



At a glance

Incorporated Societies

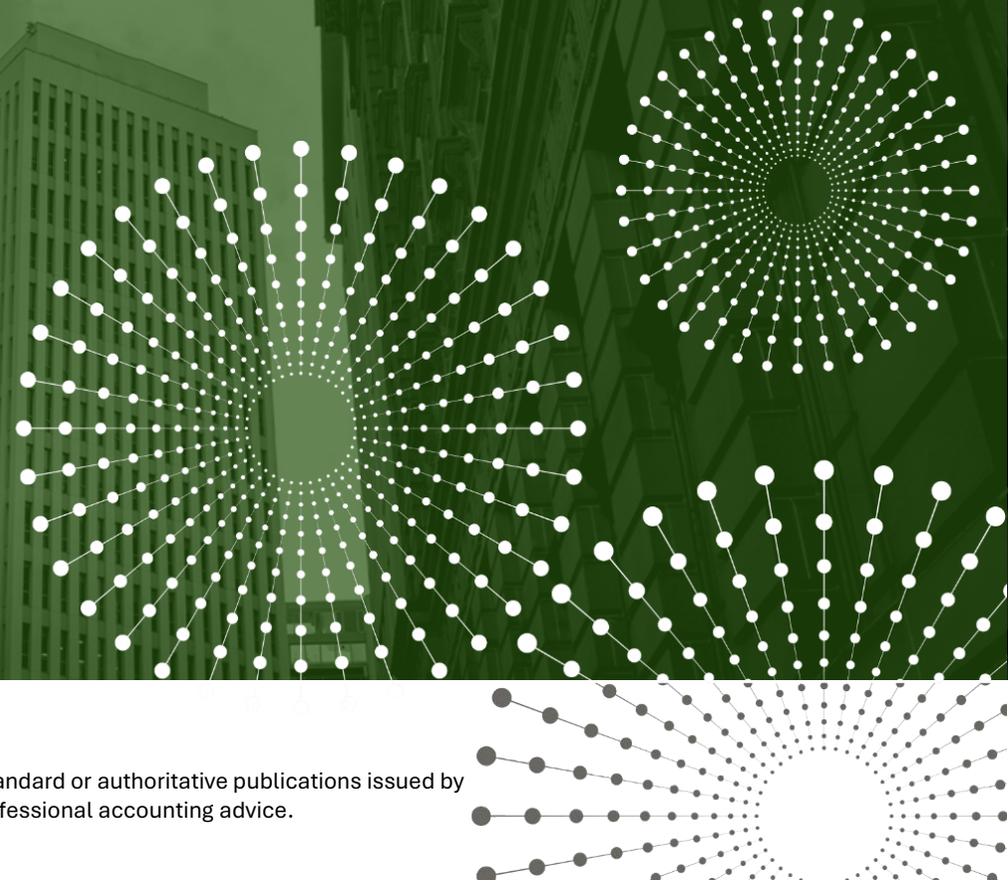
Applying the Tier 3 Not-for-Profit (NFP)
Standard

Transition guide

February 2026

Disclaimer

This guidance has been prepared by staff of the External Reporting Board (XRB). It does not form part of any Standard or authoritative publications issued by the XRB. It should not be used as a substitute for reading the Tier 3 (NFP) Standard, nor is it a substitute for professional accounting advice.





Applying the Tier 3 NFP Standard: First time adoption?

The Tier 3 Not-For-Profit Accounting Standard

The [Tier 3 Not-For-Profit \(NFP\) Accounting Standard](#) (Tier 3 NFP Standard) is for small to mid-sized organisations. It is a single NZ financial reporting standard – all requirements are contained in one document. It is accrual based (meaning transactions are recorded as they occur rather than when money is paid/received) and is considered generally accepted accounting practice.

If you are eligible to apply the Tier 4 Not-For-Profit Accounting Standard or meet the ‘small society’ criteria set in the new Act, you can still voluntarily elect to apply the Tier 3 NFP Standard. This may be the right choice for you, if you have already been preparing financial statements on an accrual basis.

What is the purpose of this guidance and what can you expect from it?

This guidance is designed to provide a brief overview of how to transition to using the Tier 3 NFP Standard for the first time. Moving to a new reporting framework may seem daunting, however there are several transition provisions within the Tier 3 NFP Standard to help make this process efficient and effective.

When applying the Tier 3 NFP Standard for the first time, there are a couple of key aspects to understand about the transition process.

1. Transition Date: The Transition Date is the specific date from which the Tier 3 NFP Standard must be applied to all your transactions. Think of it as the starting point for implementing the new requirements. We outline the options available to you on page 4.

2. Implementation of Changes: Understanding how to implement the changes required by the Tier 3 NFP Standard is equally important. This involves a series of steps and adjustments. We briefly explore a high-level implementation process on page 3.

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.



Applying the Tier 3 NFP Standard: How to adopt the Tier 3 NFP Standard?

Review and compare your current accounting practices to the requirements of the Tier 3 NFP Standard

1

Review your current accounting practices to help identify the changes you need to make to meet the requirements of the [Tier 3 NFP Standard](#).

You can start by reviewing your previous income statement and assets and liabilities line by line, identifying how you determined the recorded amount and if you made any additional disclosures. Then compare the treatment of these items to the requirements of the Tier 3 NFP Standard for accounting policy, disclosure and presentation.

You should also consider the following questions:

- Have you been using accrual accounting and need to make additional adjustments; such as recording debtors, creditors and other non-cash items like depreciation?
- Are there significant estimates and judgements that need revising based on the Standard (e.g. [useful lives of property, plant, and equipment for depreciation, or assessment of bad debts, or the current value of old inventory](#))?
- How do the presentation requirements of the Standard differ to your previous practice?
- Do any of the required disclosures for the Notes to the Performance Report apply to your society?
- What additional information may be needed to prepare the additional Statements required (Service Performance, Cash Flows, Accounting Policies)?

2

Select your transition approach (for more detail on this step refer to the next page)

We expect most societies will apply the special provisions and apply the Tier 3 NFP Standard to current year information only, for first year adoption of the Standard. This provides a simpler and cost-effective *transition approach*.

3

Apply Tier 3 NFP Standard requirements to your preparation

Select and apply the relevant accounting policies and broader requirements of the Tier 3 NFP Standard, including service performance reporting.

Our [Tier 3 NFP Reporting template](#) will help you understand and apply the requirements of the Tier 3 NFP Standard and make completing your Performance Report easier.



Applying the Tier 3 NFP Standard: Transition Approach

Your transition date is the starting date from which you must apply the Tier 3 NFP Standard. The transition provisions are outlined in [Appendix C](#) to the Tier 3 NFP Standard. Most incorporated societies upon first time adoption will not have previously applied accounting standards issued by the XRB. Accordingly, most societies will be able to apply the special provisions in the Tier 3 NFP Standard. An illustration of the impact of these methods is shown on the next page.

General Provisions

Transition date is the first day of the previous financial year. For instance, if your financial year ends 31 March 2025, then your transition date is 1 April 2023.

The general provision allows you to update your prior year information to be consistent with your current year information.

1. Ensure all assets and liabilities are recorded at transition date. For any unrecorded assets and liabilities record these in line with C5 in Appendix C. Record any difference to your previous position through accumulated funds at transition date.
2. Apply the Tier 3 NFP Standard and related accounting policies to both your prior year and current year information.

Note: Your prior year information may end up being different to what was published in previous year's performance report under the general provision.

Special Provisions

Transition date is the first day of the current financial year. For instance, if your financial year ends 31 March 2025, then your transition date is 1 April 2024.

The special provision overrides any requirement in the Standard for prior year information to be reported.

1. Apply the Tier 3 NFP Standard and related accounting policies to the preparation of the current year information only.
2. Attach financial statements from previous year with a list of your previous accounting policies to your current year Performance Report.

The special provisions in [Paragraph C10 of Appendix C](#) also allow you to choose to apply the general provisions in [Paragraphs C3-C6 of Appendix C](#) (should you wish).



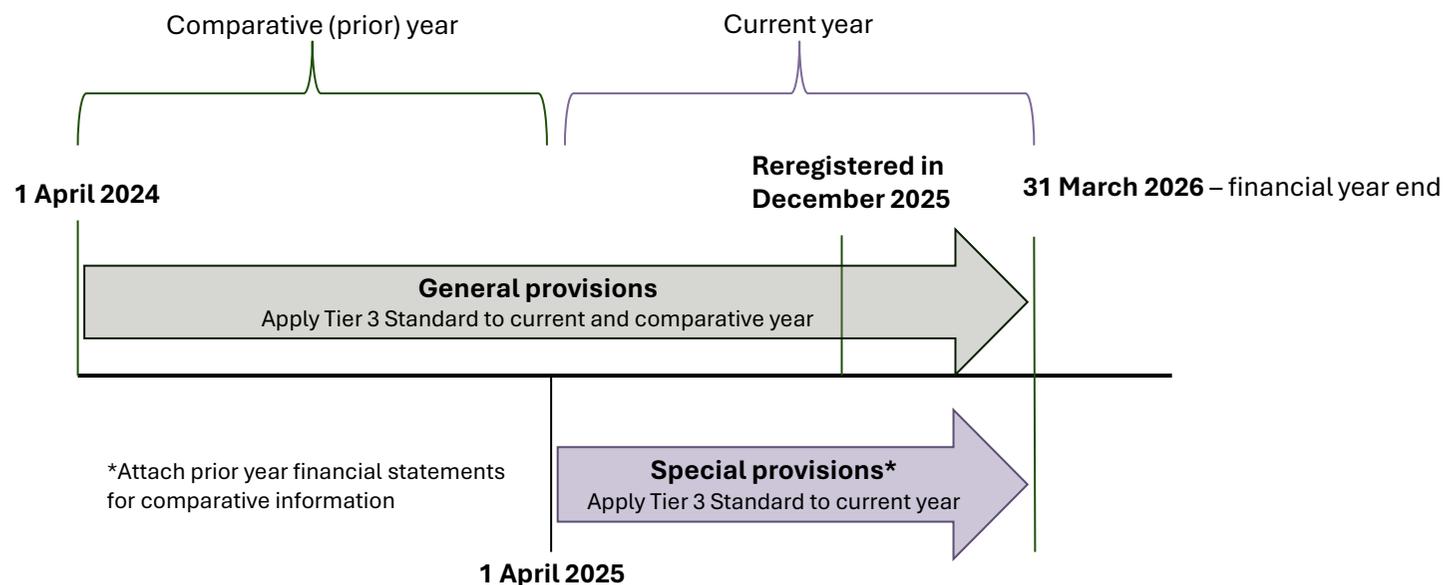
Applying the Tier 3 NFP Standard: Transition Approach (continued)

An illustration of the interaction of the transition date with a society's financial year end, reregistration date, and transition method selected, is shown below.

In this example the society reregistered in December 2025, and they have a financial year end of March. The next set of financial statements they prepare are for the financial year end of 31 March 2026, and they are required to apply the Tier 3 NFP Standard.

- If they decide to apply the **general provisions** they will need to apply the requirements of the Tier 3 NFP Standard to their financial information from 1 April 2024, and therefore present both the current and comparative year in line with Tier 3 requirements.
- If they decide to apply the **special provisions** they will only need to apply the requirements of the Tier 3 NFP Standard to their financial information from 1 April 2025 and therefore present the current year only. They will also need to attach their financial statements for the year ended 31 March 2025.

Example - Application of the Tier 3 Standard on transition after reregistration



You can find more information and all of our resources on our [Incorporated Societies webpage](#)