach for all not-for-profit organizations (NPOs)
- Changing certain definitions, the guidance for pledges and bequests, and the guidance for contributed materials and services
- Adding disclosure requirements in areas such as endowments and restrictions
- Amending Section 4400 *Financial statement presentation for not-for-profit organizations* for related considerations

The proposals would be effective for fiscal periods beginning on or after January 1, 2026.

Where do I go to learn more?

To assess the possible impact on your organization, there are a number of sources available to learn more about the proposals

Resource	Link
The AcSB has issued an overview of its Exposure Draft in an In Brief publication.	Publication
The full Exposure Draft, including the proposed handbook section and amendments, is available.	Exposure Draft
In early May, the AcSB hosted a 1-hour webinar summarizing the proposals; it can now be viewed on demand.	Webinar

Your Grant Thornton advisor is also available to discuss the potential impacts on your organization.

How do I provide feedback on the proposals?

Stakeholders can answer any or all of the questions included within the Exposure Draft by submitting a [response letter](#) by the response deadline of September 30, 2023.

Registration information and session dates for additional consultation activities hosted by the AcSB (such as roundtables or other discussion sessions) will be posted to the [Contributions — Revenue Recognition and Related Matters](#) project page in the future. The AcSB may also host surveys during the comment period; monitor the [Connect.FRAS.ca](#) site for more information.



Our thoughts

The specific impact of the proposals depends on each organization's current accounting policies for recognizing revenue from contributions, but some of the larger potential impacts are summarized below.

- The new definition for a “restricted contribution” would require the restriction to be explicitly communicated between the organization and the contributor. Restricted contributions would be deferred and only recognized as revenue when (or as) external restrictions are met. As a result, the timing of revenue recognition for some contributions may change.
- Some organizations currently following the restricted fund method of accounting for contributions will see a significant change in their financial statements, since:
 - capital asset contributions would have to be deferred and amortized over the life of the related capital asset (or recognized directly in net assets if the related capital asset is not amortized); and
 - endowment contributions would have to be recognized directly in net assets.
- In many cases, pledges and bequests would not be recognized until the cash is received.
- Organizations that use fund accounting presentation would also have to present its comparative information using fund accounting presentation (on the face of the statements, in the notes, or using schedules).
- An organization with endowment contributions would have to disclose information about how it manages its endowments, including how it monitors their fair value and compliance with endowment agreements, as well as quantitative information about the extent to which the fair value of endowments is less than the amount the contributor requires to be maintained permanently.
- An organization would have to disclose information about the assets it determines are available to meet the requirements of its restricted contributions, including endowments.

Contact your Grant Thornton advisor if you have any questions about the proposed changes.

The information and comments herein are for the general information of the reader and are not intended as advice or opinion to be relied upon in relation to any circumstances.

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