

In Brief

*A plain and simple overview of the AcSB's Consultation Paper
"Contributions – Revenue Recognition and Related Matters"*

"The AcSB is committed to improving accounting standards for NFPOs in Part III of the CPA Canada Handbook – Accounting to meet the evolving needs of our NFPO stakeholders. This project is a major part of that."

– Linda Mezon,
AcSB Chair

Project objectives:	The Contributions – Revenue and Recognition and Related Matters project considers the potential improvements to the guidance on accounting for contributions and related topics by not-for-profit organizations (NFPOs) in Part III of the CPA Canada Handbook – Accounting.
The project stage:	The AcSB is in the consultation stage, having issued its Consultation Paper, "Contributions – Revenue Recognition and Related Matters" in May 2020 to hear from stakeholders on the challenges of applying the existing contributions guidance.
Next steps:	The AcSB will undertake stakeholder consultations and consider all comments received on the Consultation Paper to decide what improvements are needed to the existing contributions guidance.
Comment deadline:	Comments are requested by December 15, 2020. The Consultation Paper was issued with an extended comment period to provide stakeholders more time to respond in light of COVID-19. The Board will continue to monitor the environment as it evolves.
How to respond:	Submit your comments by uploading your response letter via our online form.

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Why is the AcSB undertaking this project?

The world is changing and the AcSB wants to ensure the contributions standards remain fit-for-purpose in today's evolving NFPO landscape.

The existing contributions standards for NFPOs were established in 1996. While the standards have remained largely unchanged since that time, research suggests the landscape for many NFPOs has evolved. For example, contribution agreements are becoming increasingly complex.

The current guidance provides NFPOs with an accounting policy choice for the recognition of revenue from restricted contributions. The feedback we heard about the choices include the following;

- Users of NFPO financial statements informed the AcSB that this adds complexity to NFPO financial statements, and also creates a lack of comparability across the financial statements of different NFPOs; and
- preparers of NFPO financial statements informed the AcSB that this accounting policy choice accommodates the diverse needs of NFPOs and their users.

The guidance developed through this project would aim to balance the diverse needs and operations of NFPOs while addressing financial statement user concerns regarding the complexity and comparability of NFPO financial statements.



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What work has been undertaken on this project so far?

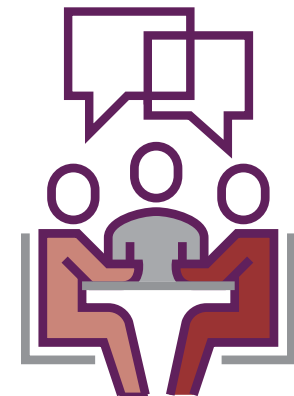
The AcSB has undertaken significant research to gain a preliminary understanding of the benefits and issues with the existing contributions guidance.

This project began in 2015 because of the stakeholder feedback we received on a joint paper with the [Public Sector Accounting Board, Statement of Principles, "Improvements to Not-for-Profit Standards."](#)

Since commencing this project, the AcSB undertook extensive research on:

- the current accounting treatment for contributions by NFPOs, including the recognition of revenue from restricted contributions;
- the practice issues that result from applying the existing accounting standards;
- stakeholder perspectives on current practice issues, including users of NFPO financial statements; and
- the guidance on accounting for contributions in other jurisdictions and current practices internationally.

The AcSB also asked for advice from its [Not-for-Profit Advisory Committee](#) throughout the development of the Consultation Paper.



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What is included in the Consultation Paper?

The Consultation Paper seeks feedback on a number of topics relating to the recognition of revenue from contributions.

The Consultation Paper seeks feedback on the following topics:

- The definition of restricted and unrestricted contributions.
- The timing of recognition of revenue from contributions.
- Specific types of contributions and transactions, including:
 - contributed materials and services;
 - endowment contributions;
 - capital asset contributions;
 - bequests; and
 - pledges.

The Consultation Paper also covers additional topics closely related to accounting for contributions that the Board is seeking input on:

Presentation and disclosure	Capital Asset Recognition Exemption	Financial Statement Concepts
<ul style="list-style-type: none">• The use of fund accounting presentation for NFPO financial statements.• Presentation of net assets, including restricted and unrestricted net assets.• Disclosure of restricted cash and other restricted assets.	<ul style="list-style-type: none">• The exemption from recognizing tangible and intangible capital assets when an NFPO's average consolidated revenues for the current and preceding fiscal years are less than \$500,000.	<ul style="list-style-type: none">• The interaction between the financial statement concepts in FINANCIAL STATEMENT CONCEPTS FOR NOT-FOR-PROFIT ORGANIZATIONS, Section 1001 and the accounting for contributions.

Unlike an exposure draft, this Consultation Paper does not include specific proposed guidance. This type of guidance will only be developed once feedback from this Consultation Paper is considered by the Board.

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Share your views!

The AcSB wants to hear your feedback!

The deadline to comment is December
15, 2020.

The AcSB will be hosting multiple opportunities for stakeholders to give us feedback on the topics discussed in this Consultation Paper.

Details about these opportunities will be made available soon via the [Contributions – Revenue and Recognition and Related Matters](#) project page.

Submit a comment letter

Submit a letter to the AcSB by uploading your response letter via our [online form](#).

Contact us for more information

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