

**PRACTICA CONTABILITATII SI INTOCMIREA SITUATIILOR FINANCIARE ALE
ORGANIZATIILOR CARITABILE NONPROFIT CONFORM IFRS SI NP(S)BO**

**PRACTICE OF ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS
OF NON-PROFIT CHARITABLE ORGANIZATIONS ACCORDING TO IFRS AND
NP(S)BO**

CZU: [657.37:006.32+061.235](477)

DOI: <https://doi.org/10.53486/isca2023.04>

Olena RAZBORSKA,

Vasyl Stus DonNU, Ukraine

E-mail: o.razborska@donnu.edu.ua

ORCID ID: 0000-0003-4519-0381

Viktor TOMCHUK,

Vasyl Stus DonNU, Ukraine

E-mail: v.tomchuk@donnu.edu.ua

ORCID ID: 0000-0001-8575-4618

Abstract. Complex situation in Ukraine, which is connected directly and with the introduction of martial law, the implementation of military operations on our territory, necessitated the involvement of numerous non-state actors organizations - charitable organizations, in order to solve a number of issues. Due to the fact that charitable organizations belong to non-profit organizations, they face many problems related to management, management accounting and reporting. Methods of keeping records and drawing up financial statements in non-profit organizations should comply with generally accepted rules and display as accurately as possible the results of their economic activity, providing a complete, objective and reliable information to interested users. The importance of the topic is to study the accounting and reporting features of the operations of non-profit organizations in terms of their assets and sources of financing, the specifics of the composition of their income and expenses; finding ways to solve the problems of regulating the activities of non-profit charitable organizations, the technology of accounting for targeted financing funds and their use in conditions of uncertainty due to the consequences of military operations.

The research used scientific methods and approaches, in particular, comparisons to reveal the peculiarities of accounting for charitable aid, in monetary or other material form, for specific purposes based on international and domestic standards; formalization and generalization of the main technological tasks of the organization and accounting methodology in non-profit organizations.

The results. On the basis of the conducted research, the problems of determining their legal status existing in domestic non-profit charitable organizations were singled out, changes and additions to the methodological basis of accounting of funds of targeted financing and their use, stocks, fixed assets and their depreciation were proposed, which will allow to achieve the identity of the display of operations, formation of reliable accounting information that would ensure the effectiveness of assessment and planning of their activities.

Keywords: non-profit charities, earmarked funding, assets, liabilities, capital, income, expenses, accounting, financial reporting, accounting and reporting standards.

Introduction. Political and social instability in Ukraine and in the world as a whole put forward new requirements that relate to the formation of those responsible institutions of civil society and improving the quality of life people. To social institutions that contribute to the development of civil society, belong to public and charitable organizations. They are the ones important components of the institutionalization of public interests. Mainly the purpose of these organizations is to achieve social, charitable, educational, cultural and scientific goals, development of physical culture and sports, satisfaction of non-material needs - spiritual, in addition - protection of rights citizens, their interests.

Given the new realities in which we live, category help of citizens who especially need it is extremely important, that's why it comes to the fore from among all other tasks of the aforementioned organizations. The main role in solving the problems of citizens is always performed by the state. It was she who was and remains the guarantor of protection, social security. However, the difficult situation in Ukraine, which is related directly and with the introduction of martial law, the implementation of military operations on our territory, necessitated the involvement of numerous non-state actors organizations - charitable organizations, in order to solve a number of issues.

Charitable organizations have always functioned in Ukraine, but in recent years there has been a rapid increase in their number. In general, the tendency in Ukraine is that people respond to every crisis with active actions. This was the case in 2014-2015, when there was a boom in volunteer and public initiatives, as well as during the lockdown due to Covid-19 in 2020-2021, and especially with the beginning of Russian military aggression in Ukraine in 2022 until today.

April 2022 showed exceptional activity in issues of support for the army, the state and vulnerable population groups. Yes, in compared to April 2021, 12 times more registrations were recorded organizations specializing in charitable activities, in particular, from taking into account the possibility of fundraising [1]. Data on the number of registered charitable organizations in Ukraine as of the beginning of May 2022 is shown in *Figure 1*.



Figure 1 – Registered charitable organizations of Ukraine as of beginning of May 2022

Source: based on [1]

Charitable organizations can be created in the form of charities societies, charitable institutions or charitable foundations. Their activities regulated at the legislative level by the Law of Ukraine "On Charitable activities and charitable organizations"[4], the Law of Ukraine "On humanitarian assistance"[3] and other normative acts.

Characteristics of charitable organizations include dominance social motives, values and goals over financial ones, diversity stakeholders and an action-oriented rather than an administrative culture. As a rule, the purpose of charitable organizations is not to make a profit, but focusing on social goals, be it poverty reduction, development communities, sustainable development or health and social care. As consequently, there is no institutionalized final result, such as profit, for which could be used to evaluate the activities of such non-profit organizations. In addition, their mission is usually aimed at a specific group of customers or beneficiaries, such as the local community of persons with special needs in the field health care or social needs.

Due to the fact that charitable organizations belong to non-profit organizations, they face many problems related to management, management accounting and reporting.

The purpose of the publication is to study the accounting and reporting features of the operations of non-profit organizations in terms of their assets and sources of financing, the specifics of the composition of their income and expenses; finding ways to solve the problems of regulating the activities of non-profit charitable organizations, the technology of accounting for targeted financing funds and their use in conditions of uncertainty due to the consequences of military operations.

Basic content. Charities are undeniably associated with financial activities, which determines the need for proper documentation and the direction of financial support in accordance with the defined goals. The activities of non-profit organizations can be financed from the account funds from the state budget, and at the expense of self-earned funds, namely therefore, the spending of funds is strictly controlled by the state and there is a need for correct and complete display of cost data accounting for further reporting and control.

It is worth noting that there is no separate special document which would regulate the implementation of the accounting process by non-profit organizations. That is why they, like other business entities, use NP(S)BO and IFRS.

Accounting methods in non-profit organizations must comply with generally accepted rules and display as accurately as possible the results of their economic activity, providing a complete, objective and reliable information to interested users. Organization data develop and approve an accounting policy that includes the following sections: working chart of accounts with specified synthetic and analytical accounts necessary for accounting; forms of primary accounting documents, registers, as well as documents for internal accounting reporting; the procedure for carrying out an inventory assets and liabilities of the organization; methods of assessing assets and liabilities; document flow rules and accounting information processing technology; order control over economic operations; other decisions necessary for organization of accounting [14].

The accounting objects of non-profit charitable organizations, like any other economic entities, are: assets, capital and liabilities, business processes and operations, income and expenses.

A feature of the assets of non-profit organizations is that they are not so wide a warehouse, for example, at a manufacturing enterprise. Data of the organization in in most cases do not have capital investment and long-term receivables, their operations with financial investments are limited As a rule, there are none in non-profit charitable organizations statutory, reserve, unpaid and withdrawn capital. During them long-term obligations almost never arise in the activity, c including obligations for bank loans, and indebtedness to suppliers.

The operations of non-profit organizations are quite specific, usually they are related to membership fees, charity and humanitarian help, etc. and are carried out according to the organization's own rules, as does not have a specific standard or at least prescribed Methodical ones recommendations that would regulate them.

A significant share of all operations of charitable organizations is occupied by those who relate specifically to targeted funding. They are a characteristic feature of them activity Unfortunately, there is no definition of targeted funding in NP(S)BO. On in practice, two approaches to this issue have developed (see *Table 1*).

Table 1 – Approaches to the interpretation of targeted funding

Approach 1. All income of non-profit organization is targeted funding	Approach 2. Targeted funding is only those revenues that are provided for specific goals
<p>Proponents of this approach claim that since all received must be spent only for statutory purposes, then accordingly it is considered targeted.</p> <p>Ago: <i>Income = Expenses</i></p> <p>Taxpayers, taking into account the specifics activities of non-profit organizations, <i>believe that it is appropriate to recognize all income of non-profit organizations targeted funding and targeted income</i>, including rent payments, interest received on deposits, exchange rate differences.</p> <p>In this case, income and expenses in the Report on the use of income (profits) will be equal in amount</p>	<p><i>Not all proceeds are earmarked.</i></p> <p>Arguments:</p> <ol style="list-style-type: none"> 1) the concept of targeted financing is appropriate only with respect to income received from the funds; 2) targeted financing - financing for purposes stipulated between the provider and receiver; 3) exchange rate differences, rent, interest, income from the sale of property (inventories, non-current assets, etc.) - not targeted financing. They are used on statutory purposes. But the provider does not install specific areas of use. <p>With this approach, <i>targeted funding (income) is money, assets that a non-profit organization receives without intended purpose, that is, without specific goals and spending conditions.</i></p>

Source: based on [13]

We like the second approach. They are convinced that they are charitable organizations may also have non-target revenues, i.e. funds that they receive without purpose, without clearly established conditions for them using.

Funds or property received in the form of targeted financing, are aimed at the implementation of specific programs and activities. Income and the use of targeted funding is carried out in accordance with individual normative-legislative acts and statutory documents. This species financing is carried out on the basis of free of charge, irreversibility and intended use. Accordingly, it can be considered one of the species income. Procedure for displaying information on targeted funding in accounting is regulated by items 16-19 of NP(S)BO 15 [7]. An interesting point is that, according to clause 16 of this standard, the target receipts are recognized as income not immediately, only after confirmation fulfillment of the conditions relating to such financing. In addition, such incomes are recognized in those periods when the costs related to by fulfilling the conditions of targeted financing. Paragraph 18 of NP(S)BO 15 states on targeted financing of capital investments and it is noted that the income of in such cases is recognized throughout the period of useful use investment objects in proportion to the monthly amount of data depreciation objects (fixed assets, intangible assets, etc.).

Many charities provide contributions for them maintenance. They are carried out in accordance with statutory documents non-profit organization, where the following is indicated: the order of their payment, periodicity, size. Such contributions are divided into one-time contributions (paid when the participant joins organization) and periodic, as well as targeted and non-targeted. Usually, membership fees are used to cover the current costs of the organization: payment of wages to employees, payment of taxes, utility payments, etc.

Receiving is also characteristic of non-profit organizations charitable assistance, in monetary or other material form (goods etc.) for specific purposes - treatment, recovery, etc.

All the above incomes of charitable organizations are attributed to income, which with other passive income of non-profit organizations is not subject to income tax.

As for the receipt of humanitarian aid, its accounting regulated by the order of the Ministry of Finance dated 14.12.1999 No. 298 "On the accounting procedure for humanitarian aid" [8]. Upon receipt and transfer of assets in the form of humanitarian aid, non-profit the organization does not record either income or expenses. Such information is displayed by "transit" through account 48 "Targeted financing and targeted income".

In the activities of non-profit organizations, as a rule, there are no processes production and sales, the supply process if it takes place, then it applies purely the purchase of stationery and other supplies for maintenance of own activities.

An important feature of charitable organizations is their specific composition their incomes and expenses - the organization of accounting of these objects occupies an important place in their activities. Quite often, non-profit organizations are faced with problems related specifically to the accounting of income and expenses, taxation of the final financial result, as well as the methodology for preparing the report information Recognition of income and expenses of non-profit activities of charitable organizations is conducted according to the principles provided for NP(S)BO 15 "Income" [5] and NP(S)BO 16 "Expenses" [9].

Income is recognized when the asset increases or decreases liabilities, provided that the estimate of income can be reliably determined. IN in this case, the accrual principle is used, not the cash principle method. Income is reflected in the amount of fair value of assets that received or to be received. During revenue display non-profit organizations need to take into account the specifics of their activities, because it affects the sources of funds formation, the main of which are precisely funds received from the conduct of statutory activities.

Expenses are reflected in accounting at the same time as a decrease in assets or an increase in liabilities (clause 5 NP(S)BO 16). Non-profit organizations keep records of expenses, as well as income according to the principle accruals, while using class 9 accounts "Expenses activity". They can apply together with 9th grade accounts and accounts 8 "Costs by elements", however, this is not mandatory. Requirements to the display of expenses by their types is shown in *Table 2*.

Table 2 – Display of expenses of non-profit organizations

<i>Type of expenses</i>	<i>Display requirements</i>
<i>1</i>	<i>2</i>
<i>Administrative costs (size no may exceed 20% per annum income) and other expenses</i>	Such expenses are recognized in the reporting period in which they are implemented (clause 7 of NP(S)BO 16. Under implemented, as a rule, they understand the fact of accrual. In this if it is about expenses charged for several periods, reflect their parts with breakdown into the periods to which they fall (for example, rental costs, subscription periodicals, insurance costs, etc.).
<i>Amortization. Expenses incurred for the period that</i>	If the asset provides economic benefits benefits over several accounting periods, then expenses recognized by systematic distribution of it cost (for example, in the form of depreciation)
<i>covers several reporting periods (costs of future periods)</i>	between in the relevant reporting periods (clause 8 NP(S)BO 16). Expenses of future periods are reflected on on a straight-line basis - monthly, quarterly in periods to which they belong

Source: based on [13]

Ideally, in the accounting of non-profit organizations for reporting period expenses should be equal to income (the first approach to display of targeted funding). In this case, neither loss nor profit does not arise. Such a picture is the dream of most non-profits organizations However, in practice, in accordance with the second approach determination of target funding, often things happen differently, organizations receive profit as a financial result. It is connected in to a certain extent with non-target revenues. For example, a certain amount of money the organization directed to a bank account for deposit. After receiving interest on the deposit, the bank does not dictate to the non-profit organization exactly where direct them. Of course, the charitable organization will use these funds for statutory purposes, but it would still not count as earmarked funding. Interest on the deposit will be reflected in the period for which it was calculated (clause 20 NP(S)BO 15).

The charitable organization may not use these funds in reporting period, and in the next one, in this case it will be observed in in the current period, the excess of income over expenses is profit. Usually non-profit charitable organizations are afraid of such a course of events, because false opinion that

this may be grounds for their exclusion from the Register non-profit institutions and organizations, where they are indicated by the sign (0036). Since this is a misconception, there are no tax consequences for a non-profit organization included in this register will also not arise. It is only important that the funds are still used in subsequent periods for certain purposes related to the purpose of the charitable organization. Only their inappropriate use will provoke questions from tax officials and will cause the need to pay income tax.

Non-profit organizations, like other business entities are required to form and submit financial statements. According to Part 3 of Article 11 of Law No. 996 "On Accounting and financial reporting in Ukraine" for micro-enterprises, small enterprises, non-entrepreneurial companies and representative offices of foreign entities economic activity, except for those that are required to make a financial statement reporting according to international standards, established abbreviated by indicators of financial reporting as part of the balance sheet and the financial report results [2].

NP(S)BO 25 "Simplified financial reporting" provides for non-entrepreneurial societies, including charitable ones organization, use of f. No. 1-ms and No. 2-ms (item 2, item 2, year I NP(S)BO 25) [10]. Only if they wish, they can use general forms (clause 2 of II NP(S)BO 1 "General requirements for financial reporting") [12]. Charitable organizations should submit annual financial statements to the relevant authorities, y including to state statistics bodies.

If the organization violates the conditions of "unprofitability": distribution income between participants, exceeding the threshold of administrative costs, etc., it is threatened with exclusion from the Register of non-profit institutions and organizations. In addition, in such a case, it will be necessary to submit a Usage Report income (profits) of a non-profit organization, the form of which has been approved by order of the Ministry of Finance No. 553 dated 17.06.2016 [11]. Charitable under such conditions, the organization also undertakes to pay tax on the amount non-statutory - non-purpose use.

The principles and terminology used in IFRS are focused primarily for commercial enterprises (private sector). Because of this, the state institutions and non-profit organizations that wish to apply IFRS, for if necessary, the names of individual reports and the description of certain articles may be changed, and also submit additional components of financial statements. Yes, non-profit organizations instead of the name "Balance" use the name "Report on assets, liabilities and balance of funds", and instead of the title "Report on financial results" - "Report on income and expenses" [6].

Conclusions

The practice of accounting of non-profit charitable organizations according to IFRS and NP(S)BO, which we considered in the study, proves that charitable organizations are voluntary, independent associations whose activities are not focused on profit, but on achieving defined goals and solving social problems. The specifics of their activity determine the specifics of the accounting process. Keeping records of income and expenses is quite specific. On this basis, there are often problems with displaying information based on accounting data objects. Lack of unified methods of displaying income and expenses does not allow comparative analysis of indicators of financial and tax reporting. To improve the efficiency of non-profit charitable activities it is important for organizations to solve a number of significant problems:

- unify methods of recognition of income and expenses in financial forms and tax reporting;
- justify the mechanism of taxation of the results of the implementation operations of non-core statutory activities;
- regulate the legal field.

Special attention should be paid to accounting of non-profit income organizations from other taxable sources for the purpose of preventing tax evasion by entering these amounts to income received from the main activity.

The accounting system of non-profit organizations needs changes, certain modernization, which involves the development of relevant national provisions (standards) of accounting, as their features

activities put forward other requirements for the formation of information necessary for accounting and control purposes.

Accounting methodology in non-profit organizations is imperfect. Quite often, questions arise regarding the reflection of funds in accounting target funding and their use, stocks, fixed assets and their depreciation. Making a number of changes and additions to the already existing methodical basis of accounting will achieve the identity of the display operations.

In addition, it should be noted that the legislation of Ukraine regarding legal status of non-profit organizations is also needed improvement, as there is no single normative legal act that would determine their legal status and regulate their activities.

Considering the fact that the number and value of non-profit organizations in Ukraine continues to grow, the formation of reliable accounting information that would ensure the effectiveness of the assessment and planning of their activities is a particularly important and urgent issue that requires further research into the conditions for facilitating the resolution of the problems of regulating the activities of non-profit charitable organizations, improvement of organizational aspects and methodical basis of accounting of funds of targeted financing and their use in conditions of uncertainty due to the consequences of military actions in the direction of using digital technologies in accounting and taxation to prevent the emergence of corruption schemes.

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