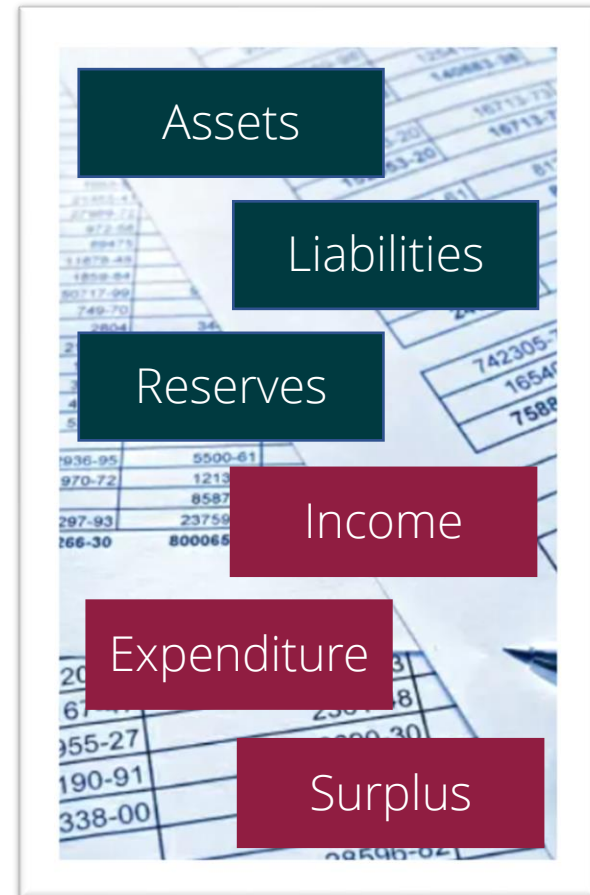




Outreach – Classification of expenses and Fundraising costs

Developing international financial reporting guidance for non-profit organizations

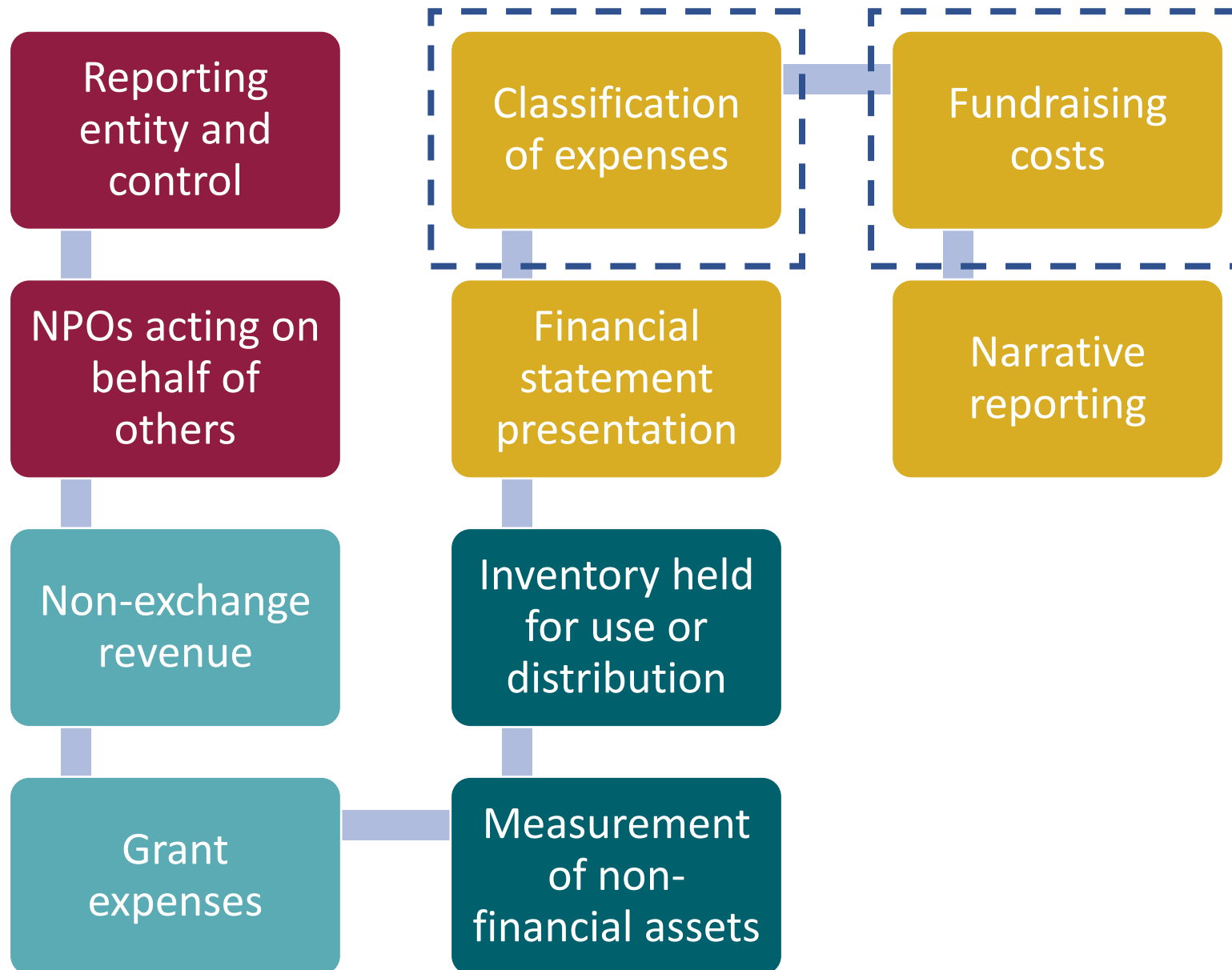




Agenda

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

Proposed topics





Introducing the issues

Poll 1: questions and responses



Q&A 1

For your consultation response

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

Think about your biggest issues

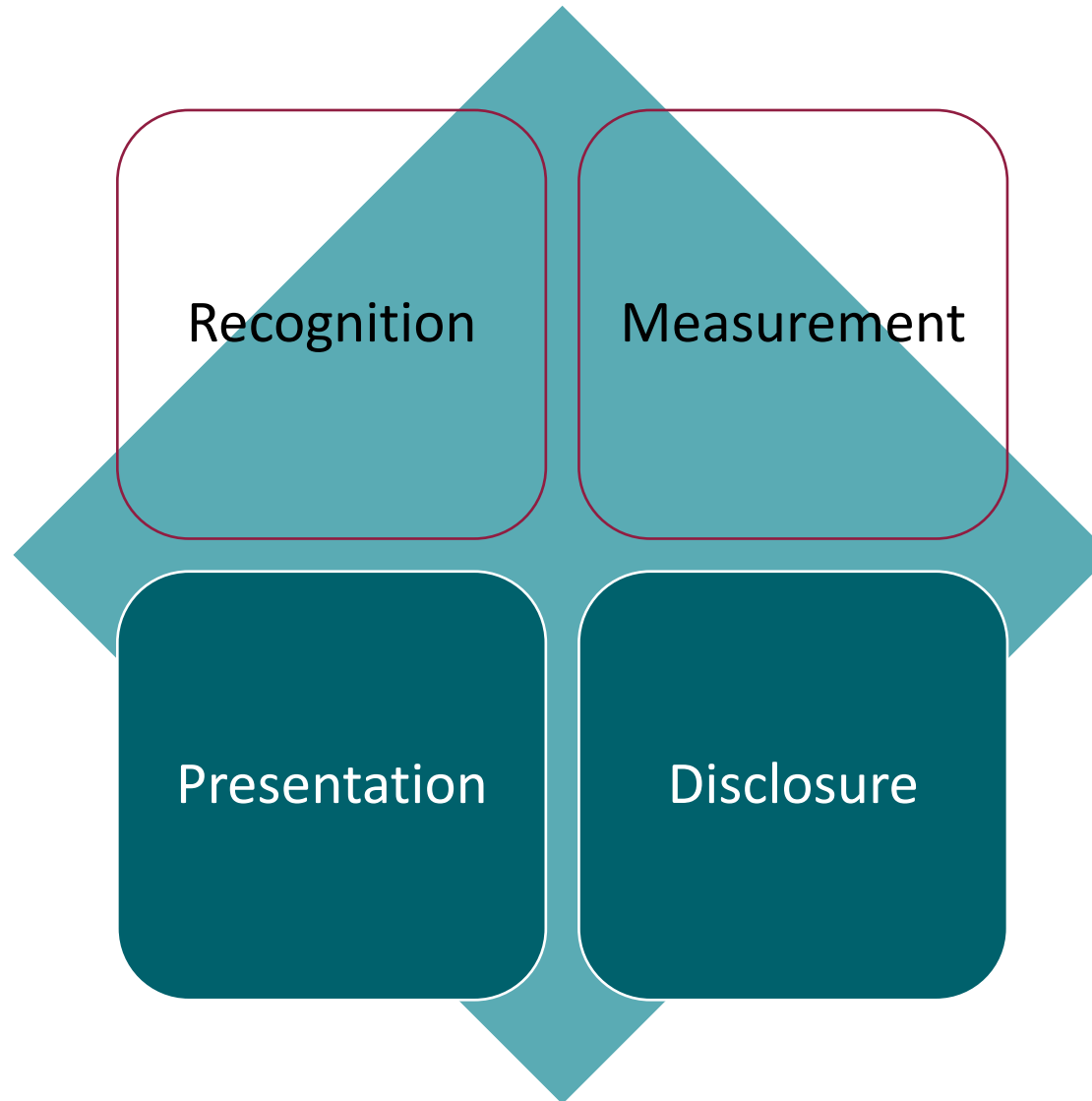
Think about the sort of issues you have experienced in providing expense information

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

Did anything in the poll responses surprise you?



Financial reporting challenges



Analysis by nature

- **Costs of inputs**
 - Staff costs
 - Purchases
 - Depreciation
- **Advantages**
 - Regulatory reporting
 - Predicting cashflows
 - Control
- **Disadvantages**
 - Cost of activities



Analysis by function

- **Cost of activities**
 - Administration
 - Delivering services
- **Advantages**
 - Transparency of activities
- **Disadvantages**
 - Cost allocation
 - Overhead allocation
 - Inconsistency of approaches





Identifying fundraising costs

- Extension of analysis by function?
- Definition of fundraising costs
 - Direct costs
 - Indirect costs
- System needs



Judgements

- How do you allocate direct costs?
- How do you allocate overheads?
- What is reliable and relevant?





Standardisation of fundraising costs

- Can there be a standard definition of fundraising?
 - Direct costs
 - Treatment of business development
 - Allocation of overheads
- Disclosures



Fundraising - what, when, how

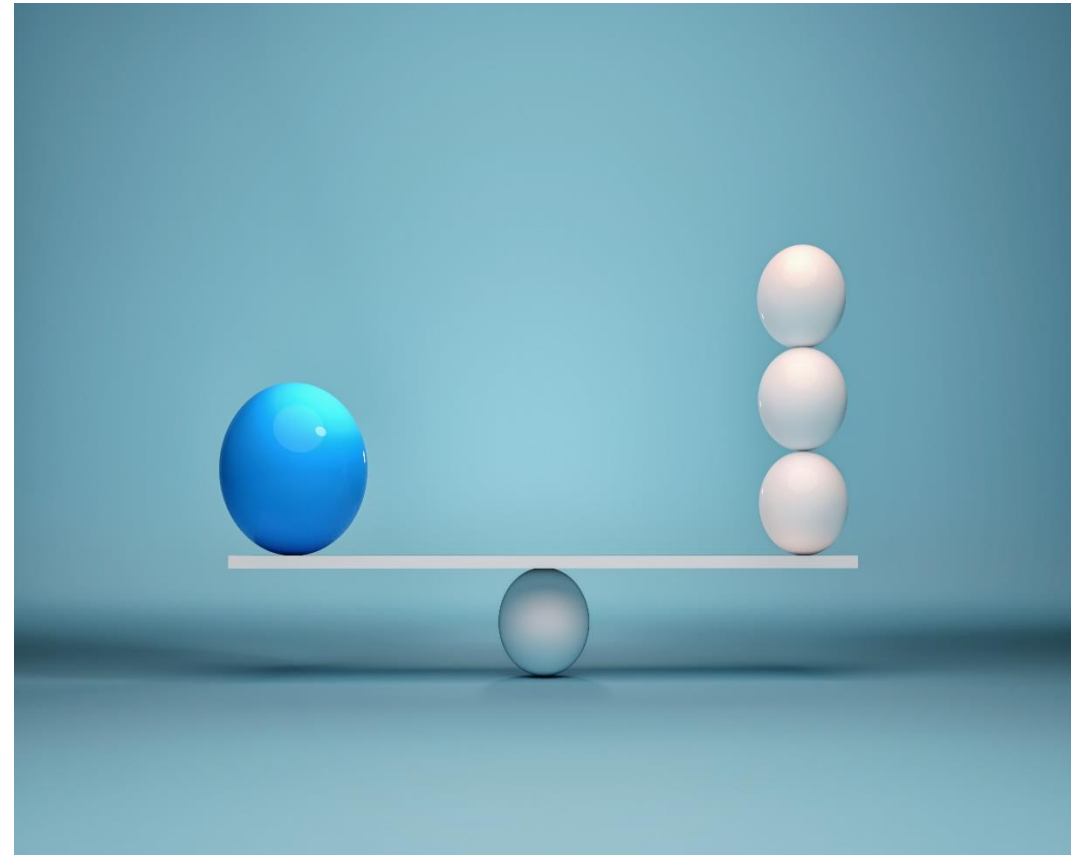
- Timing differences
 - Costs before income
- Gross presentation of expenses
- Disclosures to support fundraising costs
 - Activity
 - Approaches





Cost/benefit

- System requirements
- Cost drivers
 - Complexity
- Benefits





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?

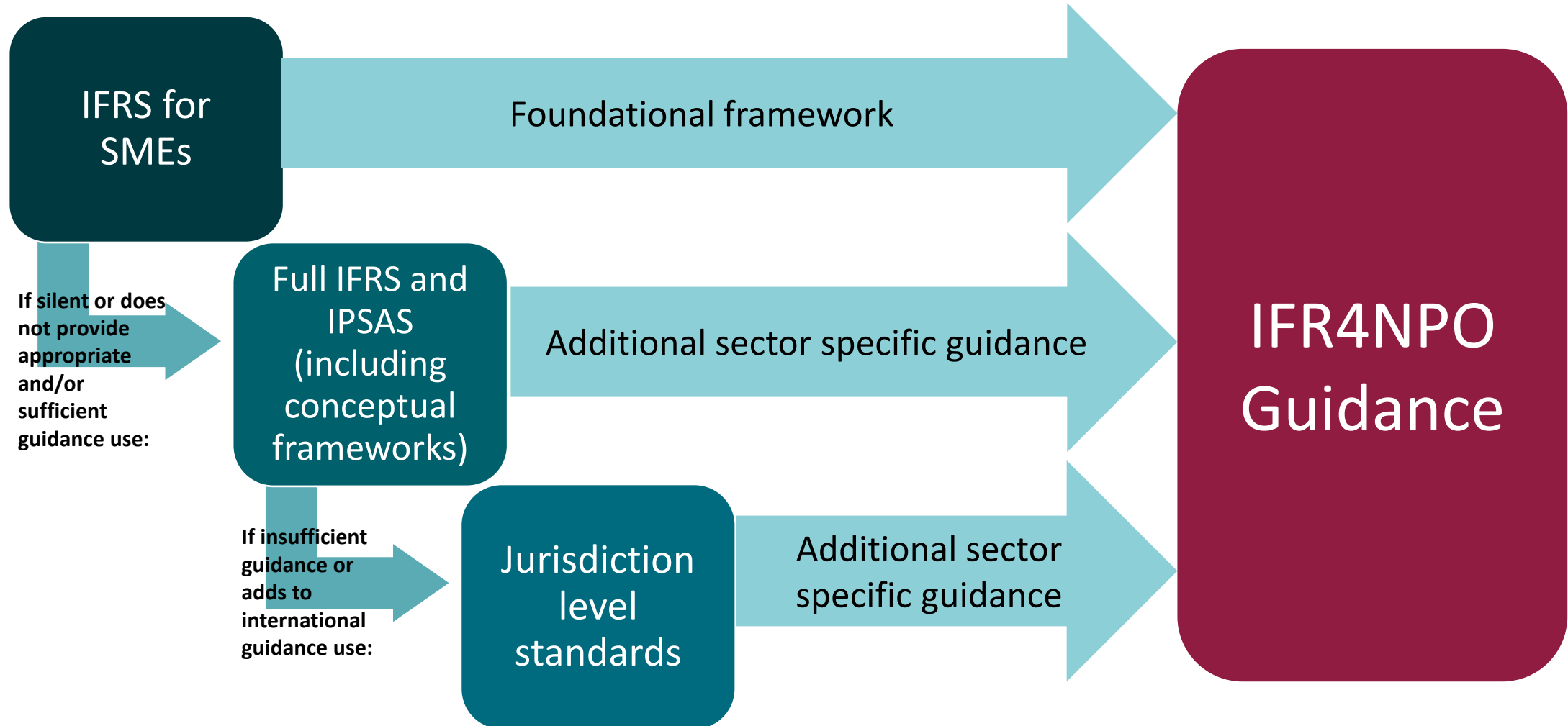
For your consultation response

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



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

IFRS

IAS 1
ED 2019/7

IFRS for
SMEs

Section 5

IPSAS

IPSAS 1

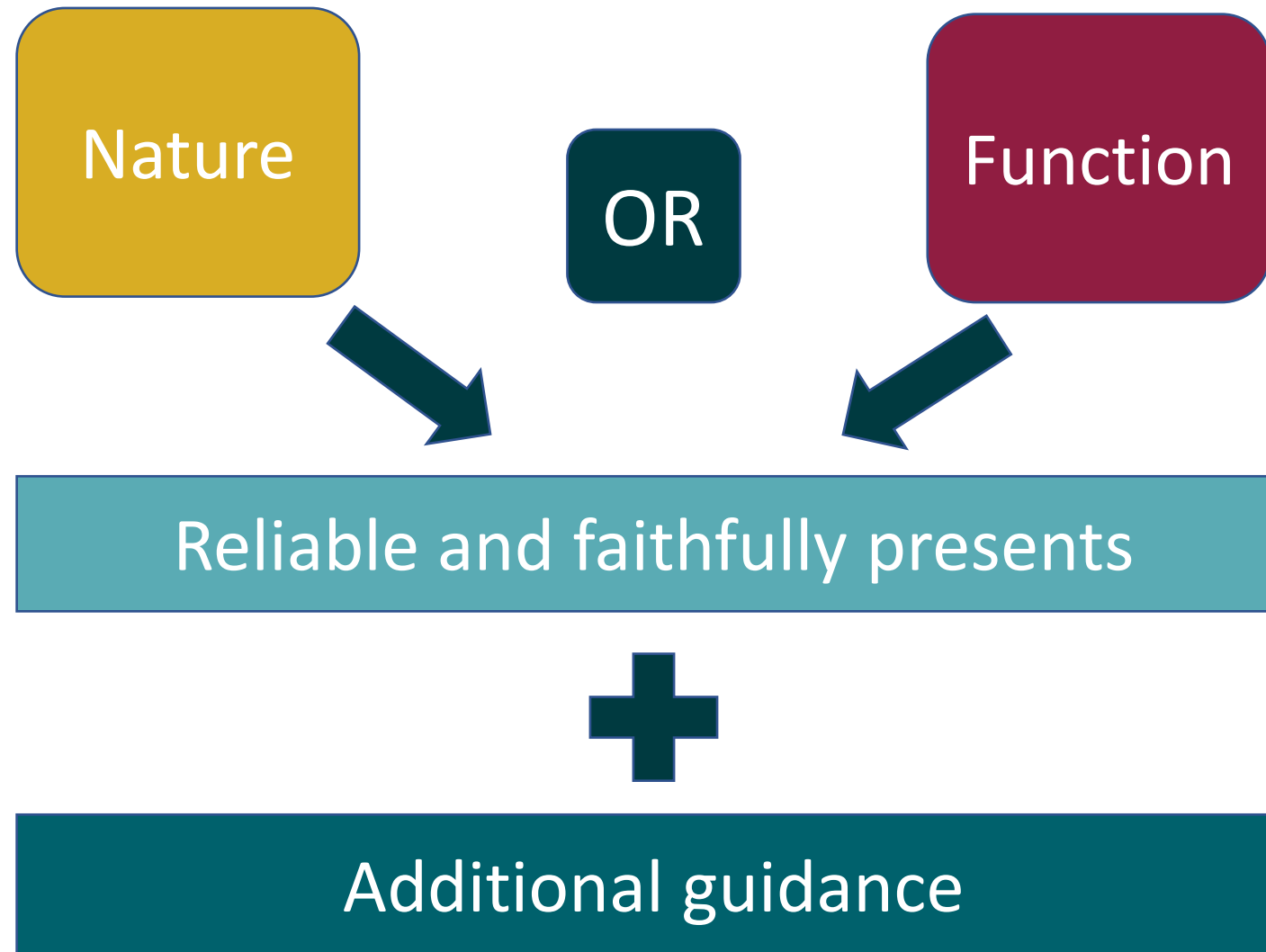
National
Guidance

Various Approaches

- Require presentation on either the face of the statement of financial performance or notes, an analysis of expenses based on either the nature of expenses or their function, whichever provides information that is reliable and more relevant
- ED – Analysis in statement and in notes – no mixed presentation
- National frameworks reflect either IFRS/IPSAS/IFRS for SMEs and some specific treatments

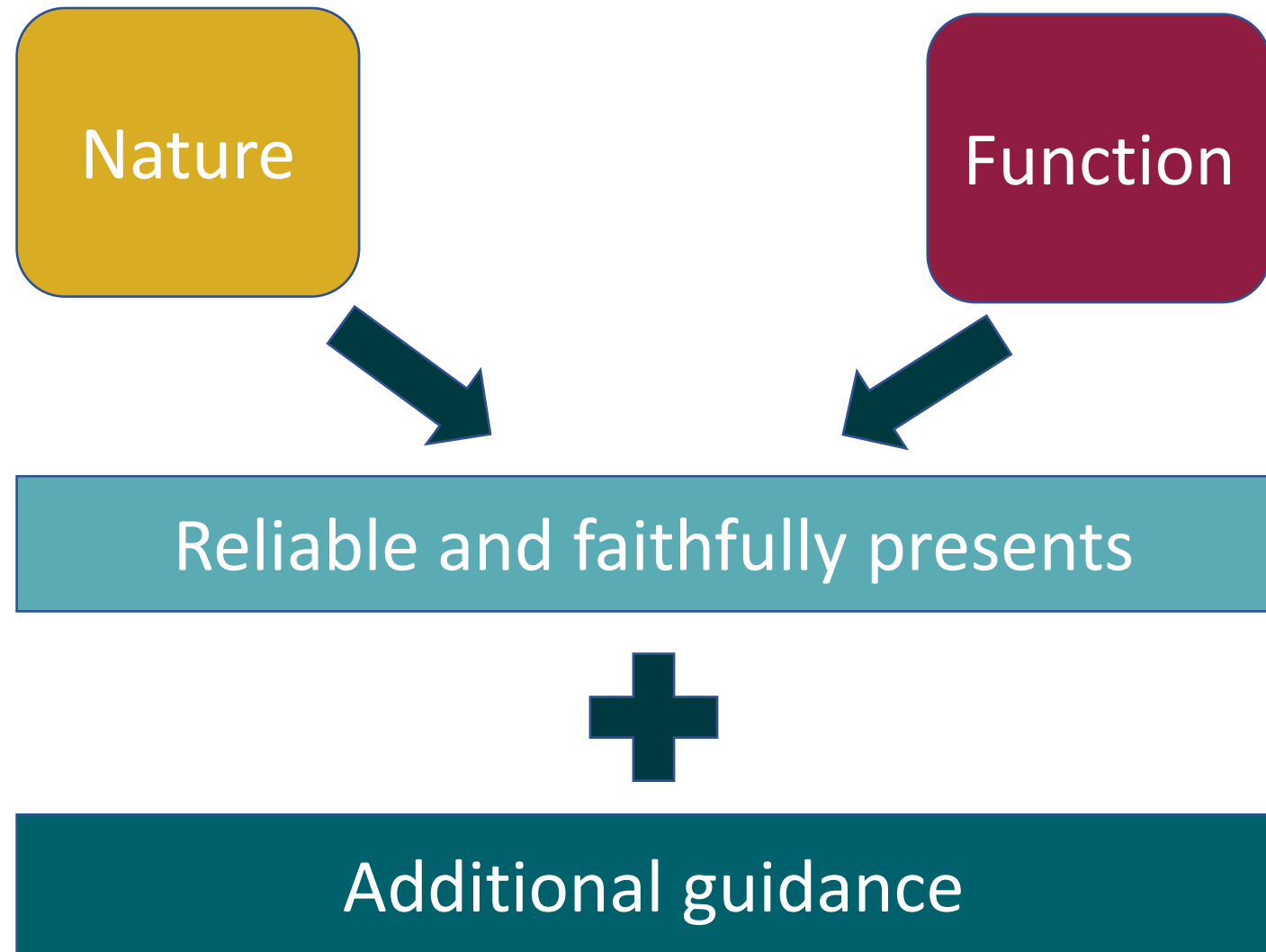


Alternative 1 – Follow international standards



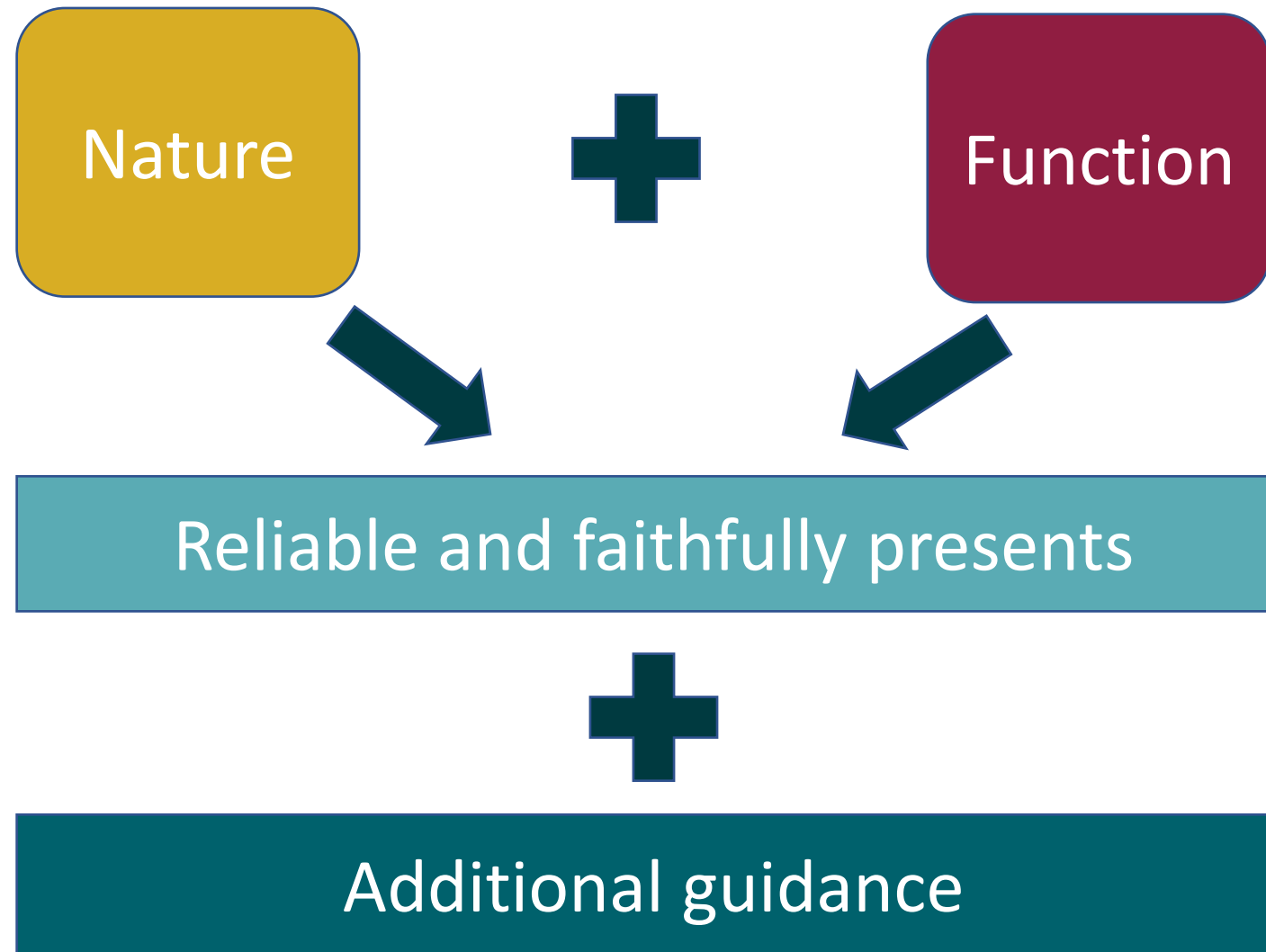


Alternative 2 – Require a permitted analysis

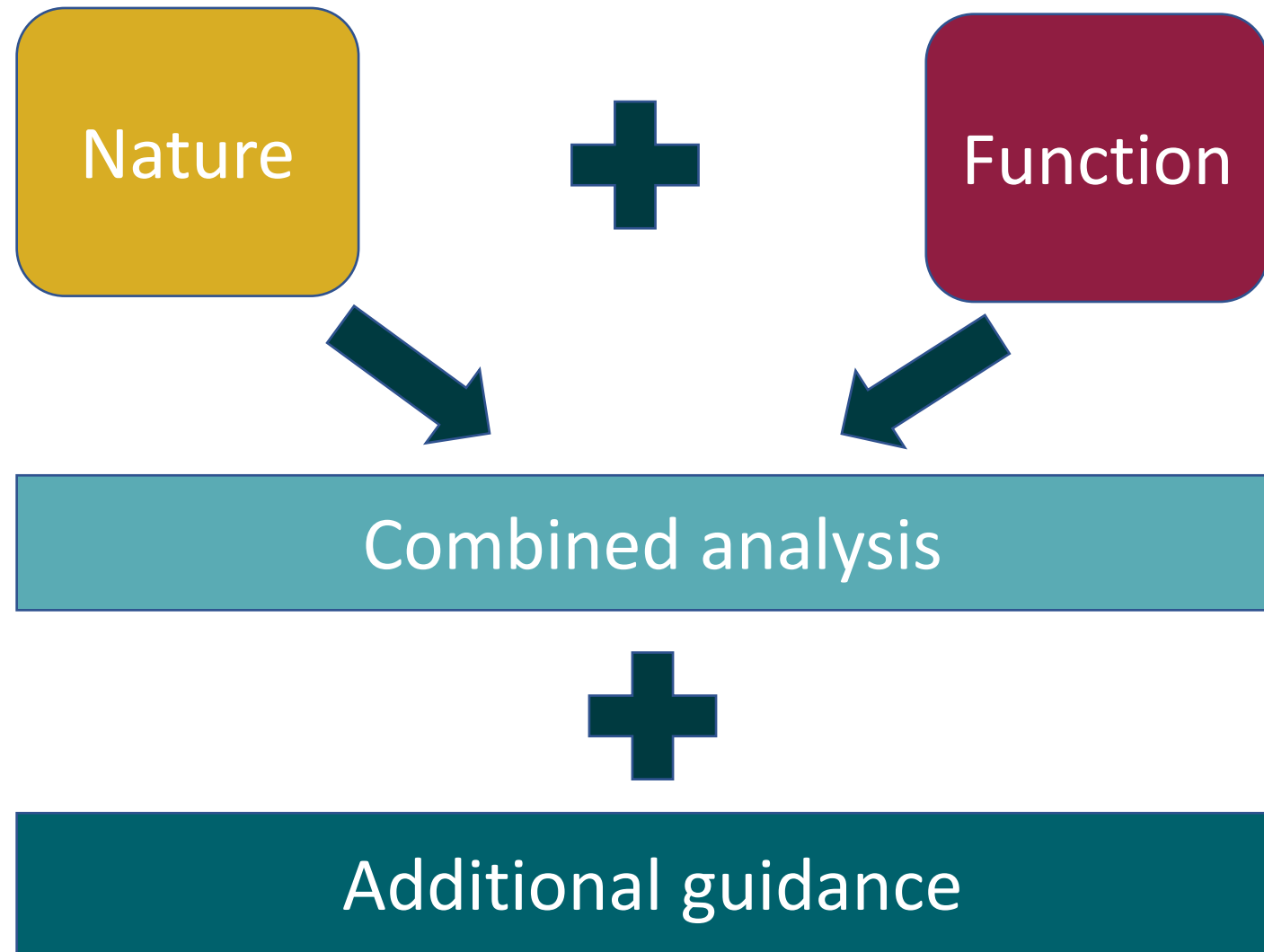




Alternative 3 – Require analysis by nature and function



Alternative 4 – Hybrid analysis



Comparison of advantages



	Alternative 1 - choice	Alternative 2 – mandate one	Alternative 3 - both	Alternative 4 - hybrid
Technical	<ul style="list-style-type: none"> • Consistent with IFRS, IFRS for SMEs and IPSAS 	<ul style="list-style-type: none"> • Allowed by IFRS, IFRS for SMEs and IPSAS 	<ul style="list-style-type: none"> • Allowed by IFRS IFRS for SMEs and IPSAS 	
Practical	<ul style="list-style-type: none"> • Flexibility 			<ul style="list-style-type: none"> • Simplify reporting
Stakeholder	<ul style="list-style-type: none"> • Useful 	<ul style="list-style-type: none"> • Comparability 	<ul style="list-style-type: none"> • Comprehensive • Comparability 	<ul style="list-style-type: none"> • Useful for less complex entities
Cost/benefit	<ul style="list-style-type: none"> • Cost effective 			<ul style="list-style-type: none"> • Reduce reporting

Comparison of disadvantages



	Alternative 1 - choice	Alternative 2 – mandate one	Alternative 3 - both	Alternative 4 - hybrid
Technical		<ul style="list-style-type: none"> • Weakens use international standards 	<ul style="list-style-type: none"> • Goes beyond international standards 	<ul style="list-style-type: none"> • Not permitted by IFRS, IFRS for SMEs and IPSAS
Practical		<ul style="list-style-type: none"> • Resource demands 		
Stakeholder	<ul style="list-style-type: none"> • Lack of comparability 	<ul style="list-style-type: none"> • Limit analysis 	<ul style="list-style-type: none"> • Lack of comparability • Usefulness 	<ul style="list-style-type: none"> • Defining categories
Cost/benefit	<ul style="list-style-type: none"> • Best might not be cheap 		<ul style="list-style-type: none"> • Cost outweighs benefit 	

Next steps – Consultation questions

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 think the alternatives provide the right balance between information on the face of statement and in the notes

Would the allocation of expenses be so arbitrary that it would not be useful?

Are there any practical issues arising from your preferred option?

Poll 3: questions and responses

Q&A 3

Do you have any questions or comments on the alternatives for classification of expenses?

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

International Standards



IFRS

IAS 1
IFRS 8

IFRS for
SMEs

Section 5

IPSAS

IPSAS 1
IPSAS 18

National
Guidance

Various
Approaches

- IPSAS similar to IFRS
- No specific standard for fundraising costs
- Segmental reporting could be used but has wider implications.
- No segments in IFRS for SMEs
- A few jurisdictions have reporting requirements though no single definition.



Alternatives – Fundraising costs

	Alternative 1	Alternative 2	Alternative 3
International standards	Recognition, measurement and presentation follow IFRS, IFRS for SMEs or IPSAS		
Gross or net	Costs must not be netted off from fundraising income		
Additional guidance	NPO specific examples with recommended stakeholder reporting		Require disclosure of fundraising costs and accounting policy with guidance
Presentation	Reliable and relevant		
Disclosure		Accounting policy if costs disclosed	

Comparison of advantages

	Alternative 1 - choice	Alternative 2 – disclosure if present	Alternative 3 – require disclosure
Technical	<ul style="list-style-type: none"> Follow IFRS, IFRS for SMEs and IPSAS 	<ul style="list-style-type: none"> Allowed by IFRS, IFRS for SMEs and IPSAS 	<ul style="list-style-type: none"> Allowed by IFRS, IFRS for SMEs and IPSAS
Practical	<ul style="list-style-type: none"> Easy to implement 	<ul style="list-style-type: none"> Easy to implement 	<ul style="list-style-type: none"> Flexibility
Stakeholder		<ul style="list-style-type: none"> Transparency Understanding 	<ul style="list-style-type: none"> Transparency Understanding Consistency
Cost/benefit	<ul style="list-style-type: none"> Cost neutral 		

Comparison of disadvantages

	Alternative 1 - choice	Alternative 2 – disclose if present	Alternative 3 – require disclosure
Technical			
Practical			
Stakeholder	<ul style="list-style-type: none"> • Inconsistency • Lack of transparency 	<ul style="list-style-type: none"> • Inconsistency 	<ul style="list-style-type: none"> • Irrelevance
Cost/benefit		<ul style="list-style-type: none"> • Cost of disclosures • Disincentivise disclose 	<ul style="list-style-type: none"> • Cost of disclosures

Next steps – Consultation questions

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 that all fundraising costs should be presented gross?

Poll 4: questions and responses



Q&A 4

For your consultation response

Do you have any questions or comments on the alternatives for fundraising costs?

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

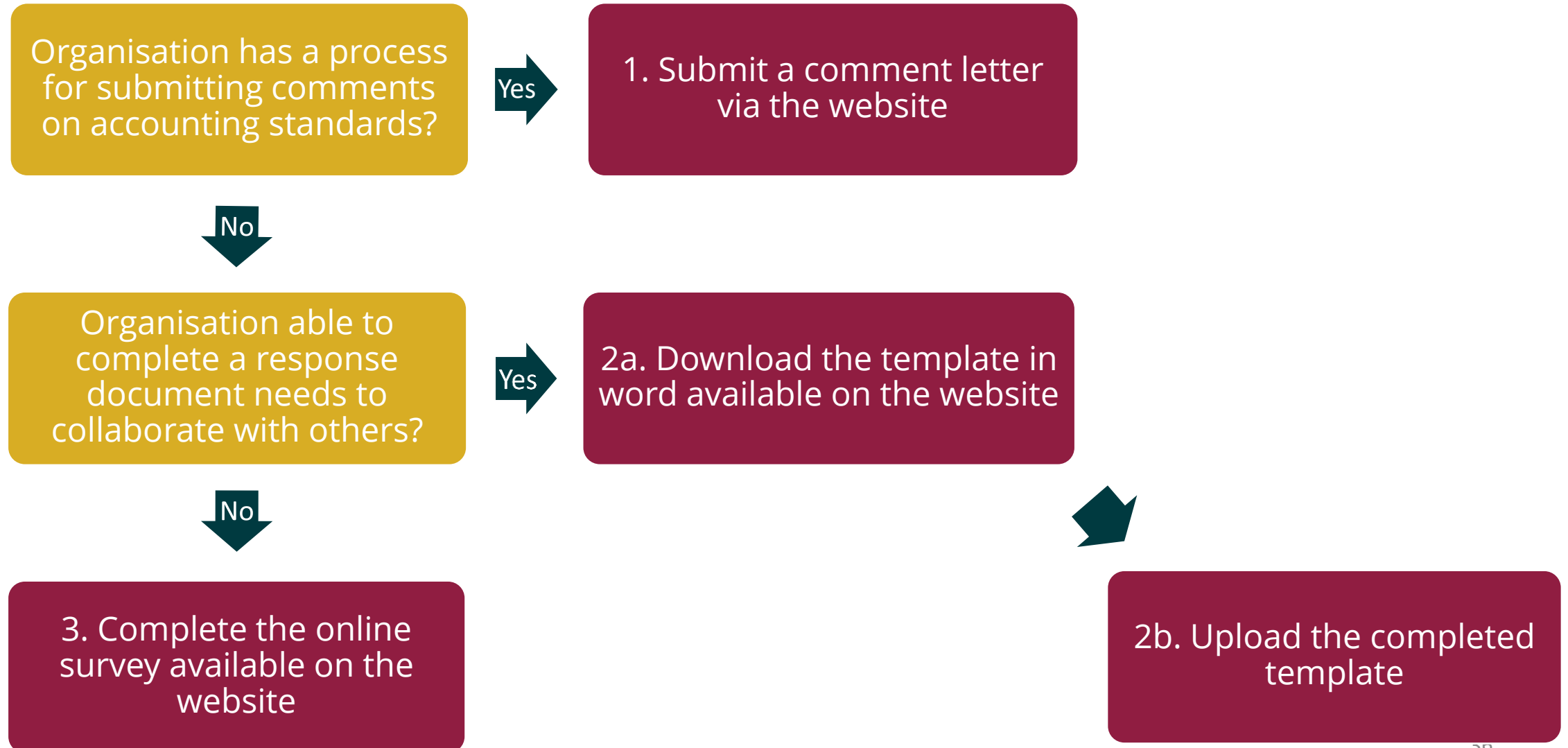


Next steps – please respond!

- Responses on Part 2 by 24 September 2021
- Access and submit via www.ifr4npo.org



3 ways to submit a response



Wordcloud

What is your experience of today's topic in one word?

Go to www.menti.com

Input code 8276 0921

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										

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