



International Financial Reporting  
for Non Profit Organizations



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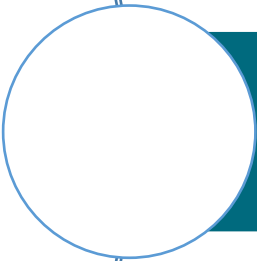
# Advice and Requests

TAG meeting 5 – 10 February 2020

# Session Outline



Definition of an NPO (Agenda item 1)



Measurement of tangible assets held for their service potential  
(Agenda item 2)



Agency Relationships (Agenda item 3)



# Definition of an NPO (Agenda item 1)

## Advice

Investment income may also be a legitimate funding source, especially if earned on assets originally received via donation, and should be included within the funding examples.

The term 'financial objectives' could be replaced with service delivery objectives to broaden this characteristic and move some of the focus away from purely financial objectives such as generation of profit.

## Requests

Review the two legged approach taken to financial objectives in New Zealand and the UK and consider a similar approach.

Further consider the distribution of profit, particularly for membership organisations, to frame the sector.

Make clear that the characteristics are not intended to include public sector entities and that these are scoped out.



# Measurement of tangible assets held for their service potential (Agenda item 2)

## Advice

The use of fair value and right of use measurements are likely to be challenging because of lack of data, expertise and cost and this should be drawn out.

There may be a boundary issue between investment properties and PPE (e.g. social housing) that needs to be addressed in the paper.

Separate the text relating to recognition and initial measurement, subsequent measure and impairment in the appendices.

Any additional guidance should include the capitalisation of grant funded assets.

Check how fair value and current value is used through the paper to avoid confusion

Separate the decision to use the revaluation method from the use of measurement of service potential in section 2.



# Measurement of tangible assets held for their service potential (Agenda item 2)

## Advice

Provide an example on the class of assets that could require the revaluation method, why revaluation might be appropriate and seek feedback in the SMCs.

When considering impairment, recoverable service amount should be used in the context of recoverable amounts.

## Requests

Intangible assets should be included within scope as the issues are similar to tangible assets.

Inventory measurement issues need to be considered and should be included as an issue, if not in this paper, as a separate topic.

In addition to the preparer lens, frame the issue with the user lens (look at IASB conceptual framework as to when different valuations might be useful).



# Measurement of tangible assets held for their service potential (Agenda item 2)

## Requests

**Include an example of how to value an asset held for its service potential e.g. an ambulance.**

**Provide a more detailed explanation of the different subsequent measurement revaluation types.**

**Include more context on IPSAS 21 as this is different to impairment standards for cash generating assets and include as a separate paragraph.**

**Separate out IFRS and IPSAS in the alternatives because of differences in the approaches and consider how this flows to other alternatives.**

**Consider amending alternative 3 to require historic cost with a choice to disclose fair value.**



# Agency Relationships (Agenda item 3)

## Requests

Leave in a risks and rewards approach as we don't know yet the basis of the guidance and in practice it is likely to deliver a similar outcome, but make clear that this might not be supported by international GAAP in the longer term.

Use language that is more familiar to NPOs in describing the issue and include that an NPO might not know who is in control of decision making.

Be more explicit in section 2 on the gross and net presentational issues for the financial statements.



# Agency Relationships (Agenda item 3)

## Requests

Flesh out the types of disclosures being proposed as additional disclosures under alternative 3 and who they would apply to and whether they include financial statement presentation.

Ask the PAG to create a set of examples of the types of arrangements that might exist based on their experiences.

Include more text to describe IFRS for SMEs.