



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

ASF review: Tier 2 not-for-profit framework

October 2026

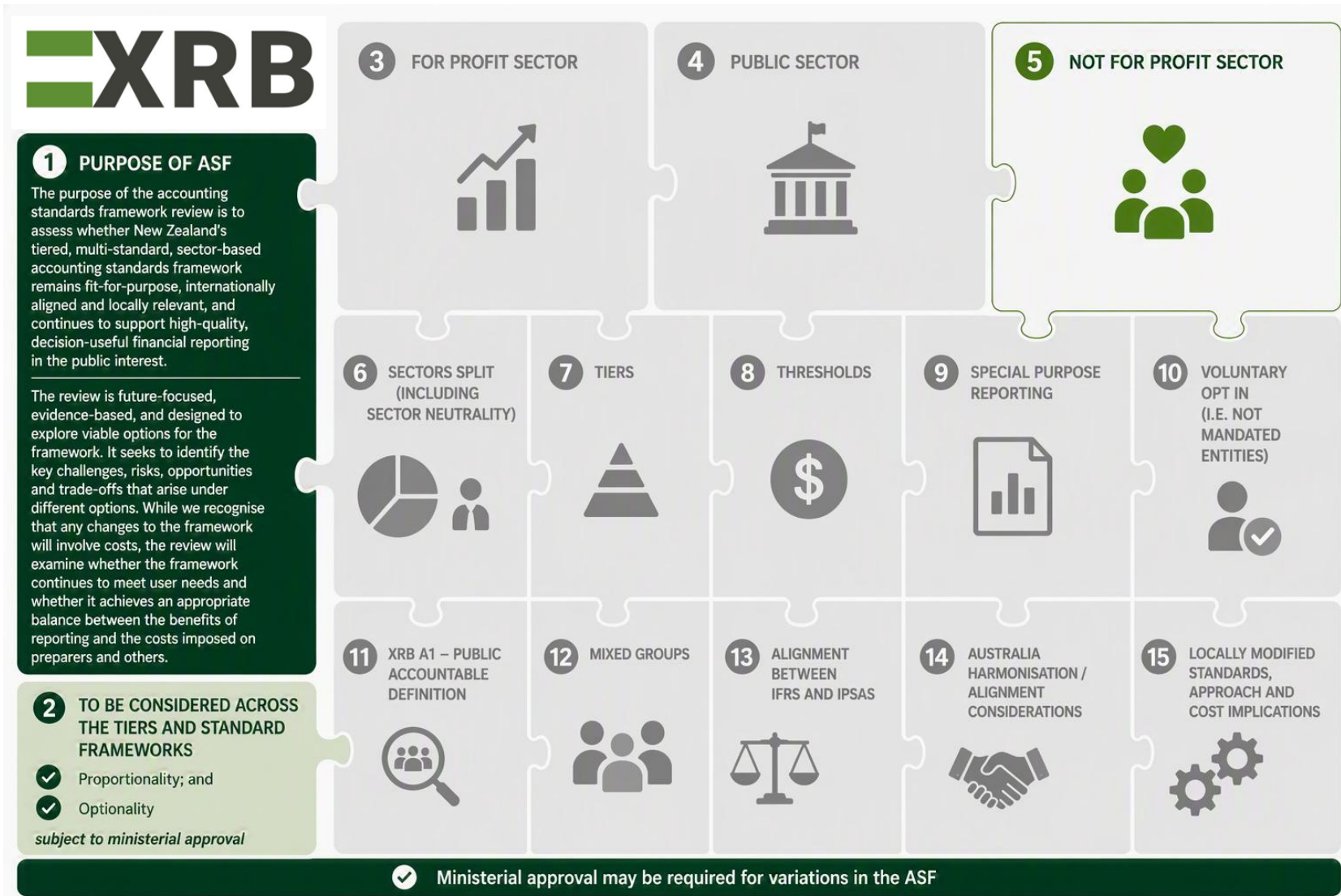
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ASF review – Where the NFP review fits in

The NFP sits within the wider ASF review – as element 5.



Who are Tier 2 NFP entities?

An entity is mandated to report under not-for-profit Tier 2 if it

1

Has no public accountability - as defined in XRB 1 - see [ASF – Definition of public accountability](#)

AND

2

Is a large not-for-profit entity with total expenses $\leq$ \$33 million but $>$ \$5 million

XRB A1.6— Definitions

Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit, where any equity is provided to support that objective rather than for a financial return to equity holders.

Not-for-profit PBEs. are PBEs that are not public sector PBEs

Public sector public benefit entities (public sector PBEs) are PBEs that are public entities as defined in the Public Audit Act 2001, ([Section 5](#)), which includes seven types of entity including the Crown, and all Offices of Parliament.

Economic significance of Tier 2 NFP entities

Small population that controls and uses substantial resources.

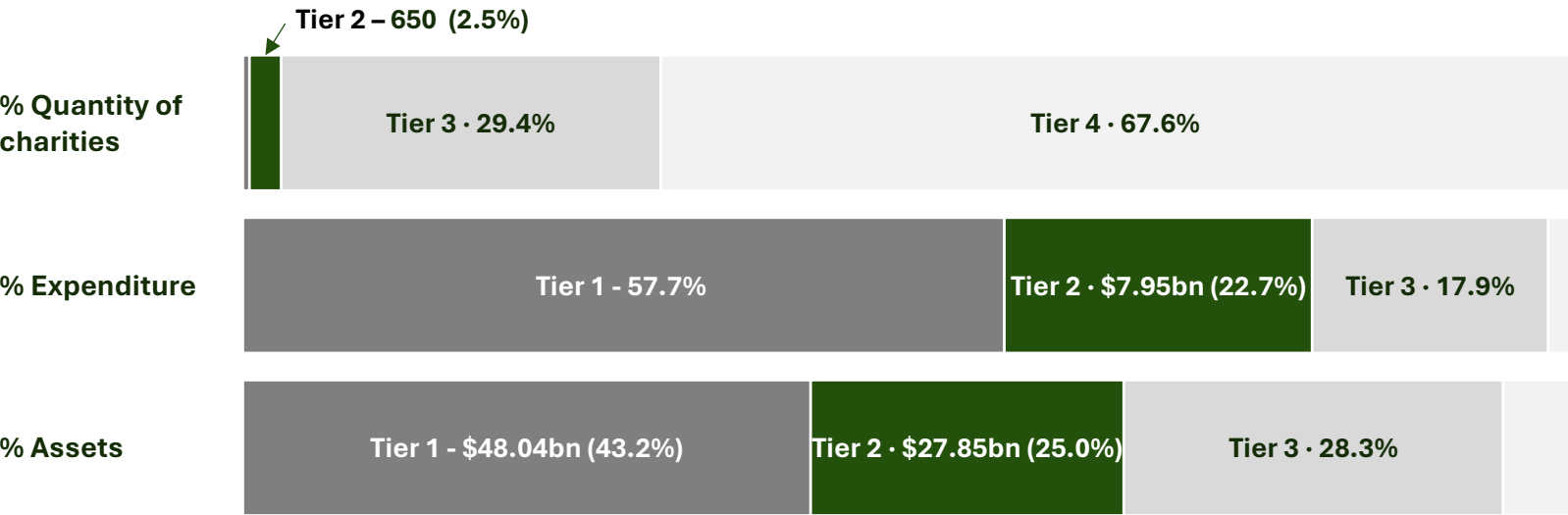
Registered charities
~ 650 entities

Incorporated societies
~ 263 entities

Other
e.g. some Post Treaty Settlement
Entities (PTSEs), non-charitable
NFPs, etc

Economic significance within registered charities

Although Tier 2 represent only about 2.5% of registered charities , they account for a significant share of the sector resources and activity



Source: Charities Register August 2026. Tiers defined by Total Expenditure thresholds applied to 26,491 charities. We note that the aggregate data may be overstated because some charities are included both individually and as part of a group. Nevertheless, the data still demonstrates the economic significance of the NFP sector, particularly as it captures only registered charities and excludes other NFPs, such as non-charitable incorporated societies and certain Māori organisations.

Diverse population

Size is a common feature, but legal form, purpose, funding, structure and operations vary significantly.



Activities

Deliver a wide range of health, education, social, cultural, religious, housing, and other community services across New Zealand.



Legal forms

Charitable trusts,
Incorporated societies,
Companies
Māori board and
Other



Operating models

Single-service
organisations through to
multi-programme and
multi-location groups



Structures

Some have subsidiaries,
controlled entities,
international operations or
combine public benefit
objectives with commercial
activities



Funding

Different mixes of
donations, grants,
government contracts,
fees, trading and borrowing



Transactions

Mainly straightforward
service delivery at large but
some may have complex
investments, financing
arrangements and group
reporting

User focus – Tier 2 NFP entities

Different users ask similar questions about accountability, performance and sustainability.



Primary users

- Currently includes a very broad primary user base:
 - Resource providers (such as donors, government and other funders, members and lenders) and their representatives; and
 - Service recipients (such as beneficiaries and the communities served) and their representatives.

Other users

- Financial statements are not primarily directed at these parties currently (not exhaustive):
 - Regulatory and oversight bodies (e.g. Charities Services)
 - Media, public interest and advocacy groups
 - Sector researchers, analysts and statisticians
 - Umbrella and membership bodies etc.



Nature of primary user needs

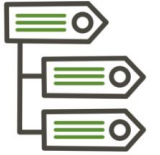
- Users need information that helps them assess accountability and make decisions, including:
 - Is the organisation achieving its purpose?
 - Is funding being used responsibly?
 - Is the organisation financially healthy?
 - Can it continue delivering services in the future?
 - Can it adapt to changing circumstances?



Implications for Tier 2 reporting

- Serve a broad and sometimes competing set of users and objectives
- Creates pressures; technically robust but understandable, comparable but relevant, transparent but material, decision useful across different audiences
- Accountability remains a central objective – focused on stewardship of donated and granted resources, mission and service performance, long-term sustainability (rather than financial return)
- Financial reporting alone will not meet user needs

Practical challenges with the current Tier 2 NFP framework



Practical implementation challenges provide context for assessing whether the current framework remains fit for purpose.



Complexity of requirements

Certain requirements require significant judgement, specialist expertise, and supporting systems, despite disclosure relief



Workforce capability

Limited IPSAS and PBE Standards expertise within the wider NFP sector



Cost of change and remaining current

Ongoing changes creates pressure on preparers and the broader ecosystem



Limited NFP-specific coverage

Additional guidance or disclosures are often needed to explain NFP-specific activities



Accountability and user needs

Financial reporting requirements may not always align with the information needs of key NFP stakeholders



Mixed group reporting

NFP groups may comprise entities operating under different reporting frameworks

Reporting framework options considered

Note

Inclusion as an option does not imply it is the preferred option.

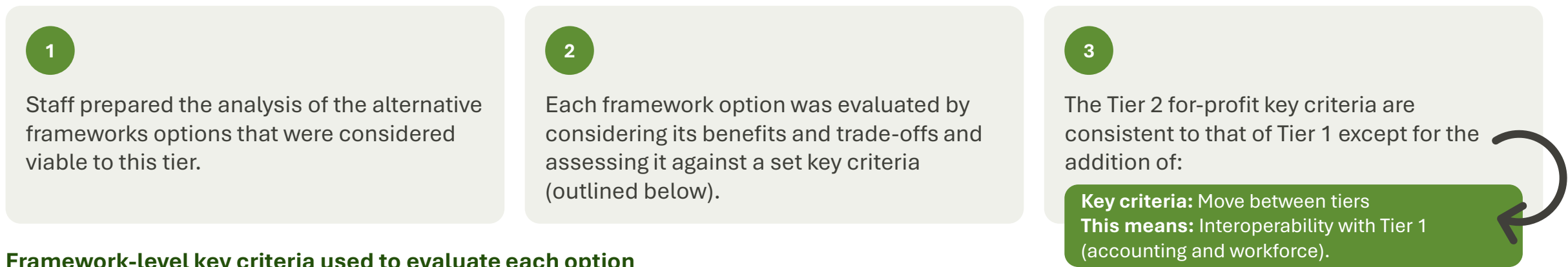
The paper considers the current Tier 2 NFP framework alongside four alternative reporting framework options.

OPTION A		OPTION A PBE Standards based on IPSAS with RDR	The current Tier 2 NFP framework: the same PBE Standards recognition and measurement requirements as Tier 1 NFP, with reduced disclosure requirements (PBE Standards RDR).
OPTION B		OPTION B INPAS	A recently released standalone international standard developed specifically for not-for-profit entities, with simplified recognition, measurement and disclosure requirements.
OPTION C		OPTION C IFRS RDR	The Tier 2 <u>for-profit</u> framework: the same IFRS recognition and measurement requirements as Tier 1 for-profit, with reduced disclosure requirements (IFRS RDR).
OPTION D		OPTION D Australian-adapted IFRS framework (NFP)	The Australian Tier 2 framework: an IFRS-based framework with modifications for NFP entities where necessary; the same recognition and measurement requirements as Tier 1, with reduced disclosures.
OPTION E		OPTION E Locally Modified Standards	An established international framework used as a base, with targeted modifications for the New Zealand reporting context.

Framework-level analysis criteria

Each viable option was assessed against eight key criteria.

Process followed



Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
This means:	Technical fitness; coherent suite capable of handling complex transactions developed with user needs in mind (preparer and user focus)	Simplification options (addressing preparers' concern about complexity)	Internationally aligned Internationally recognised and comparable - including Australia	Ability to make local modifications and/or influence internationally to enable local relevance	Ecosystem and workforce considerations (the market)	Cost of change (transition costs for preparer and ecosystem)	Ongoing costs of applying and maintaining the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)

Framework-level analysis – summary of assessment

Each viable option was assessed against eight key criteria.

The summary assessment of each framework option against the key criteria and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements and are open to challenge.

Tier 2 NFP Option	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs	Move between tiers	
A. PBE Standards based on IPSAS with RDR	●	●	●	●	●	●	●	●	● Strong fit / low concern
B. INPAS	●	●	●	●	●	●	●	●	● Mixed fit / medium trade-off concerns
C. IFRS RDR	●	●	●	●	●	●	●	●	● Significant trade-off concerns
D. Australian-adapted IFRS framework (NFP)	●	●	●	●	●	●	●	●	
E. Locally modified standards	●	●	●	●	●	●	●	●	

Tier 2 NFP Option	Include in DP	Key drivers of the assessment		
A. PBE Standards based on IPSAS with RDR	Include	1. Public sector focused framework	2. Ability to make changes to ensure it is fit-for-purpose	3. Internationally credible
B. INPAS	Include	1. Developed for the NFP sector	2. IFRS for SME foundation consider proportionality for Tier 2 NFP entities	3. Limited evidence of practical application
C. IFRS RDR	Include	1. Designed for for-profit entities	2. Closer alignment with Aus	3. Licence agreements limits simplification
D. Australian-adapted IFRS framework (NFP)	Include	1. Aligned with Aus	2. IFRS-based standards with Aus NFP adaptations	3. Licence agreements limits simplification
E. Locally modified standards	Include	1. Simplification possible and will be locally relevant	2. High transition and maintenance costs	3. Loss of international credibility. Not aligned with Aus

Optionality

The paper also considers whether Tier 2 not-for-profit entities should be permitted to use more than one reporting framework.

01

The question

Whether Tier 2 should permit more than one reporting framework, rather than a single consistent framework.

02

Potential benefit

Greater flexibility and potential cost savings for some entities able to report under a framework.

03

Trade-offs

- May reduce comparability.
- Increases audit, regulatory and capability requirements across the reporting ecosystem.



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Have your say

We welcome your feedback as we develop our thinking on the future of New Zealand's Accounting Standards Framework.

Let us know if our analysis is complete or whether there are additional challenges, opportunities, or perspectives we should consider.

Your input will help inform the development of the Discussion Paper.

Scan the QR code

Provide feedback on this topic and help
inform the development of the
Discussion Paper.

