

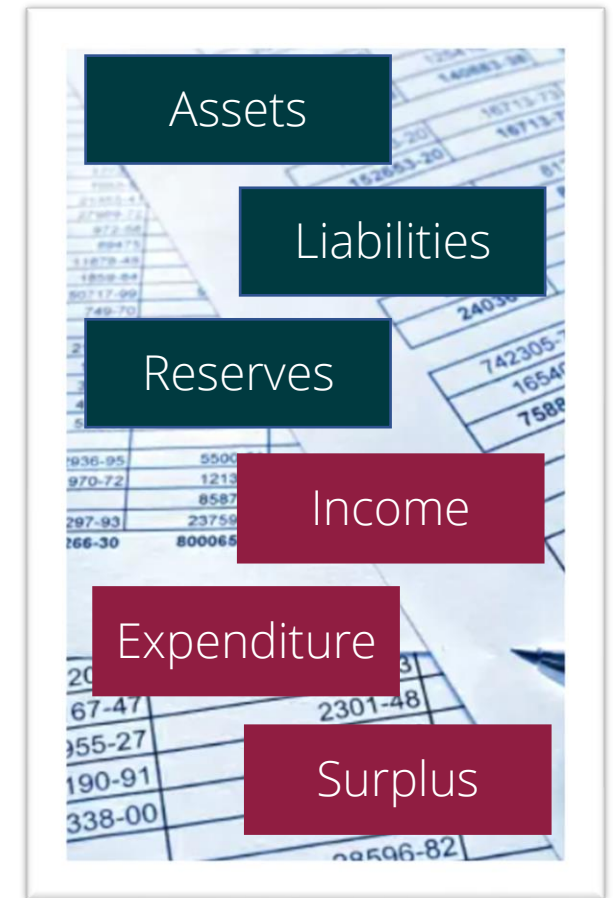


# Regional Consultation Event

Developing international financial reporting guidance for non-profit organisations



[www.ifr4npo.org](http://www.ifr4npo.org)





# Agenda

Topic	Time
Welcome and project overview	00.00 – 00.10
Introduction to the Consultation Paper	00.10 – 00.15
<b>Topic 1</b> – NPOs, stakeholder and their needs	00.15 – 01.15
<b>Topic 2</b> – Existing guidance and the proposed model	01.15 – 02.00
Responding to Part 1	02:00 – 02:05
Break	02.05 – 02.15
<b>Topic 3</b> – NPO-specific accounting issues	02.15 – 03.00
Next Steps	03.00 – 03.10



# Why IFR4NPO?

## Current Problems

- No international financial reporting standards for NPOs
- Inconsistent financial reports
- Funders' needs not met
- Burden of compliance with multiple formats
- High costs – funders and grantees
- Lack of transparency
- Double funding fraud

## The IFR4NPO Guidance

- NPO's Year-end accounts
- Internationally applicable
- Country adoption decisions

## Future Outcomes

- ✓ Funders better able to reliably assess financial health of potential partners
- ✓ Lower financial reporting costs for grantees
- ✓ Quicker, more reliable grant making
- ✓ Local partners able to demonstrate their own capacity
- ✓ Simplified audit assurance
- ✓ IFR4NPO Community – global network of NPO stakeholders

**More resilient,  
accountable  
sector**

# Project Management

## Steering Group



- Advocacy, insights & influence, roundtables, conferences, training, member community of NGOs

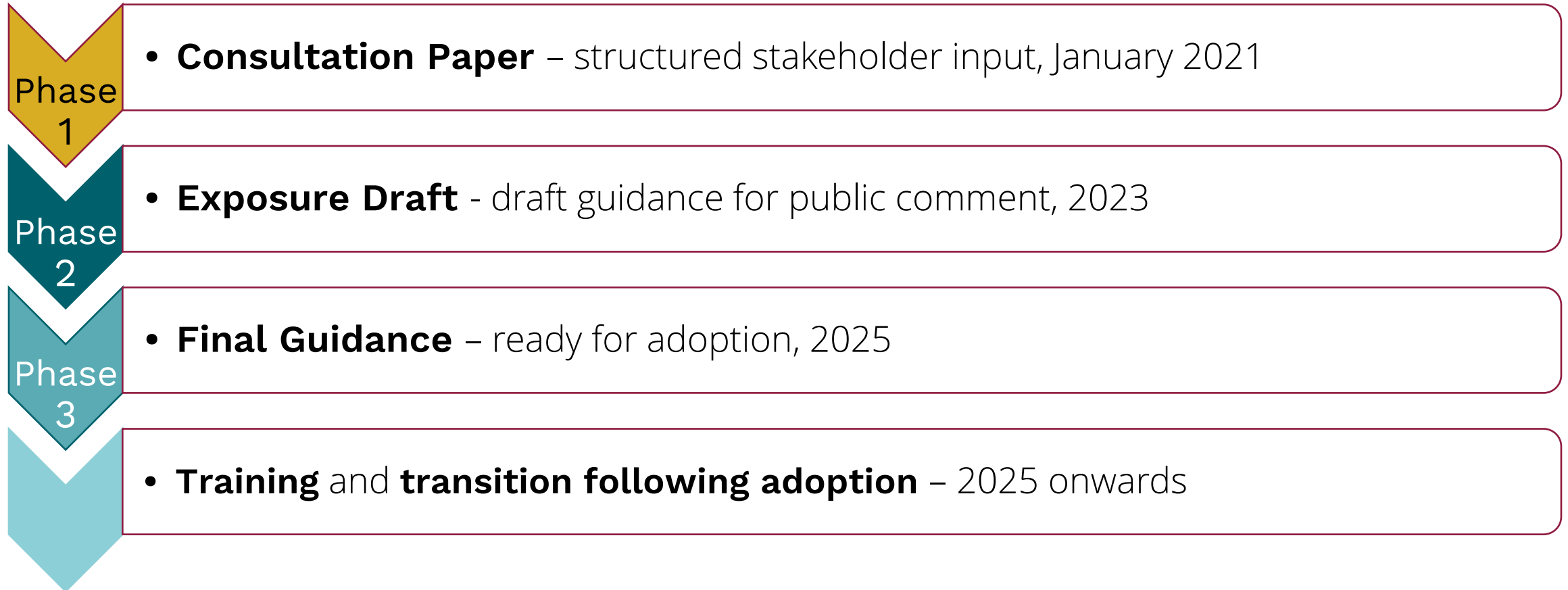


- Chartered Institute of Public Finance and Accountancy. Standard setting role for charities and local government in UK.



*“By the sector for the sector”*

# Three phase development process



*Equivalent process to all other international accounting standards*



# Growing IFR4NPO Community



TAG



PAG



Country  
Champions



Donor  
Reference  
Group



Interest from  
people in 106  
countries



INPO

Local NPO

Consultant / Trainer

Auditor

Donor / funder / grantor

Regulator

Accountancy Institute

Other

Standard Setter

# Guidance objectives



1. To improve the quality, transparency and credibility of NPO financial reports.

2. To support the provision of NPO financial information that is useful for decision making and accountability, balancing the needs of preparers and users.

3. To address specific NPO issues, which will promote increased comparability of NPO financial reports.

# Part 1 of the Consultation Paper



## Chapter 1

- Defining the sector

## Chapter 2

- Stakeholders and their needs

## Chapter 3

- Influence of donors on NPO financial reporting

## Chapters 4&5

- International standards and the proposed model



# Part 2 – Accounting issues

## Reporting entity

1. Reporting entity and control
2. NPOs acting on behalf of other entities

## Accounting for incoming resources

3. Non-exchange revenue

## Accounting for outgoing resources

4. Grant expenses

## Accounting for non-financial assets

5. Measurement of tangible and non-tangible assets held for service potential
6. Inventory held for use or distribution

## Presentation, content and scope of financial reports

7. Financial statement presentation
8. Classification of expenses
9. Fundraising costs
10. Narrative reporting

# Defining NPOs

Any of these 4 broad characteristics

Delivering services for public benefit

- Primary objective to deliver services to the general public, community or for social benefit and not to generate a financial return for providers of resources.

Profits/surpluses are directed for public benefit

- NPOs may generate a financial surplus, but this will be directed to furthering the primary public benefit objectives and not distributed to providers of resources.

Voluntary donations and grant funding may be significant

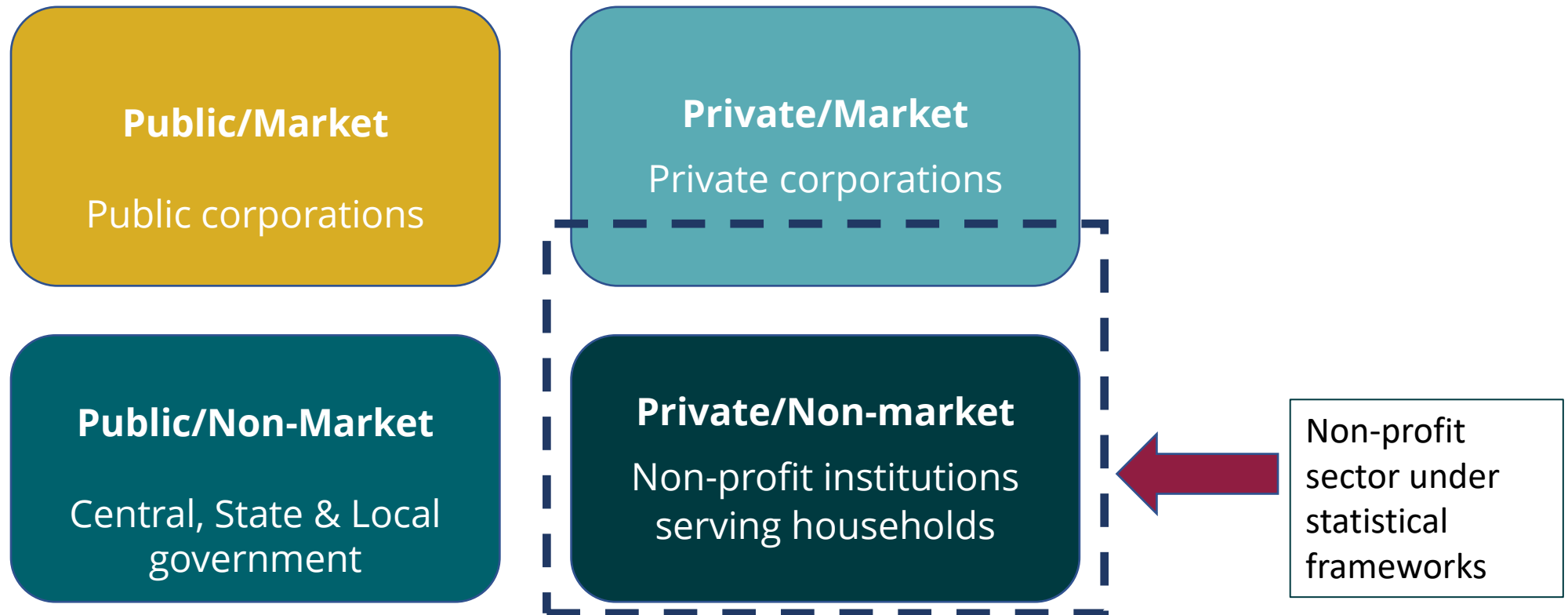
- Voluntary funding through donation, grant, or volunteering of time and the provider may impose restrictions or conditions that limit how it can be used.

Assets are held and used for social purposes

- NPOs may have access to buildings or equipment that are used as part of their operations, and not to generate a financial return.

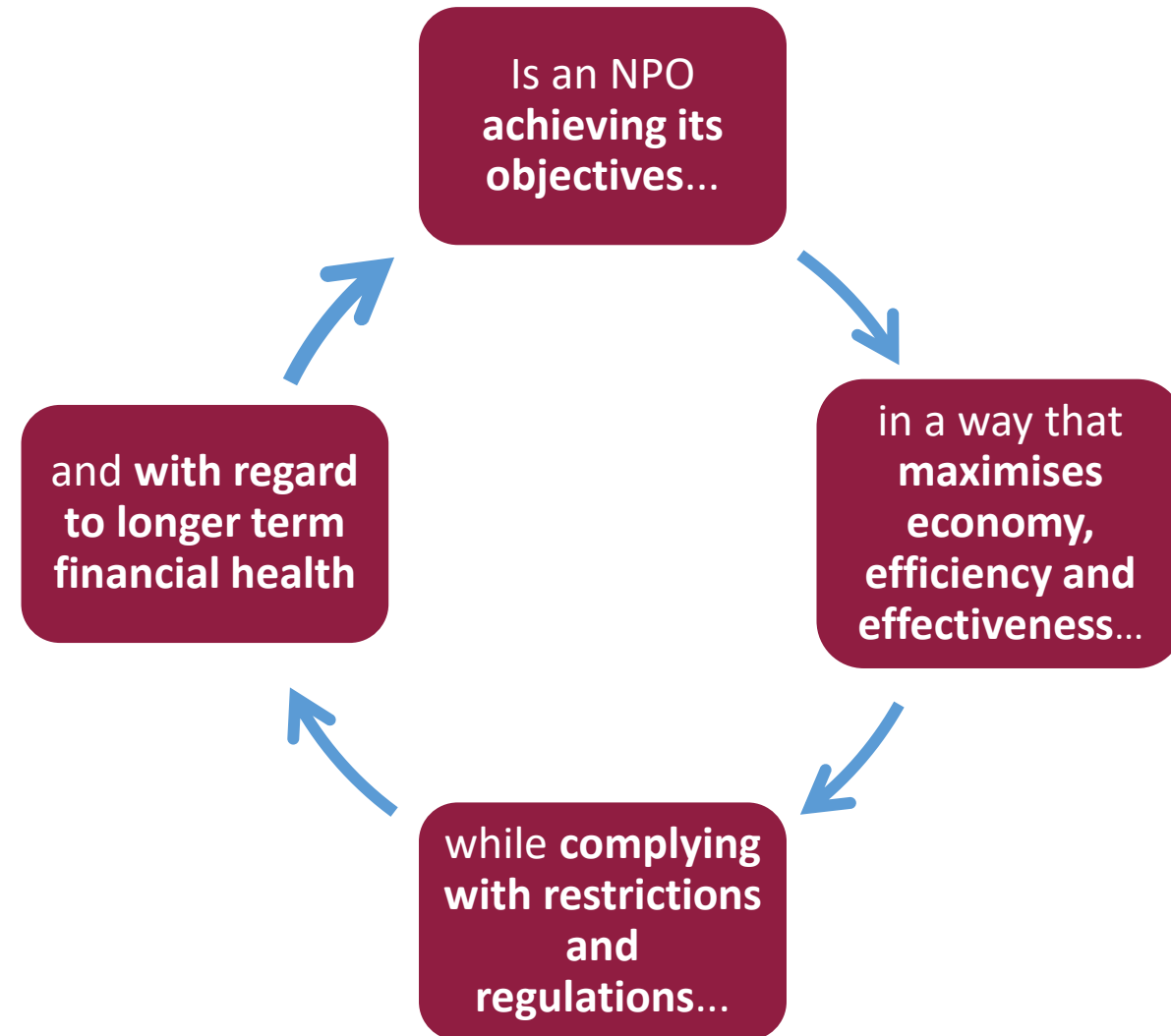


# Defining NPOs



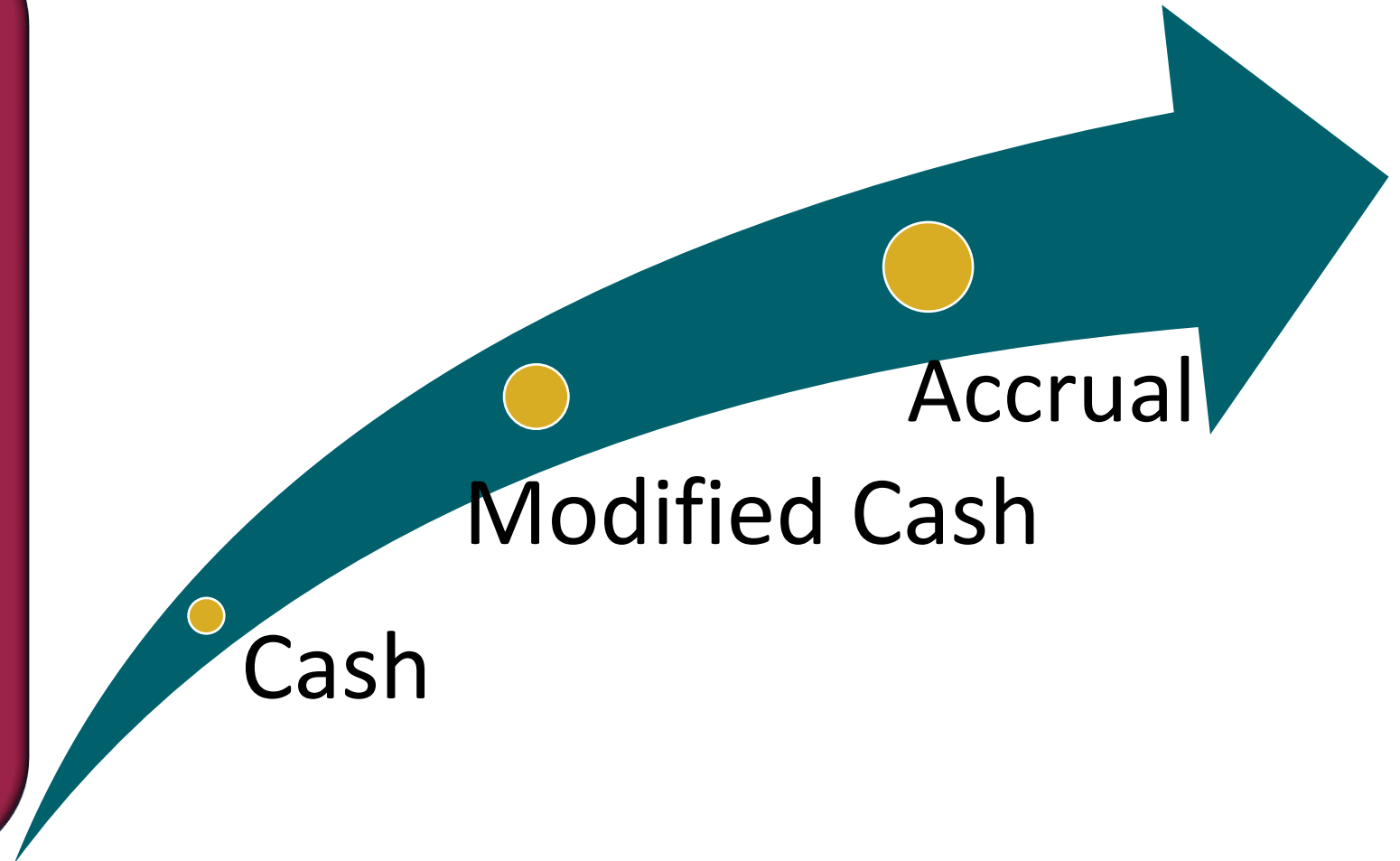


# Stakeholders and their needs



# Accrual-based

- Local financial reporting guidance
- Legal form
- Donors
- Capability
- Complexity

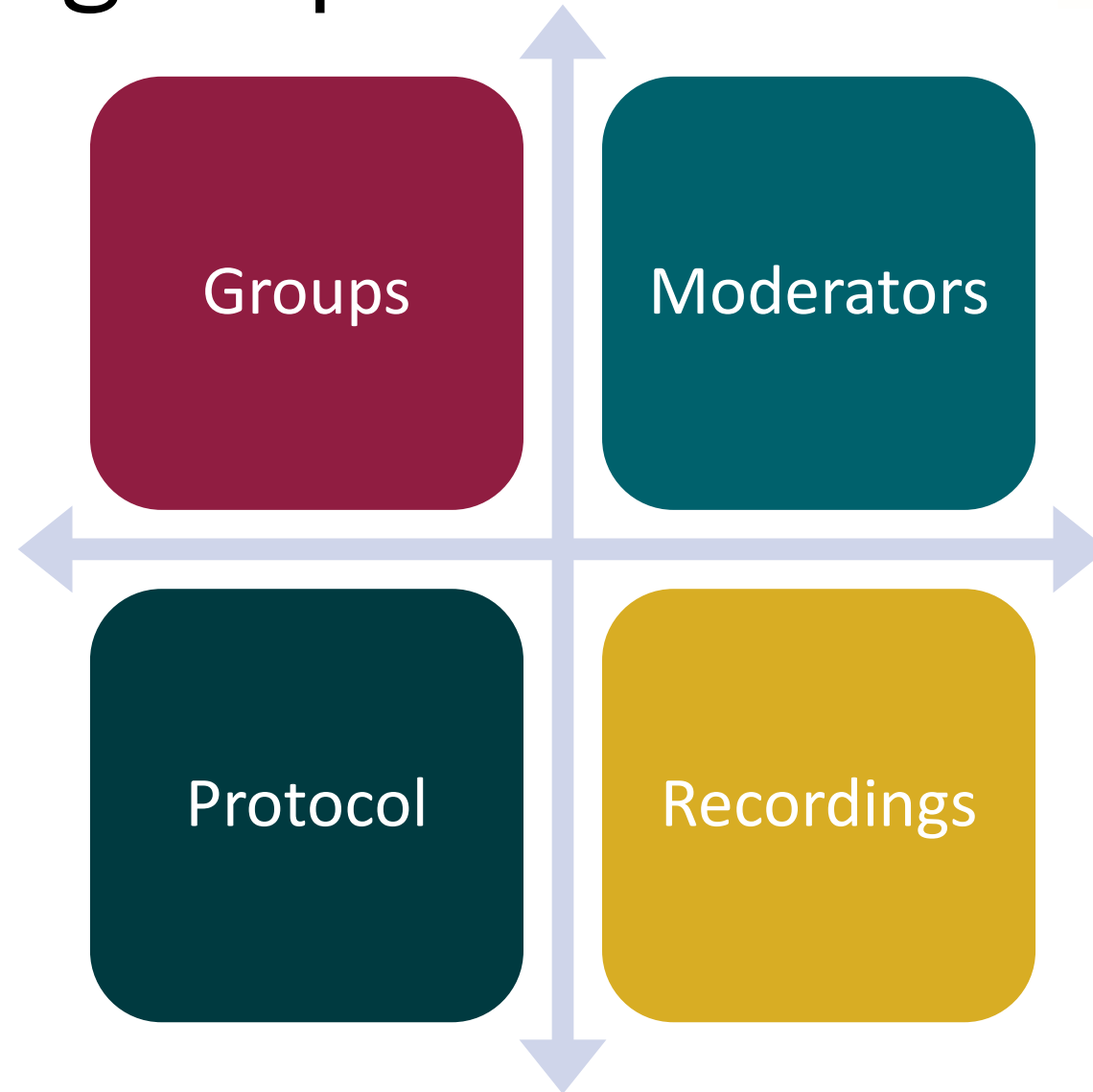


# Non-financial reporting





# Breakout groups





# Topic 1 - Questions

## Question 1

Who are the key stakeholders for NPOs in your jurisdictions? What requirements currently exist for non-financial information reporting?

## Question 2

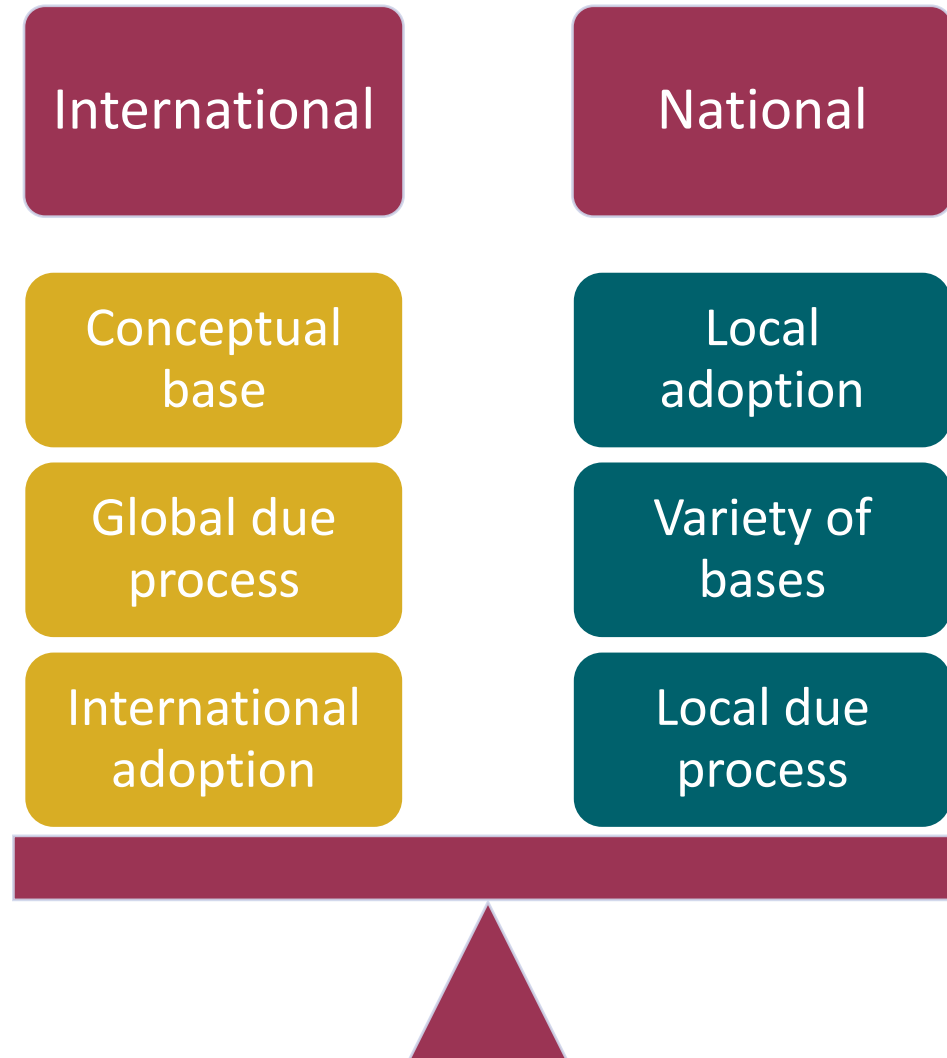
What formal accountability arrangements to stakeholders exist for NPOs? How do you think accrual accounting could support accountability and financial management?

## Question 3

What is the accounting basis for general purpose financial reporting for NPOs in your jurisdiction? How are NPOs defined?



# International and National Standards

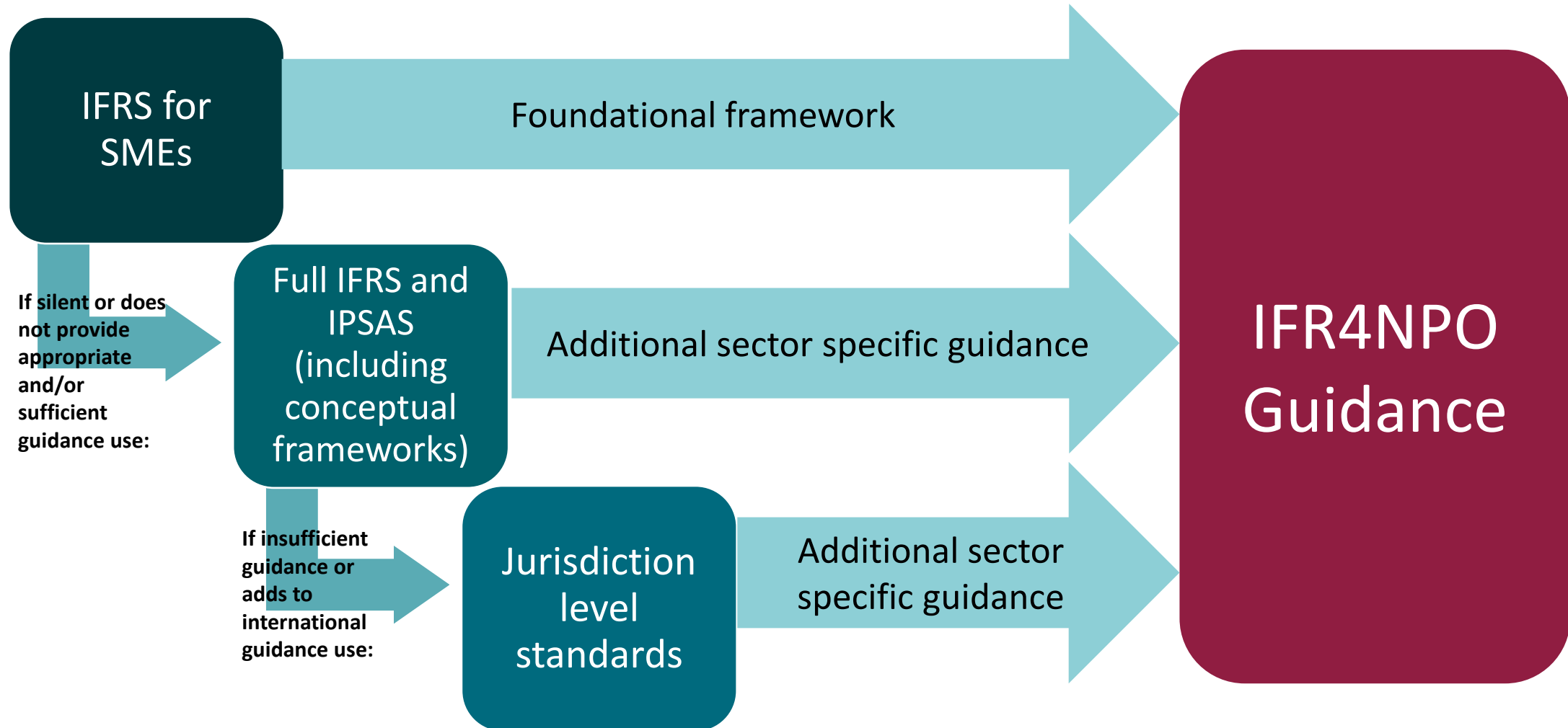


# Suitability of standards

	IFRS	IFRS for SMEs	IPSAS
Address NPO-specific issues	Some guidance but also gaps	Some guidance but also gaps	Some guidance in all areas with a range of relevant guidance
Familiarity and ease of use	<ul style="list-style-type: none"> <li>Widely used globally</li> <li>Limited to larger entities</li> <li>Many standards</li> </ul>	<ul style="list-style-type: none"> <li>Permitted in a large number of countries</li> <li>Larger range of entities</li> <li>Single standard</li> <li>Plain English</li> </ul>	<ul style="list-style-type: none"> <li>Growing in use globally</li> <li>Government entities</li> <li>Many standards</li> </ul>
Feasibility	<ul style="list-style-type: none"> <li>Updated frequently</li> <li>Voluminous</li> <li>Complex</li> </ul>	<ul style="list-style-type: none"> <li>Updated periodically</li> <li>Single standard</li> <li>Shorter</li> </ul>	<ul style="list-style-type: none"> <li>Updated frequently</li> <li>Voluminous</li> <li>Complex</li> </ul>



# Proposed model



# Topic 2 - Questions

## Question 1

What knowledge of international frameworks exists in your jurisdiction among NPOs, their auditors and stakeholders?

## Question 2

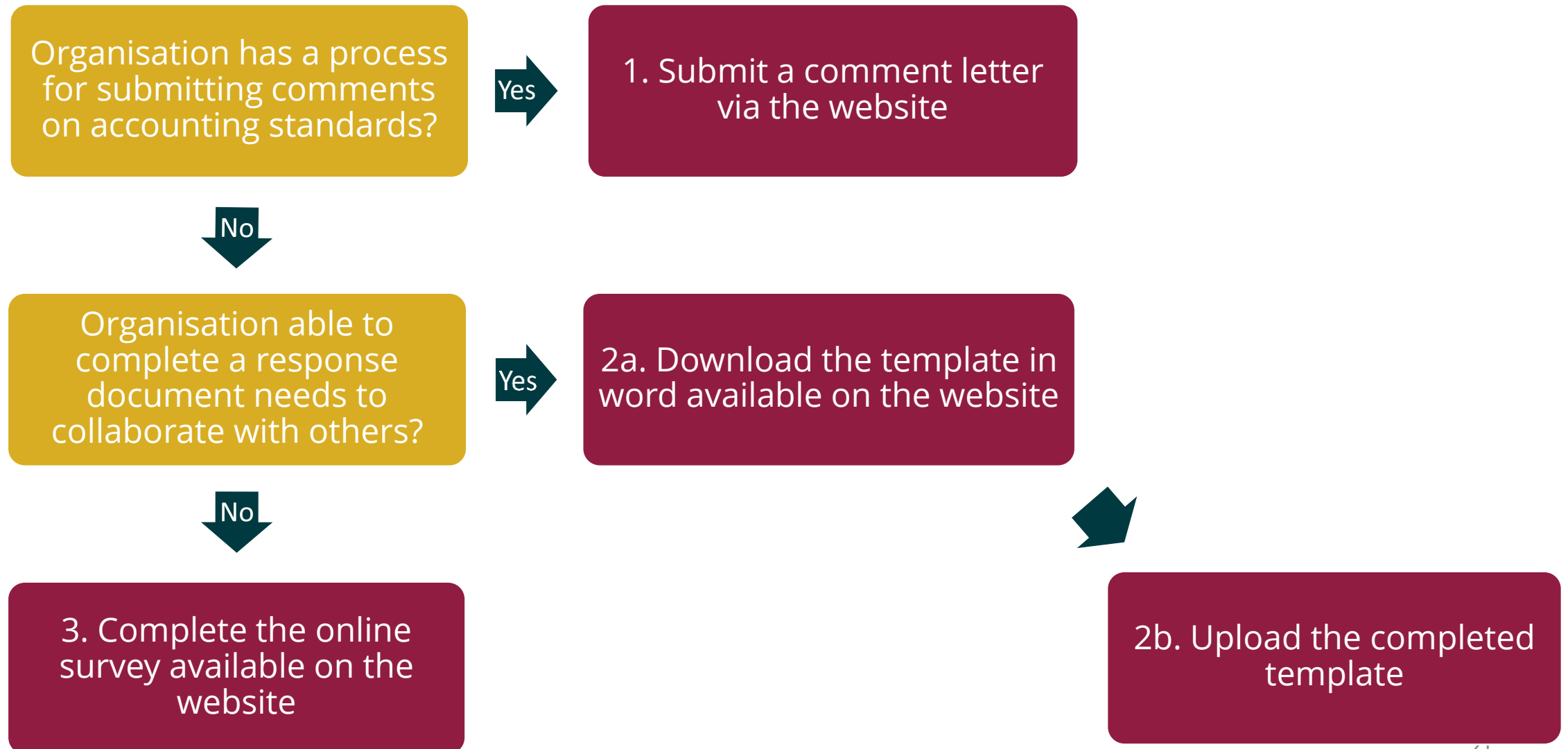
What would help you in adopting the proposed Guidance model or make it more difficult?

## Question 3

What importance do you place on using existing international frameworks for international NPO guidance and why?



# 3 ways to submit a response



# Part 2 Overview

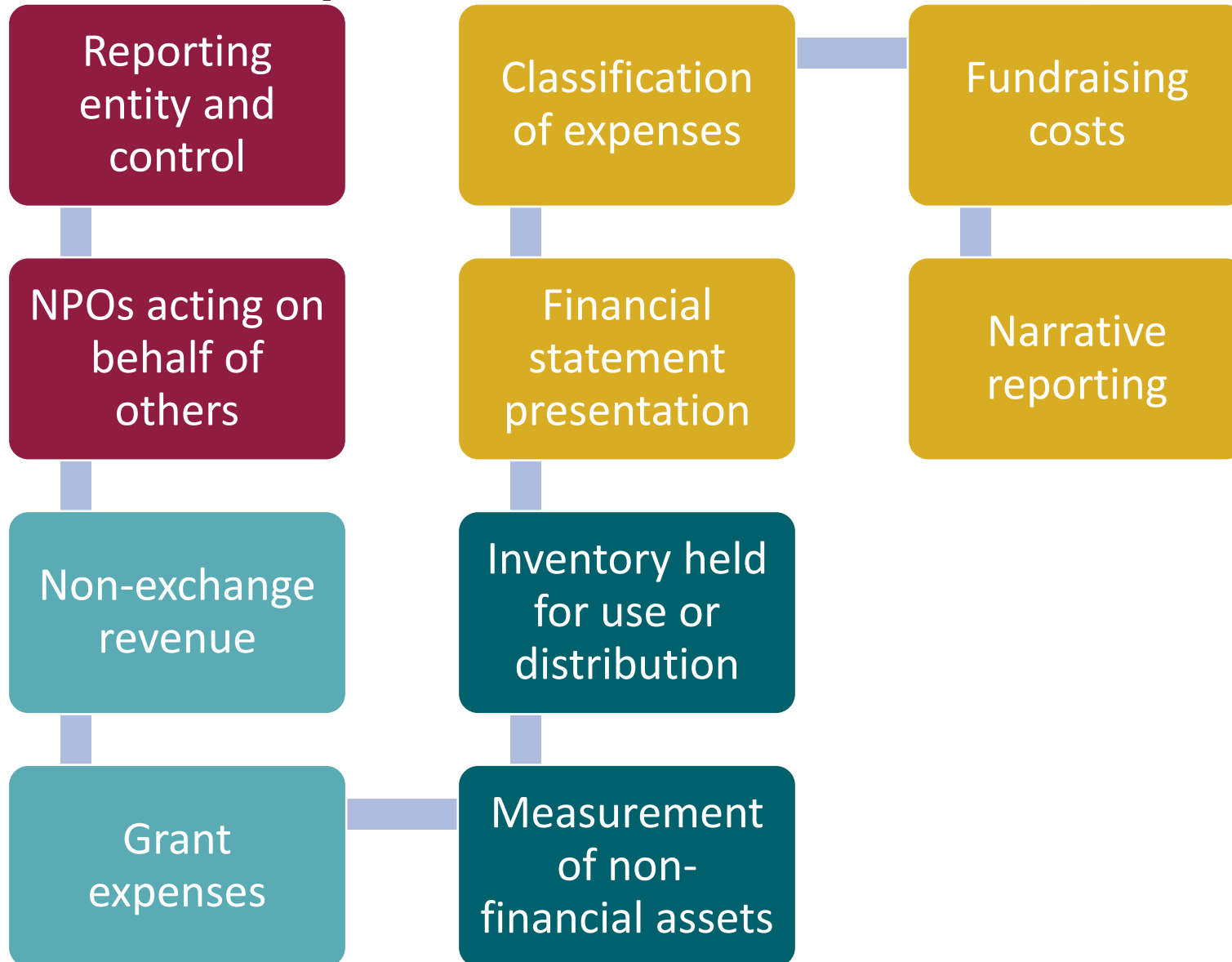
## Long list of topics

Reporting entity and control	Concessionary leases
NPOs acting on behalf of other entities	Accounting for investments/financial assets
Mergers and acquisitions	Service concessions as grantor
Intragroup transactions	Service concessions as operator
Non-exchange revenue	Financial statement presentation
Legacy/bequest income and endowments	Classification of expenses
Grant expenses	Fundraising costs
Non-financial assets held for social benefit	Narrative reporting
Inventory held for use or distribution	Related party transactions
Heritage assets and/or obligations	Remuneration/pay disclosures
Concessionary loans for social purposes	Foreign currency transactions

# Prioritisation criteria



# Proposed topics







# Topic 3 - Questions

## Question 1

For your top three financial reporting issues, why are they the most important to resolve?

## Question 2

What are the most significant accounting issues in your jurisdiction?

## Question 3

How will common solutions to your accounting issues improve accountability and decision-making?



# Next steps – please respond!

- Responses on Part 1 by 30 July 2021
- Responses on Part 2 by 24 September 2021
- Access and submit via [www.ifr4npo.org](http://www.ifr4npo.org)

# Developing the Guidance

	2021				2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Fundraising										
Outreach on the Consultation Paper										
Analysis of responses										
Development of Draft Guidance										
Outreach on Draft Guidance										
Draft Guidance launch										

# Stay connected



Subscribe for newsletters  
Join the online forum  
LinkedIn & Twitter