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## **SOME ASPECTS OF ACCOUNTING FOR CONTRIBUTIONS OF FOUNDERS AND MEMBERS OF NON-COMMERCIAL ORGANIZATIONS IN THE REPUBLIC OF MOLDOVA**

The contributions of founders represent one of the main sources of funding for any non-commercial organization (NCO). The general rules of accounting for contributions of founders and members of NCOs in the Republic of Moldova are regulated by the provisions of the Law on Accounting and Financial Reporting [1], the Methodical Indications on the particularities of accounting in non-commercial organizations/representations of non-resident entities (hereinafter referred to as Methodical Indications) [2], the National Accounting Standards [3], and the General Plan of Accounts [4]. Some practical aspects of accounting for contributions of founders and members of NCOs are explored in the specialized literature [5].

In this paper, there are examined the main issues of accounting for contributions of founders, which include:

- identification of the contributions' components and their differentiation from other sources of funding of NCOs;
- recognition and evaluation of contributions from NCOs founders and members;
- recording the entry and use of contributions in the accounting records;
- presentation of information regarding contributions from founders and members in the financial statements of NCOs.

According to the Methodical Indications, contributions from founders and members of NGOs include membership fees and dues, other contributions, donations from founders and members of the organization [2, pt.5]. In our opinion, some elements presented in the Methodical Indications do not correspond to the definition of contributions from founders and members of NCOs and should be reported as other sources of funding for NCOs. Thus, we propose that conditional donations should be included in the composition of earmarked funding and receipts, while unconditional donations should be included in the composition of non-predestined means.

Starting from the provisions of the Law on Accounting and Financial Reporting [1, art.6] and the Methodical Indications [3, pt.9], the contributions must be recognized based on accrual accounting, meaning as the payment deadlines occur, which are established in the founding documents, decisions, resolutions, minutes of the board of directors and/or executive management of the NCO. For example, the above-mentioned documents may indicate that annual membership dues are to be paid no later than October 31 of each reporting year and entrance fees no later than 10 days from the date the individual – citizen or entity – becomes a member of the NCO. In this case, the NCO must recognize the receivables related to membership dues and entrance fees as of the occurrence dates of the above-mentioned payment deadlines, regardless of the actual cash receipt or compensation in another form. It is worth mentioning that most NCOs in the Republic of Moldova recognize the contributions of founders and members according to cash accounting, i.e., as they are actually received, which contradicts the provisions of national accounting regulations and does not ensure the correct calculation of the indicators in the financial statements.

The evaluation of contributions from founders and members of the NCO must be carried out based on the form in which they were received: monetary and non-monetary. Contributions received in monetary form are evaluated at their nominal amount, while those in non-monetary form are evaluated at the initial cost, determined in accordance with the National Accounting Standards (NAS).

Thus, the value of contributions received in the form of inventory is determined according to NAS "Inventories", and the value of those received in the form of fixed assets is determined in accordance with NAS "Intangible and Tangible Assets".

The contributions of founders and members of the NCO, once recognized and evaluated, are to be recorded in the accounting accounts. The current General Plan of Accounts does not specifically regulate the accounting treatment of the operations related to the receipt, utilization, and settlement of contributions from founders and members of the NCO. In this context, the NCO is entitled to independently develop the accounting formula schemes necessary for recording the aforementioned operations. In our opinion, for the accounting of the recognition, receipt, and utilization of contributions, the NCO should apply the accounts for the record of other current receivables and liabilities, for which the following sub-accounts are recommended to be opened:

- "Receivable for membership dues and entrance fees";
- "Receivable for other contributions from founders and members";
- "Liabilities related to membership dues and entrance fees";
- "Liabilities related to other contributions from founders and members".

It should be noted that these sub-accounts are not provided for in the General Plan of Accounts. However, according to Section 1 "General Provisions" of this chart, the entity, including the NCO, may independently establish sub-accounts for all synthetic accounts. At the same time, it is recommended that the NCO open the nominated sub-accounts under the accounts for the record of other current receivables and liabilities because the aggregated information in these sub-accounts is necessary for calculating the indicators in the financial statements.

In accordance with the Methodical Indications, contributions are accounted for based on their purpose as follows [2, pt.38]:

- contributions from founders and members intended for special missions are initially reflected as a simultaneous increase in current receivables and special-purpose funding and receipts. Subsequently, these contributions should be accounted for in the same manner as funds with special

purposes, with disbursement as they are used for current expenses or revenues or for the fixed asset fund.

- contributions from founders and members, the use of which is not conditioned by the realization of special missions, are initially reflected as a simultaneous increase in current receivables and liabilities. After this recording, contributions that are not tied to special missions are recommended to be accounted for in the same manner as non-designated funds, with subsequent recording to other revenues and expenses of the NCO.

The method of accounting for contributions outlined in the Methodical Indications poses certain difficulties in determining their value and, consequently, in calculating the indicators in the financial statements. In particular, these difficulties arise when membership dues and entrance fees are collected before their due date, as well as when contributions are received in the form of donations and other contributions. In such situations, the received contributions are initially recorded in the account for the record of other current receivables, which does not correspond to the essence of the economic facts. By applying this approach, the indicators regarding contributions in the financial statements will be calculated based on the balances and turnovers of the sub-accounts opened under the account for the record of other current receivables.

To simplify the accounting of contributions and reflect the related information in the financial statements, we consider it reasonable to initially record the recognized contributions in full in the account for the record of other current liabilities within the categories of contributions, with subsequent disbursement to the accounts for the record of funding for special missions and non-designated funds received in the form of contributions, depending on their purpose. In the application of this approach, the following accounting formulas should be prepared for the recognition, receipt, and utilization of contributions:

1. Reflecting the value of recognized contributions as the payment deadlines – as a simultaneous increase in other current receivables and liabilities related to the categories of contributions.
2. Reflecting the value of contributions received:
  - before the payment deadlines and in the case of receiving donations and other contributions – as a simultaneous increase in the value of assets and other current liabilities within the sub-accounts for the record of contributions;
  - after the payment deadlines – as an increase in the value of assets and a decrease in other current receivables related to the categories of contributions.
3. Settling of redirected contributions for special missions, based on the decision/order of the governing body, involves reducing other current liabilities within the contribution accounting sub-accounts and increasing funding and receipts earmarked for special purposes.
4. Settling of contributions used for purposes unrelated to special missions - as internal correspondence between sub-accounts opened within the account for tracking other current liabilities.

Information regarding the balances and changes (increases/decreases) in contributions from founders and members of the NCO are reflected in the financial statements, which, according to the methodical guidelines, include: the balance sheet, the statement of income and expenses, the statement of funding sources, and the explanatory notes [2, pt. 81].

In conclusion, it is worth mentioning that the accounting way of contributions from founders and members of the NCO is not sufficiently regulated from a normative perspective and is not thoroughly investigated in the specialized literature.

As a result, the NCOs from the Republic of Moldova maintain accounting for these contributions differently and not always correctly. Thus, most NCOs recognize and account for entrance fees and membership dues as they are actually received. This accounting method does not comply with the provisions of accounting regulations, which stipulate that accounting entries, including contributions from founders and members, should be recognized based on accrual accounting, as the payment deadlines established by the NCO occur.

The method of accounting for the recognition, receipt, and utilization of contributions outlined in the methodological guidelines generates certain difficulties in determining their total amount and, consequently, in providing accurate information regarding the funding sources of the NCO. To ensure the alignment of accounting data with the indicators in the financial statements, we propose opening sub-accounts necessary for accounting for distinct categories of contributions within the accounts for the record of current receivables and liabilities.

Implementing the recommendations outlined in this paper will contribute to improving the accounting of contributions from founders and members and will ensure a higher degree of accuracy, transparency, and comparability of the financial statement indicators of the NCO.

### References

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