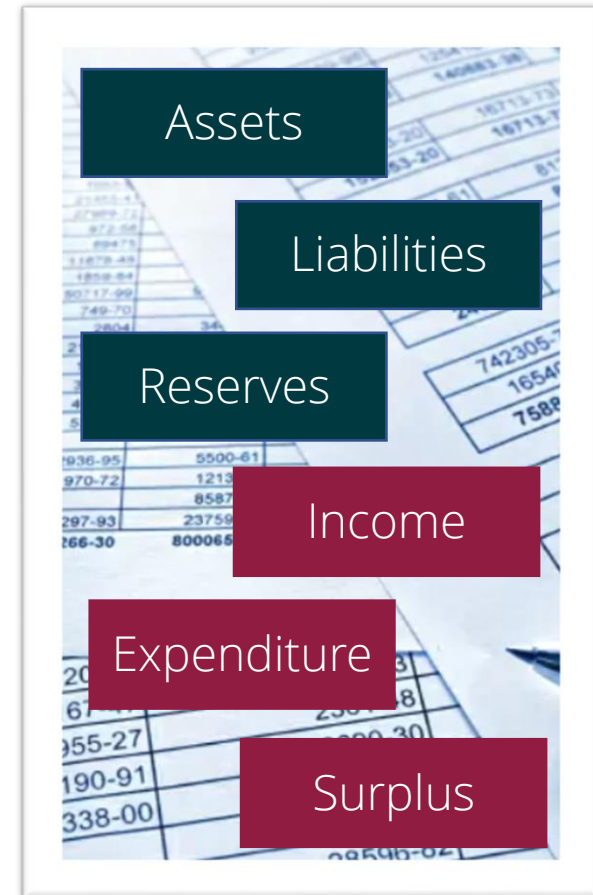




# Outreach – Financial statement presentation and narrative reporting

Developing international financial reporting guidance for non-profit organizations

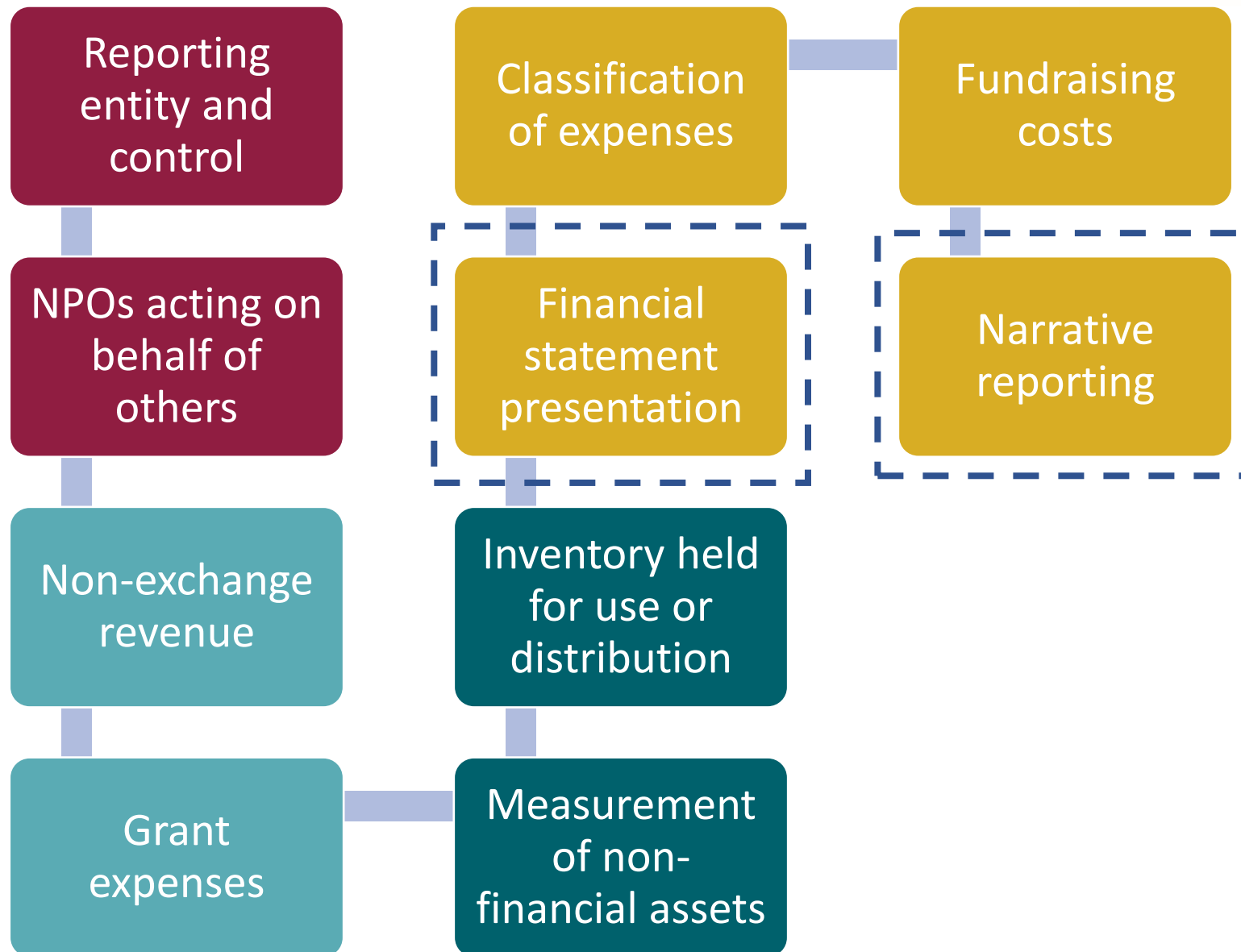




# Agenda

Topic	Time
Welcome	00.00 – 00.05
<b>Introducing the issue</b>	00.05 – 00.35
<b>Financial reporting challenges</b>	00.35 – 01.05
<b>Alternatives</b>	01.05 – 01.50
<b>Next steps</b>	01.50 – 02.00

# Proposed topics





# Introducing the issues

# Poll 1: questions and responses

# Q&A 1

Do you have any questions on what you have heard so far?

Did anything in the poll responses surprise you?

For your consultation response

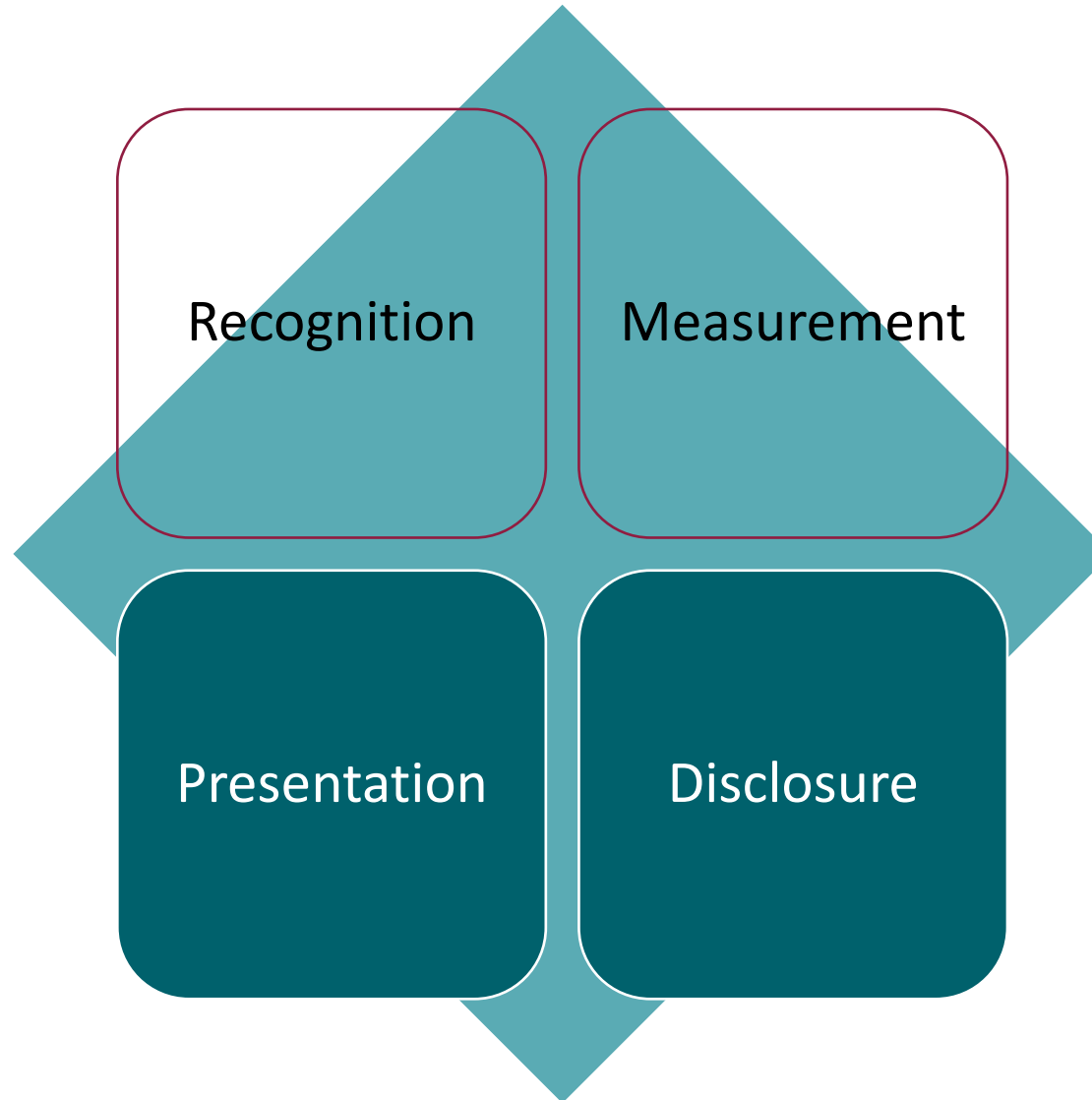
Think about situations you have experienced and why they were a problem

Think about your biggest issues

Think about the sort of issues users of the financial statements might have



# Financial reporting challenges





# Stakeholder needs

- Scope of information
  - General purpose financial statements
  - Special purpose financial statements
- Aggregation of transactions
- Complexity
- Cost vs benefit





# Restrictions

- Separation of restricted assets and resources
  - Nature of items
  - Donor's expectations
  - Transparency



# Fund accounting

- Principles
  - Individual funds
  - Pools of funds
- Presentation challenges



# Cashflow

- Understanding receipts and payments
  - Application to individual projects and programmes
  - Cost and effort
  - Scope of general purpose financial statements



# Reserves

- Management policy
- Presentation
- Impact on GPFRs



# Non-financial reporting

- Growth area
  - Which framework?
  - What scope?
- Pitching the level of reports
- Flexibility



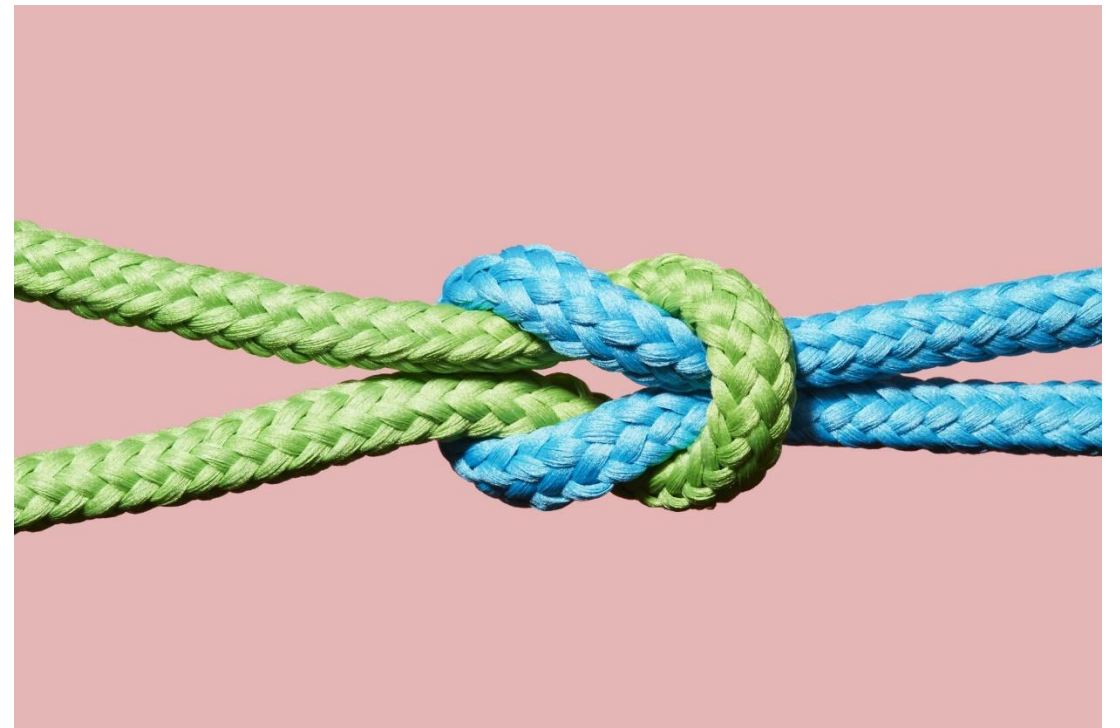
# Bias

- Management's perspective
  - What data?
  - How much data?
  - Optimism
- Uncertainty
- Judgement



# Integrated reporting

- Scope of integrated reporting, e.g.
  - Sustainability reporting
  - Organisational performance
  - Delivering for service recipients
  - Organisational sustainability
- Setting the bar



# Audit and assurance

- Disclosures in the financial statements
  - Included with the scope of the audit
- Information in the narrative report
  - Subject to review







# Poll 2: questions and responses

# Q&A 2

Do you have any questions or comments on the financial reporting challenges?

Do you have any thoughts on the poll responses?

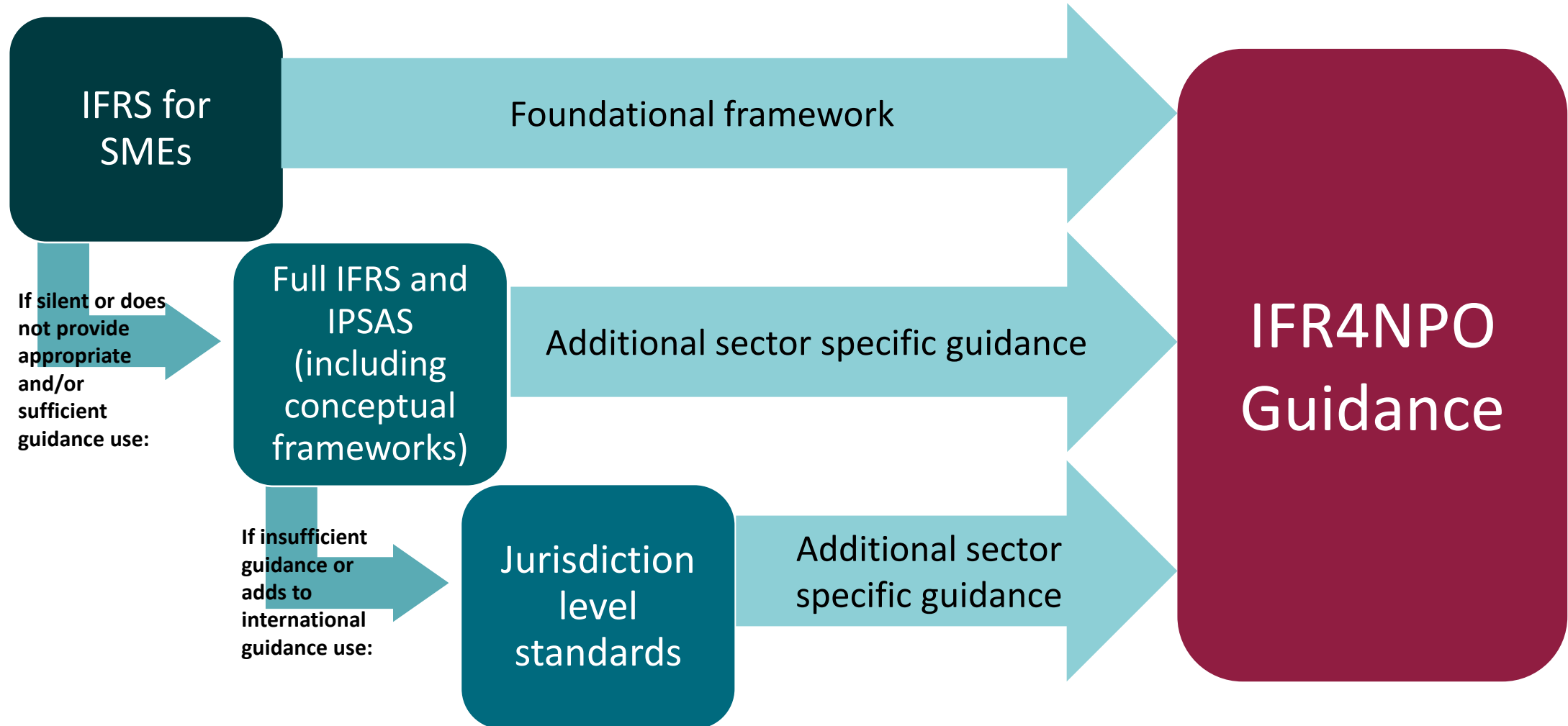
For your consultation response

Think about the things we should take into account as we look at the financial reporting challenges

Think about where we should be focusing our efforts in developing the Guidance

Think about the biggest issues for you

# Proposed model and alternatives



# International Standards

IFRS	IFRS for SMEs	IPSAS
IAS 1, IAS 7	Sections 3 – 8	IPSAS 1, IPSAS 2
Statement of financial position	Statement of financial position	Statement of financial position
Income statement	Income statement	Statement of financial performance
Comprehensive income statement	Comprehensive income statement	Statement of changes in net assets/equity
Statement of changes in equity	Statement of changes in equity	Cash flow statement
Statement of cash flows	Statement of cash flows	Notes to the financial statements
Notes to the financial statements	Notes to the financial statements	

## Guidance Included:

Materiality  
Aggregation and disaggregation  
Classes of assets, liabilities, revenue, expenses

## Guidance Not Included:

Fund accounting  
Presentation of fund or reserve balances  
Disclosure of fund/project statements



# Alternative 1 – financial statement presentation

IFRS, IFRS for  
SMEs or IPSAS



Additional  
guidance on  
presentation  
of restricted  
funds

Recommend disclosures on  
reserves

# Alternative 2 – financial statement presentation



Requirement to  
separate  
restricted funds

Require use of  
fund accounting

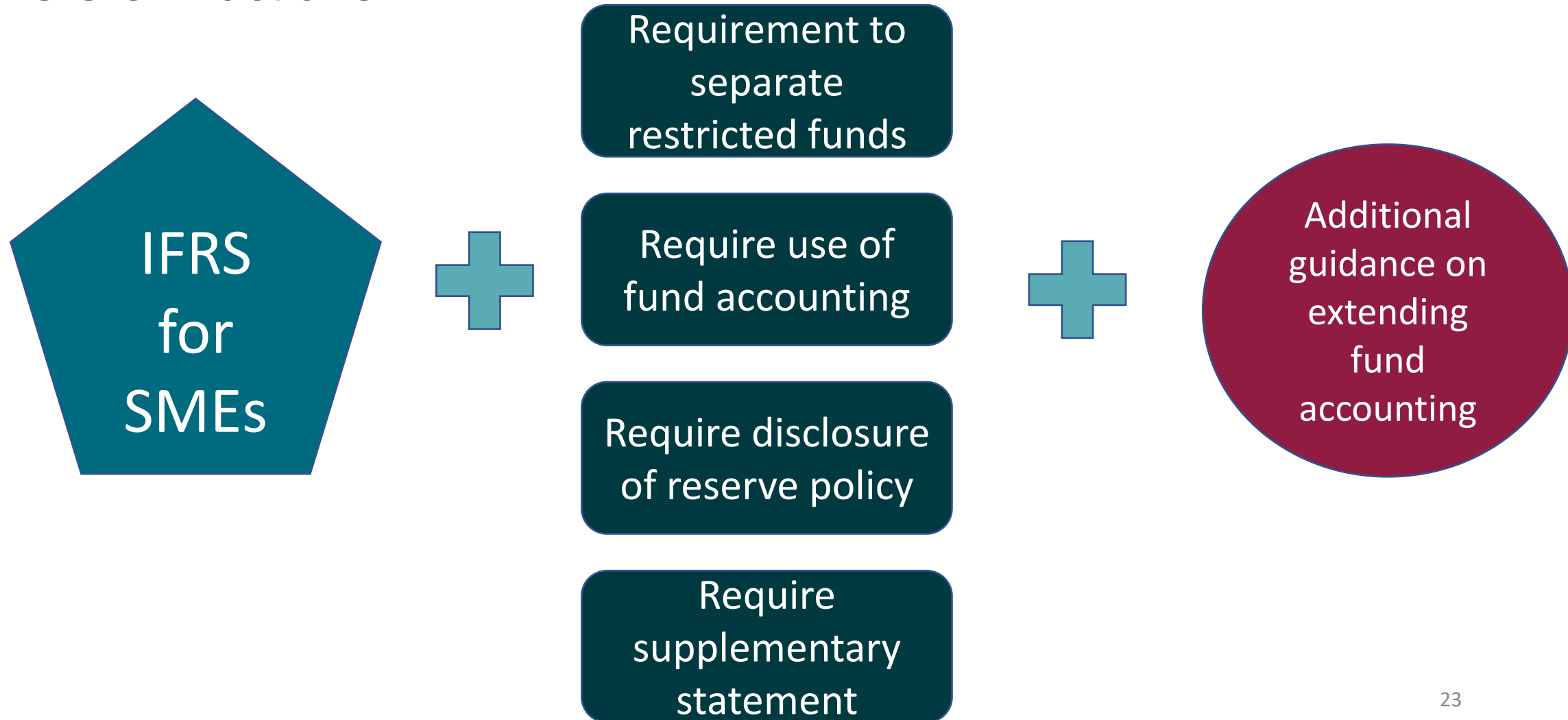
Require disclosure  
of reserve policy



Additional  
guidance on  
extending fund  
accounting

Additional  
guidance on  
use of  
supplementary  
statements

# Alternative 3 – financial statement presentation





# Comparison of advantages – Financial statement presentation

	<b>Alternative 1 Any framework</b>	<b>Alternative 2 Fund accounting</b>	<b>Alternative 3 Additional statement</b>
<b>Technical</b>	<ul style="list-style-type: none"><li>• <b>No change</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Potential to improve financial management</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Potential to improve financial management</b></li></ul>
<b>Practical</b>	<ul style="list-style-type: none"><li>• <b>Specific guidance</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Specific guidance</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Specific guidance</b></li></ul>
<b>Stakeholder</b>	<ul style="list-style-type: none"><li>• <b>Relevancy</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Transparency</b></li><li>• <b>Consistency</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Transparency</b></li><li>• <b>Consistency</b></li></ul>
<b>Cost/benefit</b>			<ul style="list-style-type: none"><li>• <b>Potential to reduce SPFRs</b></li></ul>





# Comparison of disadvantages – Financial statement presentation

	<b>Alternative 1 Any framework</b>	<b>Alternative 2 Fund accounting</b>	<b>Alternative 3 Additional statement</b>
<b>Technical</b>			
<b>Practical</b>	<ul style="list-style-type: none"><li>• <b>Lack information</b></li><li>• <b>Lack expertise</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Additional records</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Additional records</b></li><li>• <b>Single format for additional statement</b></li></ul>
<b>Stakeholder</b>	<ul style="list-style-type: none"><li>• <b>Lack of consistency</b></li><li>• <b>Donors needs not met</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Donors needs not met</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Complexity</b></li><li>• <b>Increased length</b></li></ul>
<b>Cost/benefit</b>		<ul style="list-style-type: none"><li>• <b>Fund accounting</b></li><li>• <b>Auditing</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Fund accounting</b></li><li>• <b>Auditing</b></li></ul>

# Consultation questions - financial statement presentation

Do you agree with the description of the issue?

Do you agree that the list of alternative treatments is exhaustive?

Do you agree with the advantages and disadvantages for each alternative

Which alternative do you favour?

Do you agree with the term 'statement of financial performance'?

# Poll 3: questions and responses



# Q&A 3

For your consultation response

Do you have any questions or comments on the alternatives on financial statement presentation?

Think about whether being pragmatic raises other issues

Do you have any thoughts on the alternative preferred in the poll and the reasons for this preference?

Think about capability to implement your preferred alternative

Think about which advantages will make the biggest difference

# International level guidance

## IFRS Standards

- Not addressed in Standards
- Non-mandatory Practice Statement *Management Commentary*

## The *IFRS for SMEs* Standard

- Narrative reporting not specifically included
- Non-mandatory Practice Statement *Management Commentary* available for use

## IPSAS

- Not addressed in Standards
- Non-mandatory material in the form of Recommended Practice Guidelines (RPGs)

# Alternatives – Narrative Reporting

## Alternative 1

Do nothing and follow existing jurisdictional guidance or voluntary information

## Alternative 2

Apply existing international guidance tailored for NPOs

## Alternative 3

Apply IIRC integrated reporting tailored for NPOs

# Comparison of advantages – Narrative Reporting

	Alternative 1	Alternative 2	Alternative 3
Technical	<ul style="list-style-type: none"> <li>• Meets local requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Meets international requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Meets international requirements</li> <li>• Raises the bar</li> </ul>
Practical	<ul style="list-style-type: none"> <li>• Easy to implement</li> </ul>	<ul style="list-style-type: none"> <li>• Clear principles</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• Clear principles</li> <li>• Aid management</li> </ul>
Stakeholder		<ul style="list-style-type: none"> <li>• Communication and understanding</li> </ul>	<ul style="list-style-type: none"> <li>• Communication and understanding</li> </ul>
Cost/benefit	<ul style="list-style-type: none"> <li>• Minimises burdens</li> </ul>		

# Comparison of disadvantages Narrative Reporting



	Alternative 1	Alternative 2	Alternative 3
Technical			
Practical	<ul style="list-style-type: none"> <li>• <b>Missed opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>More judgement</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>More judgement</b></li> <li>• <b>Impact on processes</b></li> </ul>
Stakeholder	<ul style="list-style-type: none"> <li>• <b>No reporting</b></li> <li>• <b>Inconsistency</b></li> <li>• <b>Lack of transparency</b></li> </ul>		
Cost/benefit		<ul style="list-style-type: none"> <li>• <b>More narrative disclosures</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Administrative burden</b></li> <li>• <b>Uncertainty on cost</b></li> </ul>



# Consultation questions – Narrative reporting

Do you agree with the description of the issue?

Do you agree that the list of alternative treatments is exhaustive?

Do you agree with the advantages and disadvantages for each alternative

Which alternative do you favour?

Should narrative reporting be set at the level of a framework and principles or include specific reporting requirements or recommendations?

# Poll 4: questions and responses

# Q&A

Do you have any questions or comments on the alternatives for narrative reporting?

Do you have any thoughts on the alternative preferred in the poll and the reasons for this preference?

For your consultation response

Think about whether being pragmatic raises other issues

Think about capability to implement your preferred alternative

Think about which advantages will make the biggest difference

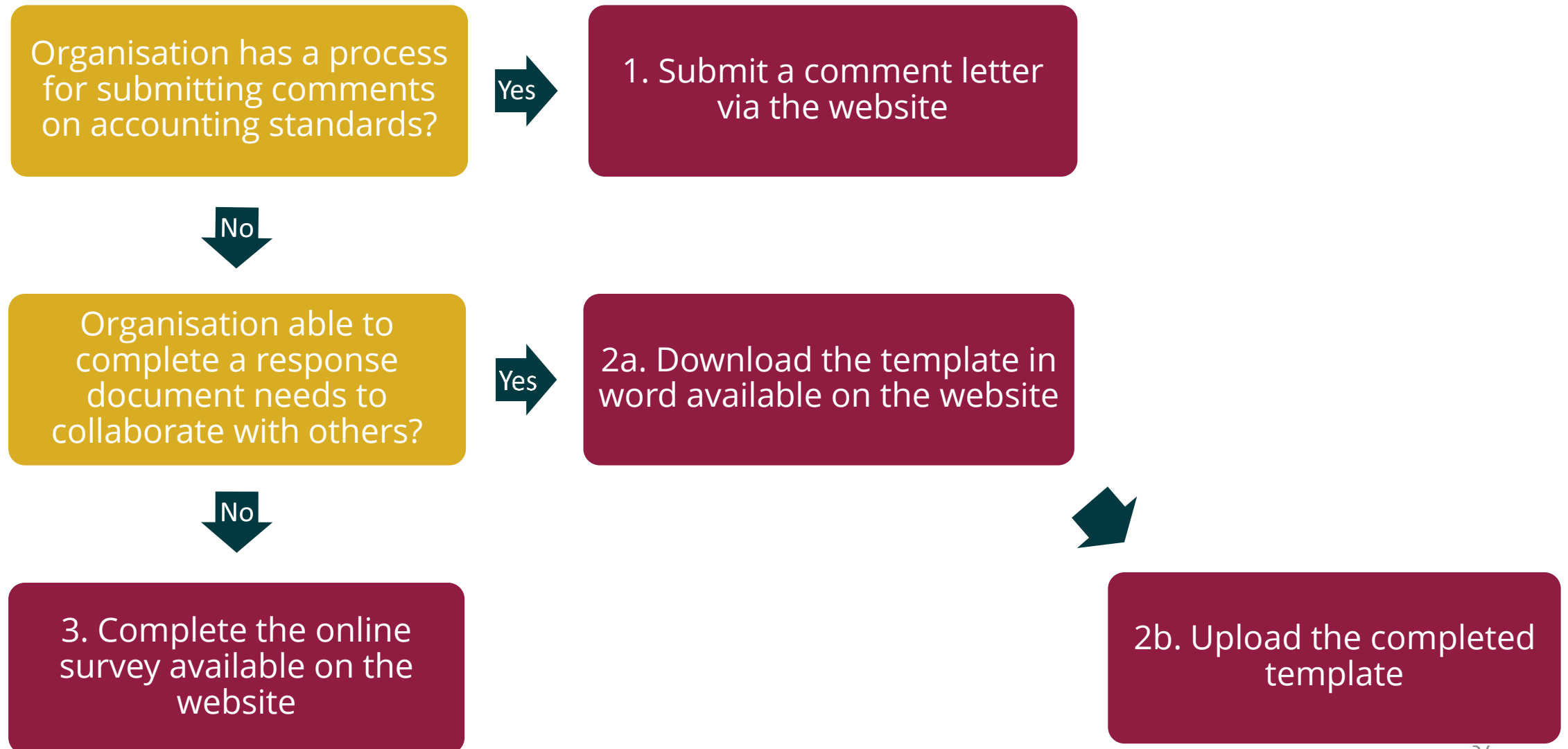


# Next steps – please respond!

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



# 3 ways to submit a response



# Wordcloud

What is your one or two word hope for the future for these topics?

Go to [www.menti.com](https://www.menti.com)

Input code xxxxxx

# Exposure Draft time-line

	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