

## **SECTION PS 4240**

### **collections held by not-for-profit organizations**

**FOR FUTURE UPDATES TO THIS SECTION, See Section PS 3150**

**Section PS 4240 will be withdrawn from the PSA Handbook as of April 1, 2030, when Section PS 3150 becomes effective. Early adoption is permitted.**

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#### **PURPOSE AND SCOPE**

- .01 This Section establishes disclosure standards for collections held by not-for-profit organizations.
- .02 Works of art, historical treasures and similar items that are not part of a collection are dealt with in CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section PS 4230.

#### **DEFINITIONS**

- .03 The following definitions have been adopted for purposes of this Section:
- (a) **Not-for-profit organizations** are entities, 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.
- (b) **Collections** are works of art, historical treasures or similar assets that are:
- (i) held for public exhibition, education or research;
- (ii) protected, cared for and preserved; and
- (iii) subject to an organizational policy that requires any proceeds from their sale to be used to acquire other items to be added to the collection or for the direct care of the existing collection.

#### **NATURE OF COLLECTIONS**

- .04 Although items meeting the definition of a collection exhibit the characteristics of assets set out in Chapter 8 of the Conceptual Framework, they are not recognized in financial statements issued by governments and they are excluded from the definition of capital assets. Collections are made up of items that are often rare and unique. They have cultural and historical significance. Although collections are usually held by museums or galleries, other organizations may also have items that meet the definition of a collection. For example, an organization's library may include rare books which would be considered to be a collection for purposes of this Section. The regular library materials, however, would not usually meet the definition of a collection. [Former paragraph PS 4240.04, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- .05 Organizations holding collections act as custodians for the public interest. They undertake to protect and preserve the collection for public exhibition, education or research. The existence of a policy requiring that any proceeds on the sale of collection items be used to acquire additional items or for the direct care of the collection provides evidence of the organization's commitment to act as custodian of the collection.
- .06 The cost of capitalizing collections often would exceed the incremental benefit of the information gained, especially for organizations that have been in existence for several decades. Accordingly, although the capitalization of collections is not precluded, it is not required.

#### **DISCLOSURE**

- .07 *A not-for-profit organization should disclose the following:*
- (a) *a description of its collection;*
- (b) *the accounting policies followed with respect to the collection;*
- (c) *details of any significant changes to the collection in the period;*
- (d) *the amount of expenditures on collection items in the period; and*

- (e) *proceeds of any sales of collection items in the period and how the proceeds were used.* [JAN. 2012]
- .08 A description of the organization's collection may include the number and nature of items held or on display, including their relative significance. For large, diverse collections, such disclosure may take the form of a description by major categories, rather than by individual items.
- .09 Accounting policies related to collections may vary from organization to organization. Disclosure of the organization's accounting policies with respect to collections would include whether or not the collection is recognized in the statement of financial position and, if so, at what value. This disclosure would also state how contributed and purchased collection items are accounted for.
- .10 Changes in the collection resulting from acquisitions and disposals would also be disclosed. The disclosure would include a description of significant items acquired during the period and, where known, the fair values of contributed items. Also, the disclosure would include a description of significant items sold, given away, damaged, destroyed, lost or otherwise disposed of during the period. For larger collections with many changes to report, the disclosure may be provided by major category, rather than by individual item.
- .11 According to the definition of collections, proceeds from the sale of collection items would be used either to acquire new items for the collection or for the direct care of the collection. In accordance with paragraph PS 4240.07, the organization would disclose how any proceeds on the sale of collection items were used. If not all of the proceeds on sales have been used either to acquire new items for the collection or for the direct care of the collection by the reporting date, the organization would disclose how it plans to use the proceeds.

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