

IFR4NPO Project

Discussion Summary and Requests Practitioner Advisory Group meeting

24 September 2020
PAGCP05



Attendance

Notes

The meeting was held online, chaired by Tim Boyes-Watson, and attended IFR4NPO Project team members Samantha Musoke, Ian Carruthers, Karen Sanderson and Associate Philip Trotter in addition to the following PAG members:

Carolyn Cordery, Dorothea Malloy, Genny Kiff, Innocent Masikati, Karina Vartanova, Kenneth Makanga, Paul Winlow, Pesh Framjee, Phil McMinn Mitchell, and Tejas Merh Desai. Masayuki Deguchi had shared his views previously in writing.

Requests

Status of this document

- The role of the Practitioner Advisor Group (PAG) is to present the diverse range of perspectives of different users of the guidance that the project aims to develop, giving input to the IFR4NPO Project Team and Technical Advisory Group.
- The PAG is not required to reach consensus and does not make formal decisions or take votes. Opinions shared by individual PAG members are not necessarily those of the entire PAG or the IFR4NPO Project.
- The audio recording provides a full verbatim account of the views of individual PAG members, although the audio from small group discussions is not captured.
- This document serves to record a summary of key opinions shared in the plenary sessions, in the form of a discussion digest, and requests to or from PAG members.
- This document should be read in conjunction with the meeting papers and questions available [here](#).
- Although the PAG meeting took place over 2 days (23rd and 24th September 2020), only Day 2 (Agenda items 5 to 8) is shared for public record since Day 1 did not relate to the Guidance development process.



Session outline

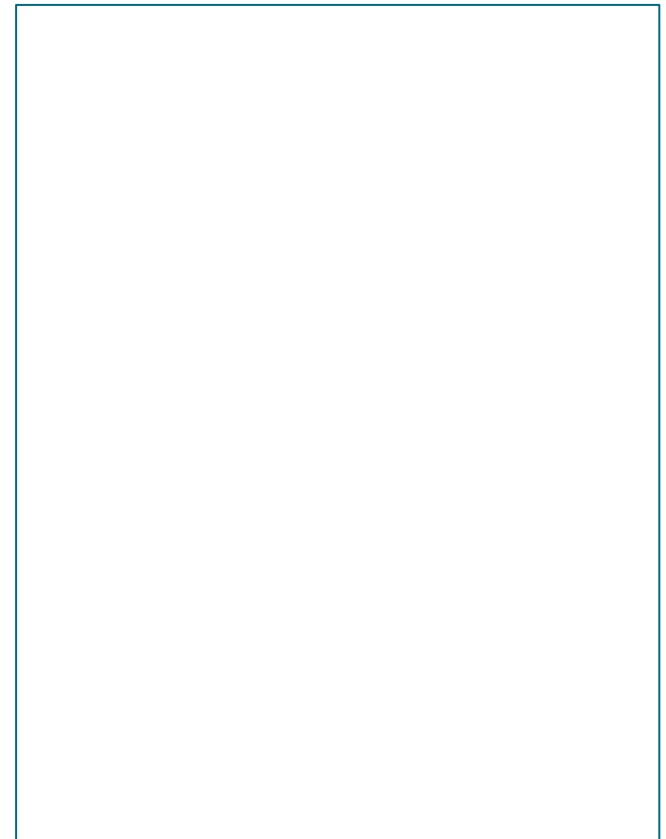
- General matters and Preface to Consultation Paper (Item 5)
- Part 1 of Consultation paper (Item 6)
- Part 2 of Consultation paper (Item 7)
- Supplementary information (Item 8)

Background and introduction

Discussion summary

- Members of the Practitioner and Technical Advisory Groups were sent the Full Draft 1 Consultation Paper for internal review in mid July 2020 and requested to give written feedback by mid August.
- The feedback from PAG and TAG members has been reviewed, analysed and summarised by the project team.
- The purpose of this PAG meeting is to present back a summary of key aspects of the feedback received and as a consequence the changes proposed by the project team for further comment.

Requests



Item 5 General matters and preface

Discussion summary

References: [Paper 5](#), [Slides](#) 2-7, [Audio 1](#): 00:06:36-00:22:58 (introduction), 00:25:08-00:50:44 and 00:57:14-01:01:20 (discussion)

- The primary audience for the Consultation Paper is regulators and national standard setters, and donors to the extent that they influence reporting practice. If they do not buy in, none of the target users of the Guidance (small and medium NPOs) will benefit.
- Some stakeholders may still struggle to access the language and meaning in this Consultation Paper. It will be important to consider the additional resources that accompany it to aid contextualisation. The same will be true for the Guidance itself.
- ‘Special Purpose Financial Report’ has a specific meaning according to IFAC, different to that used in the Consultation Paper.

Requests

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Discussion summary

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- Concern was raised that some terms used in a for-profit context such as 'decision- useful, general purpose, efficiency, going concern' may not translate to a non-profit context. Views were also expressed that terms are universal across all sectors, but the application may be different and these differences need to be clear.
- Consider adding General Matter for Comment questions: Is there anything in this section/chapter that might not work or translate in your national context?
- There are no remaining concerns about the objectives of the Guidance
- If the Consultation Paper were translated into different languages, it might create an expectation that we could receive responses in different languages, which would be prohibitively expensive.

Requests

Item 5 General matters and preface

Discussion summary

References: [Paper 5](#), [Slides 2-7](#), [Audio 1](#): 00:06:36-00:22:58 (introduction), 00:25:08-00:50:44 and 00:57:14-01:01:20 (discussion)

- The core source documents would be the English version. The view was that there would be engagement advantages for the standard and quality of feedback if some documents were translated into key business languages. Spanish, French, Arabic were suggested as priorities for consideration, given their extensive use across Latin America, Africa and the Middle East.
- Translation is expensive. It could be done by stakeholders in respective countries, rather than coming from the IFR4NPO project budget.
- For engagement, it would be good to translate the Executive Summary, as well as the stakeholder specific value statements or covering documents.

Requests

Item 5 General matters and preface

Discussion summary

References: [Paper 5](#), [Slides 2-7](#), [Audio 1](#): 00:06:36-00:22:58 (introduction), 00:25:08-00:50:44 and 00:57:14-01:01:20 (discussion)

- There was support for the suggestion to release the Consultation Paper altogether but stagger the responses for Part 1 and Part 2.
- Consider a checklist at the beginning, to signpost sections of the Consultation Paper that would be of interest to different stakeholders, similar to the modular approach found on the UK SORP website. This could be combined with the collection of demographic information.
- The ultimate goal for this project would be for all countries to use the IFR4NPO Guidance, even those countries that currently have their own national standards, although this might take longer.

Requests



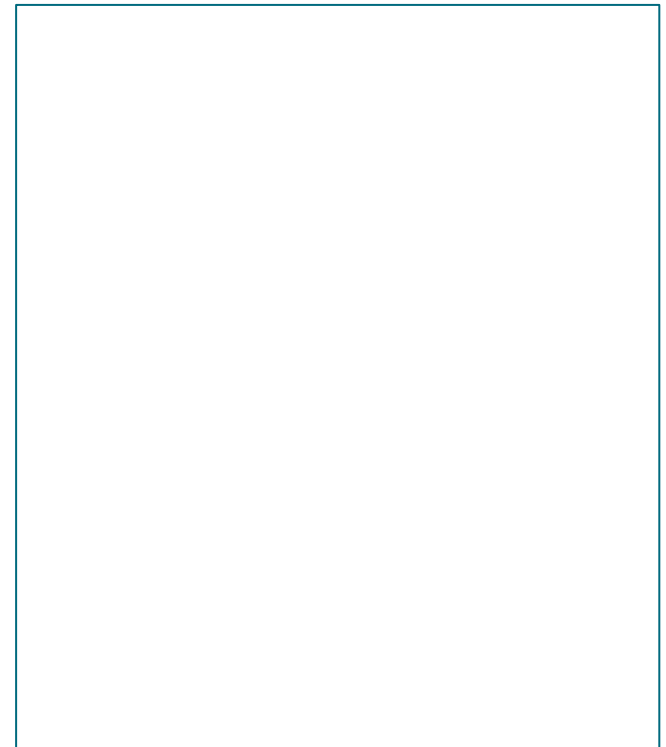
Item 6 Part 1

Discussion summary

References: [Paper 6](#), [Slides 8-18](#) [Audio I](#): 01:01:21-01:11:28, [Audio II](#): 00:00-15:29

1. Proposed positioning of who will benefit from Guidance (Slide 5, point12)
 - If the initially drafted text was too assertive, the current text could be more confident.
 - The benefits to NPOs as users is dependent on adoption by national standards setters and/or regulators. This story could be better told either in the document text or accompanying videos.

Requests





Item 6 Part 1

Discussion summary

References: [Paper 6](#), [Slides 8-18](#) [Audio I](#): 01:01:21-01:11:28, [Audio II](#): 00:00-15:29

2. Proposed description of stakeholder needs (slides 9&10, Chapter 2.11-2.16)

- Long term financial health will be relevant for all but a few NPOs, specifically those with a shorter-term defined mission or objective.

Requests

Item 6 Part 1

Discussion summary

References: [Paper 6](#), [Slides 8-14,18](#) [Audio I](#): 01:01:21-01:11:28, [Audio II](#): 00:00-15:29

3. Proposed introduction to Chapter 3? (Slides 12&13)

- It would be helpful to reference the nuance of the spectrum from cash to accrual accounting.
- The description of cash based reporting in CP Draft 1 para 3.6, including reference to a 'receipts and payments report' does not resonate with some PAG members experience of producing cash basis reports for donors.

Requests

- Members were requested to share examples of cash basis reports submitted to donors.

Item 6 Part 1

Discussion summary

References: [Paper 6](#), [Slides 8-18](#) [Audio I](#): 01:01:21-01:11:28, [Audio II](#): 00:00-15:29

4. Any concerns about the presentation of IFRS for SMEs? (slide 15-17)
- IASB conceptual framework does not adequately emphasise accountability whereas IPSAS framework does.
 - IPSAS is closer to non-profit requirements than IFRS. 'IPSAS for SMEs' might have been the ideal starting point if it existed.
 - Go further to communicate the pragmatic nature of the compromise being proposed: ie IFRS for SME is considered the best alternative, despite its 'for-profit' focus.

Requests

Item 6 Part 1

Discussion summary

References: [Paper 6](#), [Slides 8-14,18](#) [Audio I](#): 01:01:21-01:11:28, [Audio II](#): 00:00-15:29

5. Any improvements to General Matters for Comment (GMC)?

- Chapter 5 GMC 1. Refer to the figure in the question.
- Chapter 4 GMC 1. After 'international frameworks' add '(IFRS, IFRS for SMEs and IPSAS) so that it is clearer to the reader which international frameworks are being referred to

Requests

- Members were requested to provide wording suggestions to Project team

Item 7 Part 2

Discussion summary

References: [Paper 7, Slides 19-27](#) [Audio II: 00:15:29-00:33:40](#) (introduction), [00:34:56-00:56:07](#) (group feedback).

1. Clarification was requested about the financial reporting challenges associated with foreign exchange that were specific to the not-for-profit sector.

- NPOs may receive income, incur expenses and produce reports in different currencies.
- Donor requirements vary widely, including stipulating specific exchange rates that must be applied in their reports, or requiring use of FIFO (first-in-first-out) method. This can result in gains or losses arising on a particular project or fund that differ from the application of international standards (such as use of a standard rate for the month).
- Where should gains and losses be reported on the income statement- above or below the 'surplus' line? Can they be included within charitable expenses?

Requests

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Item 7 Part 2

Discussion summary

References: [Paper 7](#), [Slides 19-27](#) [Audio II](#): 00:15:29-00:33:40 (introduction), 00:34:56-00:56:07 (group feedback).

- A balance on unspent restricted funds at the year end is held in the reporting currency but may relate to donor balances actually denominated in a foreign currency. There is guidance on the mechanism for revaluing assets and liabilities held in foreign currency, but not fund balances.
- Gains on exchange may be returnable to donors, or subject to taxation.
- Foreign Exchange is a very significant challenge for NPOs and should be included within the Guidance.

Requests

Empty box for requests.

Item 7 Part 2

Discussion summary

References: [Paper 7, Slides 19-27](#) [Audio II: 00:15:29-00:33:40](#) (introduction), [00:34:56-00:56:07](#) (group feedback).

2. Removal of exchange transactions from Revenue Paper?

- Clarify definition of non-exchange transactions in the paper or supporting video assets. Confirm that it includes results based or performance based grants.
- Clarify that the final Guidance is expected to cover all financial reporting issues for NPOs, including both exchange and non-exchange revenue, since both are relevant to non-profit organisations, but the presumption is that the chosen underlying accounting framework (eg IFRS for SME) will provide Guidance on exchange transactions. The Consultation Paper therefore only addresses those financial reporting issues specific to NPOs that are not already covered, ie non-exchange transactions.

Requests

- PAG: Share examples of NPO specific exchange transactions (revenue).

Item 7 Part 2

Discussion summary

References: [Paper 7, Slides 19-27](#) [Audio II: 00:15:29-00:33:40](#) (introduction), [00:34:56-00:56:07](#) (group feedback).

2. Removal of exchange transactions from Revenue Paper?

- Some NPOs receive income in the form of a 'revolving fund' which is also sometimes referred to as 'revolving loan fund'. For example, a donor stipulates that the funds may be used to support a farmer with a pregnant goat, where the farmer returns the resulting kid back to the NPO to give to another farmer.
- Concessionary loans are covered as a separate topic on the long list of issues in the first section of Part 2.
- The UK helplines receive many questions about interpretation of the SORP. An FAQ has been produced.

Requests

- One member was requested to share the FAQ that has been developed to support users of the UK SORP helpline with respect to income recognition.

Item 8 Supplementary information

Discussion summary

References: [Paper 8](#), [Slides 28-30](#) [Audio II](#):
00:56:07-01:02:30

- There was insufficient time to discuss this agenda item

Requests

- PAG members were requested to provide any feedback in writing



Next steps

Discussion summary

References: [Audio II](#): 00:56:07-01:02:30

- Following this meeting, and the TAG meeting on 6 October, the 13 and 20 October, the Project team will develop the final draft of the Consultation Paper that will go for publishing and development of supplementary materials such as video assets. It will not come for a further round of comments from the PAG.
- The next time that the PAG will meet to discuss issues papers in the same way will be in 2021, following feedback from the Consultation Paper
- In the meantime, the PAG will meet to advise on matters relating to stakeholder engagement.

Requests

