



Improvements to Not-for-Profit standards

Not-for-Profit accounting standards with KPMG in Canada

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Not-for-Profit Organizations Accounting Standard Proposed Changes (Part III)

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Exposure draft

- Canada's Accounting Standards Board (AcSB) issued to amend Part III of the Handbook
- Developed with the AcSB Not-For-Profit Advisory Committee
- Comments due by May 31, 2017

Tangible capital assets

Apply accounting standards for private enterprises Part II of the Handbook, except where guidance is included in Section 4433

- Section 3061 to report the capitalization, amortization and disposal of tangible assets
- Section 3110 related to asset retirement obligations
- Section 3063 for disclosure requirements related to impairment of long lived assets

Tangible capital assets

- Section 3061 related to componentization for tangible capital assets
 - Where practicable and when estimates can be made of the lives of the separate components

Process

- Identify major components
- Identify useful life of the various components
- Financial statement presentation would show as a single asset

Tangible capital assets

Part III new Section 4433

- Same standards for contributed assets
- Same standards for works of art and historic treasures that are not part of a collection
- Same option for tangible capital assets for small organizations
- Guidance for transition on applying componentization; allocating costs to component parts

Tangible capital assets

Part III new Section 4433

- Expanded write-downs guidance including
 - Write downs for partial impairment in service potential
 - Write-downs to fair value or replacement cost
 - List of indicators, providing examples of conditions which may indicate write-down is required
 - Guidance for transition on applying partial write-downs; permitting an adjustment to opening net assets
 - Disclosure requirements for write-down

Tangible capital assets

List of impairment indicators

- (a) a significant decrease in, or cessation of, the need for the services provided by the tangible capital asset;
- (b) a significant adverse change in the extent or manner in which it is being used or in its physical condition;
- (c) a significant adverse change in legal factors or in the operating environment that could affect its value, including an adverse action or assessment by a regulator;
- (d) an accumulation of costs significantly in excess of the amount originally expected for its acquisition or construction;
- (e) a current expectation that, more likely than not, it will be sold or otherwise disposed of significantly before the end of its previously estimated useful life; and
- (f) a significant decrease in its market price.

Intangible assets

Apply accounting standards for private enterprises Part II of the Handbook, except where guidance is included in Section 4434

- Section 3064 to report the capitalization, amortization and disposal of intangible assets
- Section 3063 for disclose requirements related to impairment of long lived assets

Intangible assets

Part III new Section 4434

- Contributed assets
- Write-downs and partial write-downs
- Write-downs to fair value or replacement cost
- List of indicators, providing examples of conditions which may indicate write-down is required
- Guidance for transition on applying partial write-downs; permitting an adjustment to opening net assets
- Disclosure requirements for write-down

Collections

- Replace section 4440 with new section 4441
- Recognize collections held by NFPOs on the statement of financial position at either cost or nominal value
- All collections are to be recorded using the same method

Collections

- Guidance on determining cost
 - Purchase price
 - Fair value of contributed assets
 - Other costs directly attributable including installation costs, freight, transportation, duty, design and engineering fees, legal, survey, site preparation costs

Collections

- On disposal of collections, the difference between proceeds and net carrying amount to be recorded
 - In accordance with Section 4410 Contributions when subject to external restrictions
 - In the statement of operations when no external restrictions

Collections

- Write-down of collections for partial impairments with change in events or circumstances such as
 - (a) a significant adverse change in the extent or manner in which it is being used or in its physical condition;
 - (b) a significant adverse change in legal factors or in the operating environment that could affect its value;
 - (c) an accumulation of costs significantly in excess of the amount originally expected for its acquisition or construction; and
 - (d) a significant decrease in its market price when readily determinable.
- Write-down to fair value or replacement cost as an expense through the statement of operations.

Collections

- Disclosure requirements for write-down
- Transition provisions
 - Apply retrospectively
 - If elect to record at cost; retrospective capitalization can be applied at
 - (a) cost or fair value at date of acquisition or
 - (b) fair value or replacement cost at date this section is applied
 - Guidance for transition on applying partial write-downs; permitting an adjustment to opening net assets

Effective date

- Proposed effective date is years commencing on or after January 1, 2019
- Exposure draft questions whether an effective date commencing on or after April 1, 2019 would be preferred, as a result of the number of March year ends

Survey

KPMG values your input.

We will be surveying NPOs with respect to these proposed changes. The survey will be available on April 4, 2017 using the following link.

<https://surveys.kpmg.ca/se.ashx?s=58F0021734D71EDB>



Not-For-Profit Standards – Active Projects

The NPO Advisory Committee (established by AcSB) continues address the next two phases of three

- Accounting Standard improvement – Phase 1
 - Tangible capital assets
 - Intangible assets
 - Works of art, historical treasures, collections and similar items
- Contributions – Revenue Recognition and Related Matters
 - Contributions
 - Size exemption (\$500,000) for tangible and intangible assets
 - Financial statement presentation
- Reported Controlled and Related Entities*
 - Controlled and related entities
 - Expense reporting by function and object
 - Economic interests
 - Related party transactions
 - Allocated expenses



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Questions?



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