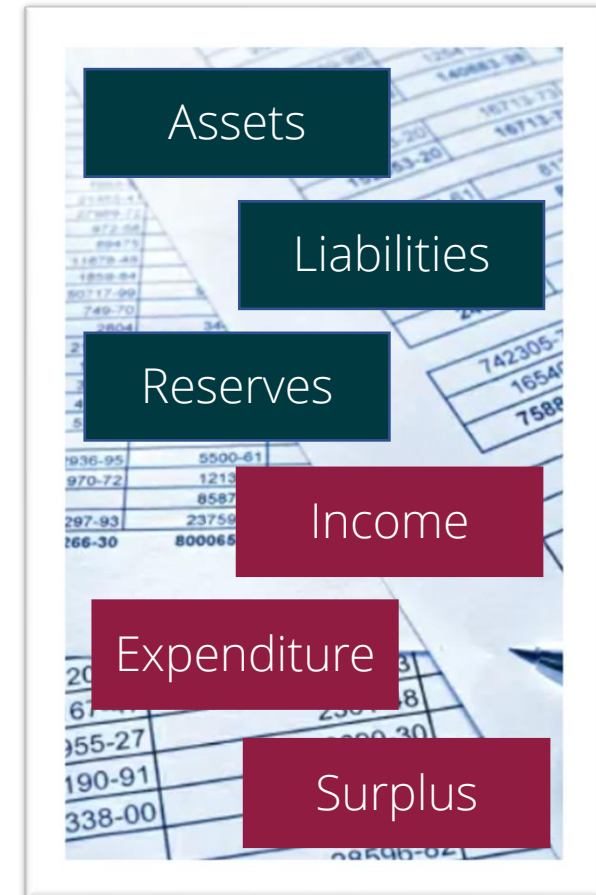




# Outreach – Grant expenses and NPOs acting on behalf of other entities

Developing international  
financial reporting guidance for  
non-profit organisations

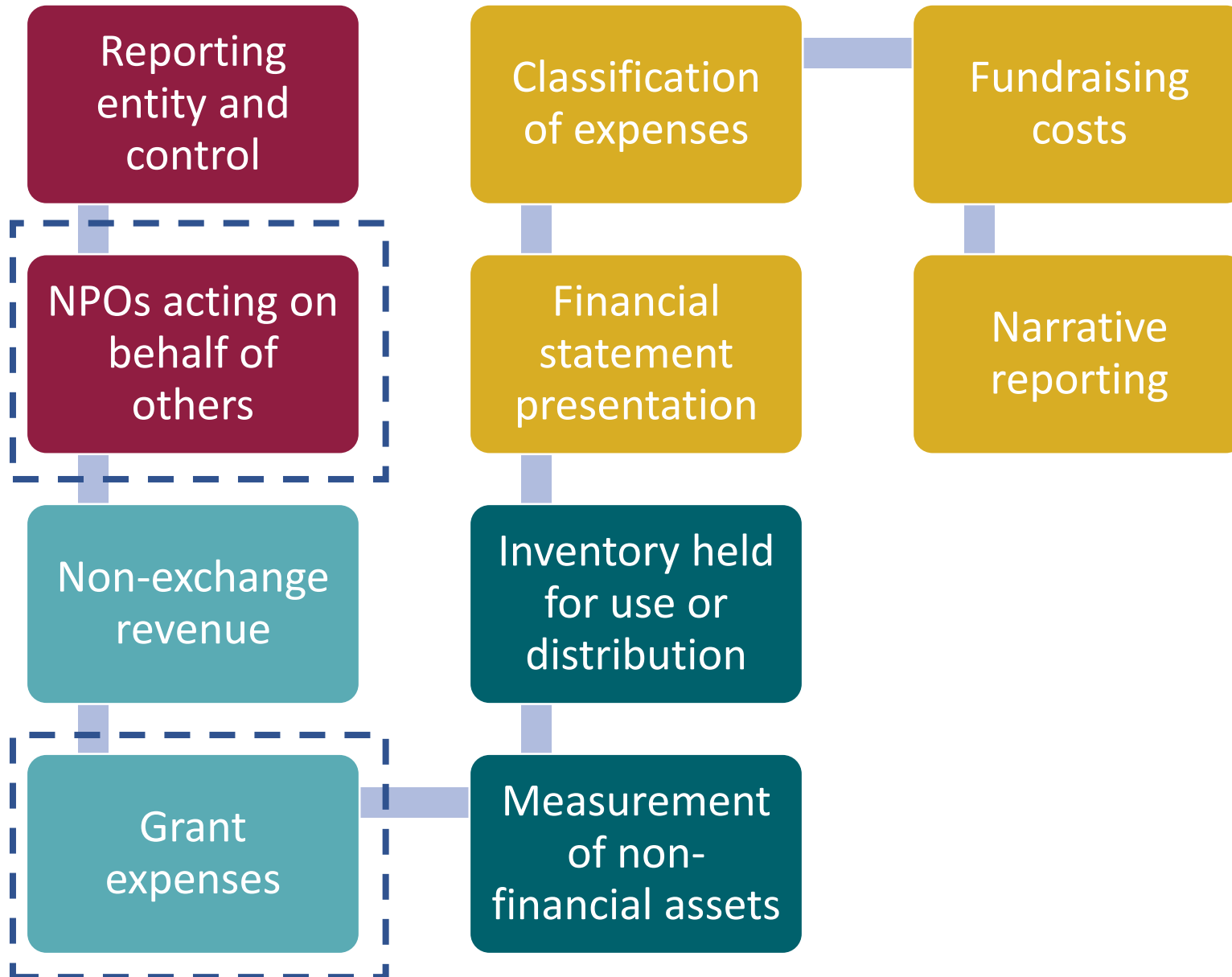




# Agenda

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



# Video introducing the issues



Grant expenses and NPOs acting on behalf of others

# Thank you!



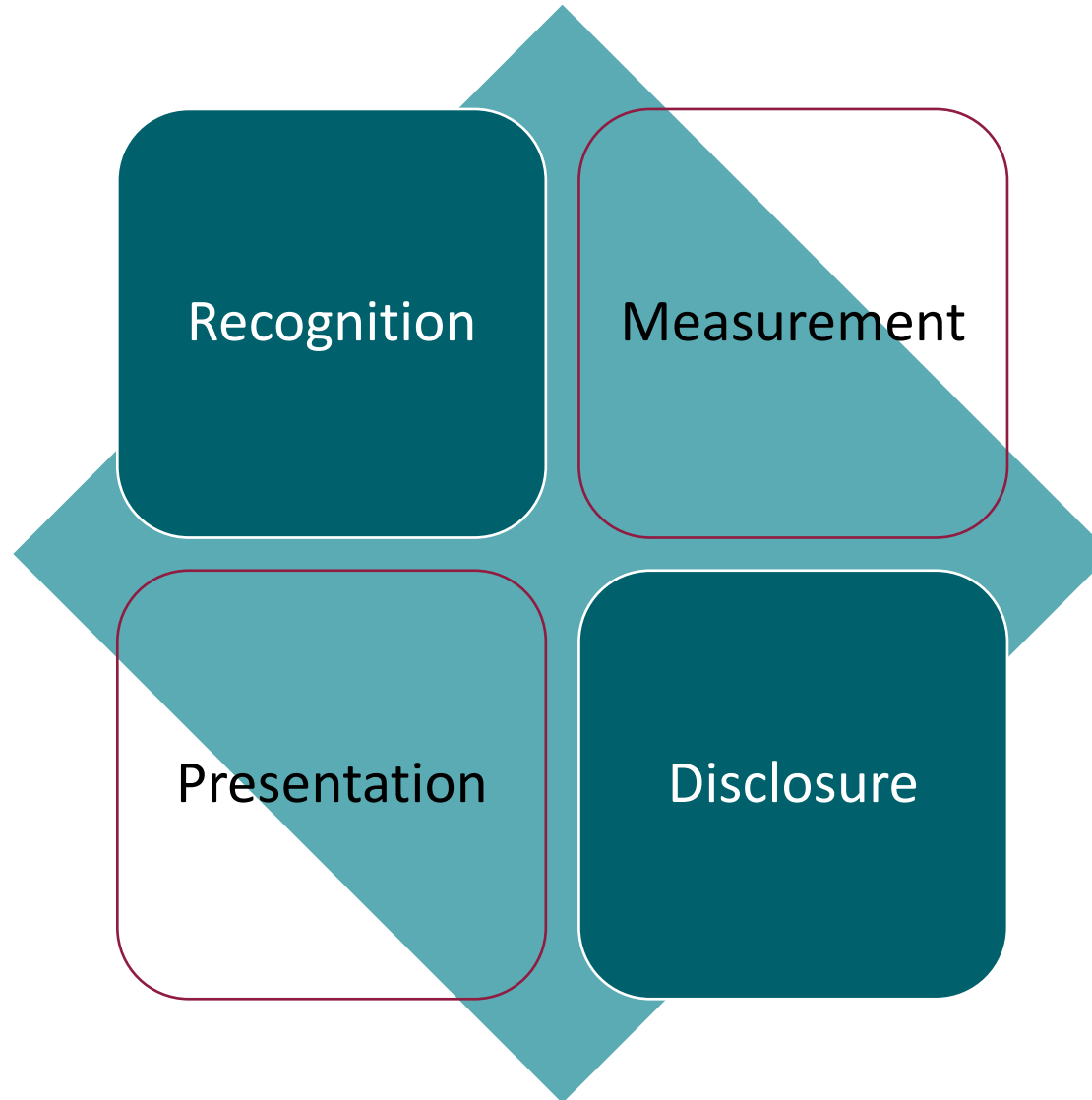
Mustafa Kamal  
Concern Worldwide  
Ireland



Milka Dinev  
Humentum Associate  
Peru



# Financial reporting challenges



# Identifying commitments

- **Promises**
  - Grant agreements
  - Multi-year grants
- **Payments**
  - Relationship with payments
  - Timing of activities in relation to payments



# Conditions

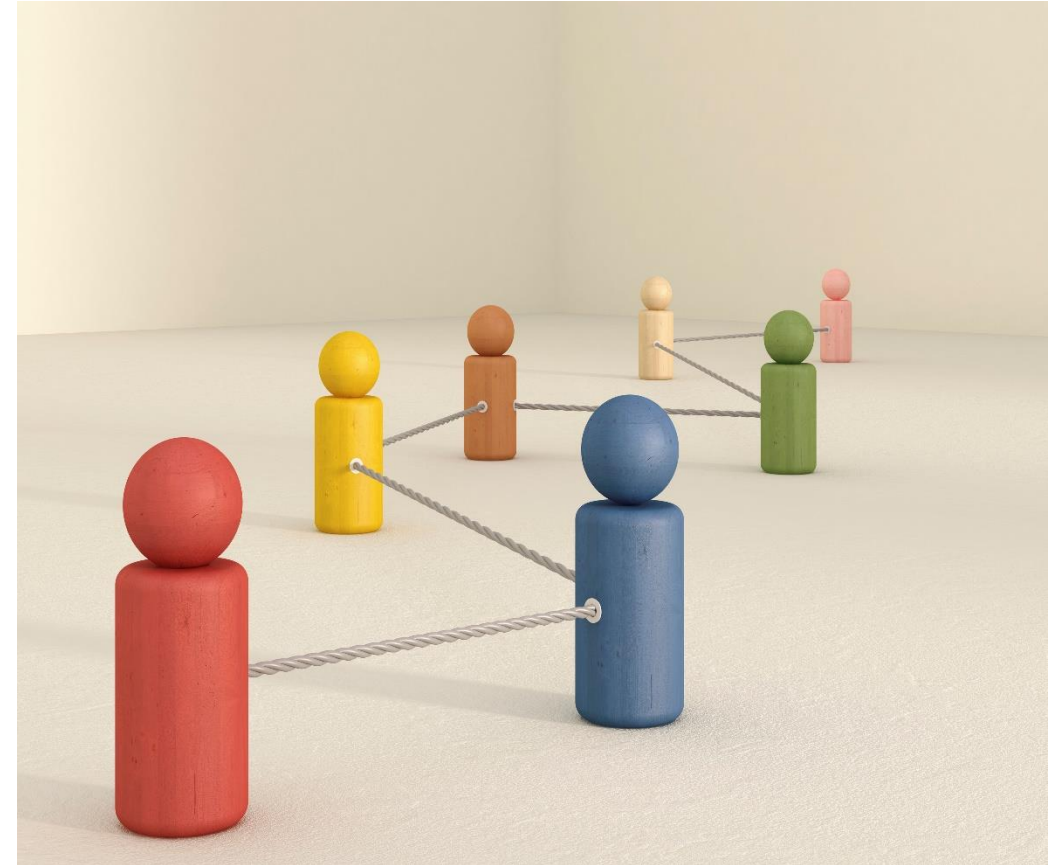
- How can a grant be spent?
  - Specific conditions
  - General conditions
  - Grants paid in advance
- Judgements and cost/benefit
- Grant funded assets for a specific programme





# Obligations

- Obligating events
  - Direct relationships
  - Indirect relationships
- Accruals
- Contingent liabilities



# Control

- Agent or principal - who has the right to control cash or other assets being held?
  - Cash and assets recognised if controlled
  - Cash and assets not recognised if not controlled
- Presentation of controlled assets?



# Transparency

- Creating a full picture of grant expenses
  - Grants paid in advance (with or without conditions)
  - Grants paid in arrears
  - Contingent liabilities
  - Commitments
- Presentation of information



# Disclosure

- What responsibilities does an NPO have?
  - Fiduciary responsibility
- What disclosures might be useful?
  - Agency relationships
  - Consortium relationships
  - Impact on programmes
  - Commitments
  - Classification



# Q&A 2

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

Do you have any thoughts on the poll responses?

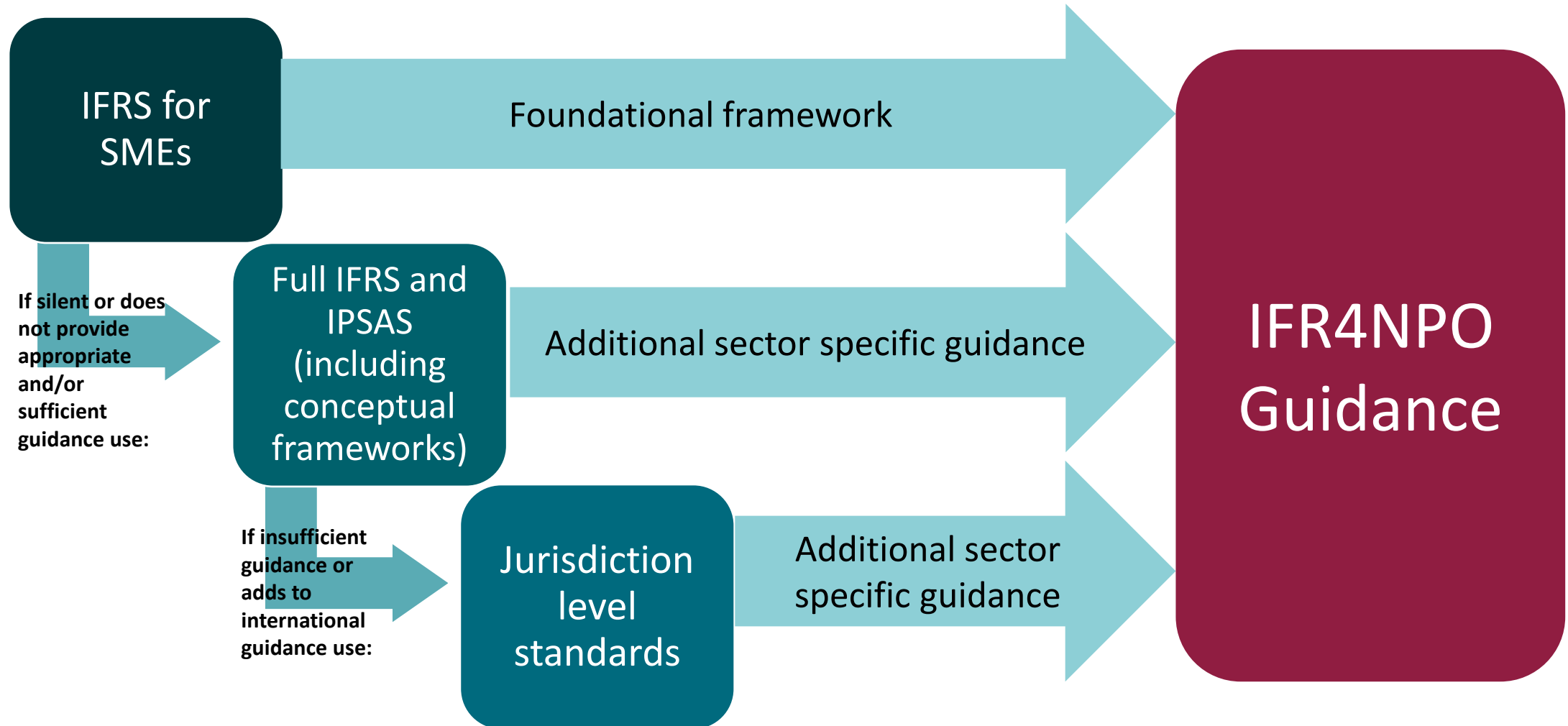
For your consultation response

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

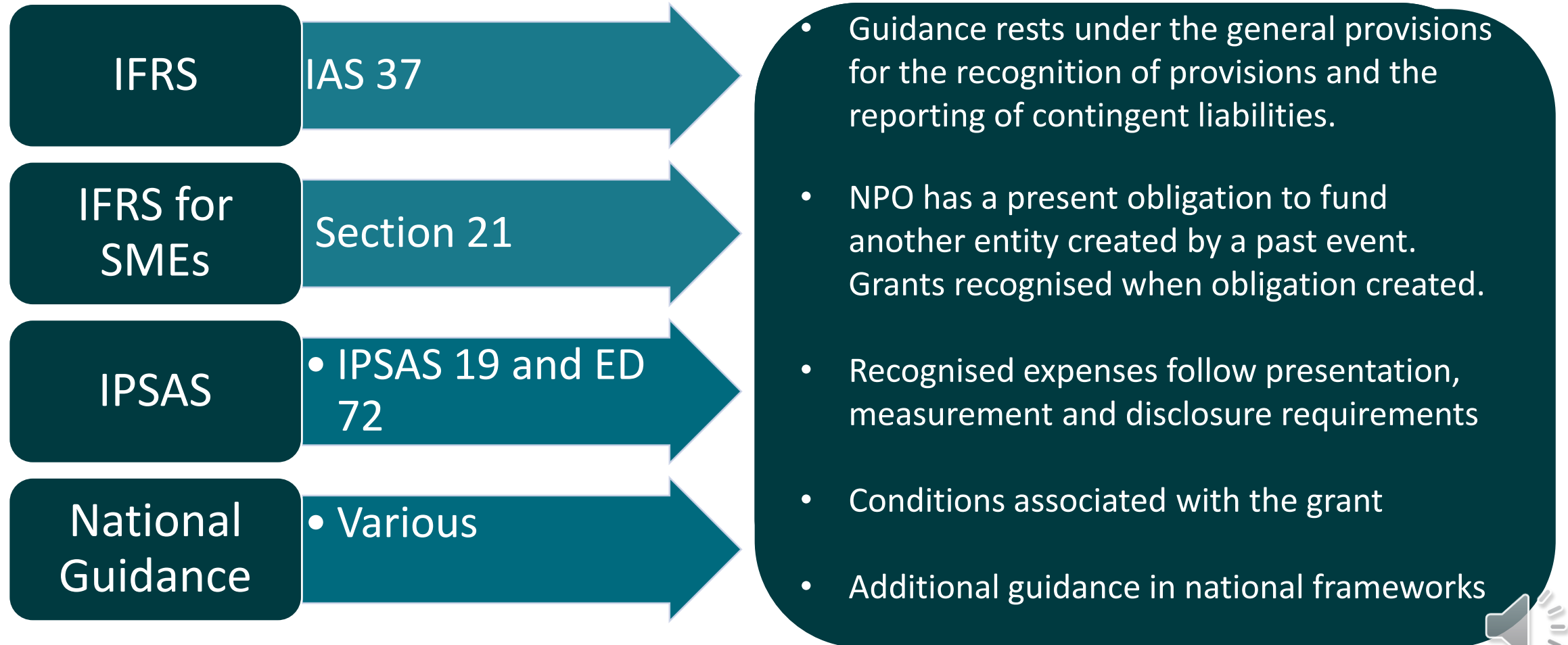
Think about where we should be focusing our efforts in developing the Guidance

Think about the biggest issues for you

# Proposed model and alternatives



# International Standards



# Alternative 1 – grant expenses



## Recognition

- Based on IFRS, IFRS for SMEs or IPSAS
- Liability and expense when the obligation is created

## Guidance

- Performance related conditions
- Multi-year agreements

## Disclosure

- General guidance



# Alternative 2 – grant expenses

## Recognition

- Based on IFRS, IFRS for SMEs or IPSAS
- Liability and expense when the obligation is created

## Guidance

- IPSAS performance obligation approaches
- Multi-year agreements

## Disclosure

- General guidance
- Mandatory grant awarding NPO reporting requirements



# Comparison of advantages and disadvantages – grant expenses

	Alternative 1	Alternative 2
Technical	<ul style="list-style-type: none"><li>• Follow IFRS, IFRS for SMEs and IPSAS</li></ul>	<ul style="list-style-type: none"><li>• Departure from IFRS and IFRS for SMEs</li><li>• Additional IPSAS guidance</li></ul>
Practical	<ul style="list-style-type: none"><li>• Identifying multi-year</li><li>• Identifying obligations</li></ul>	<ul style="list-style-type: none"><li>• Identify multi-year</li></ul>
Stakeholder	<ul style="list-style-type: none"><li>• Comparability</li></ul>	<ul style="list-style-type: none"><li>• Comparability</li></ul>
Cost/benefit		



# Consultation questions - grant expenses

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?



# Q&A 3

For your consultation response

Do you have any questions or comments on the alternatives on grant expenses?

Think about whether being pragmatic raises other issues

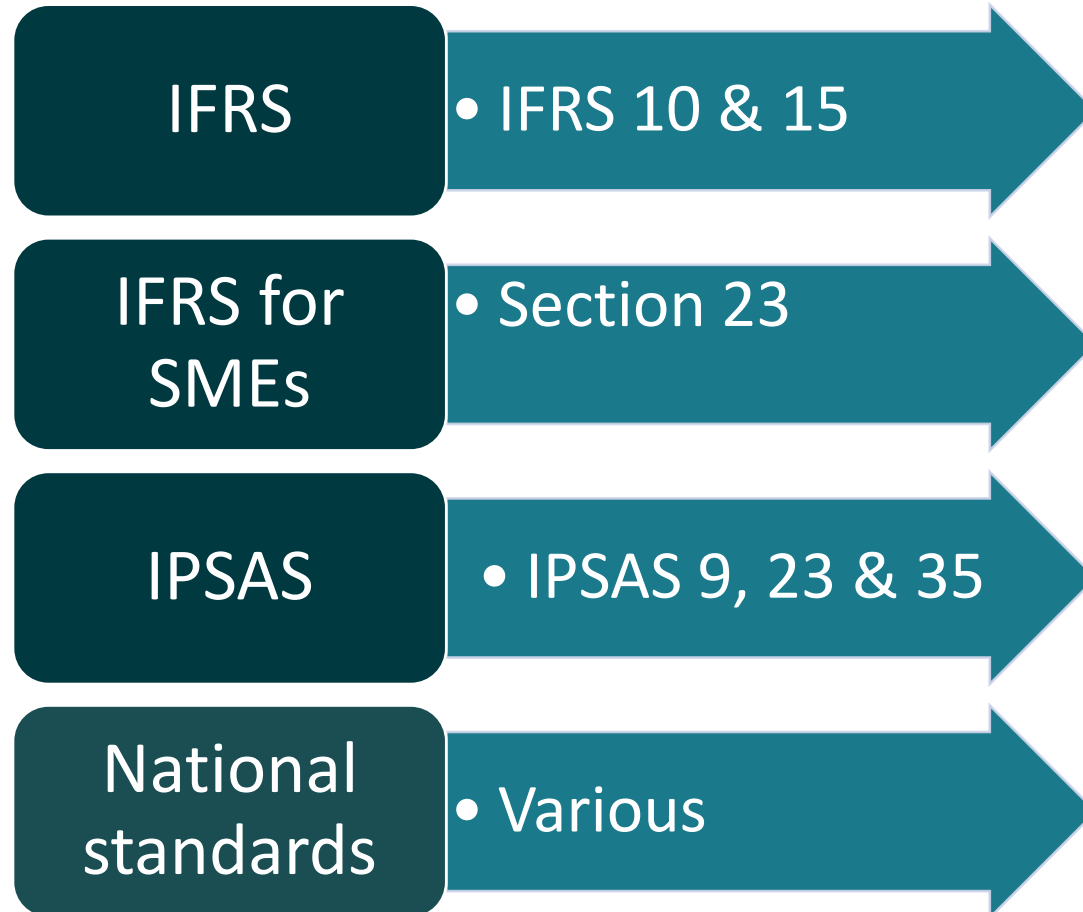
Do you have any thoughts on the alternative preferred in the poll and the reasons for this preference?

Think about capability to implement your preferred alternative

Think about which advantages will make the biggest difference



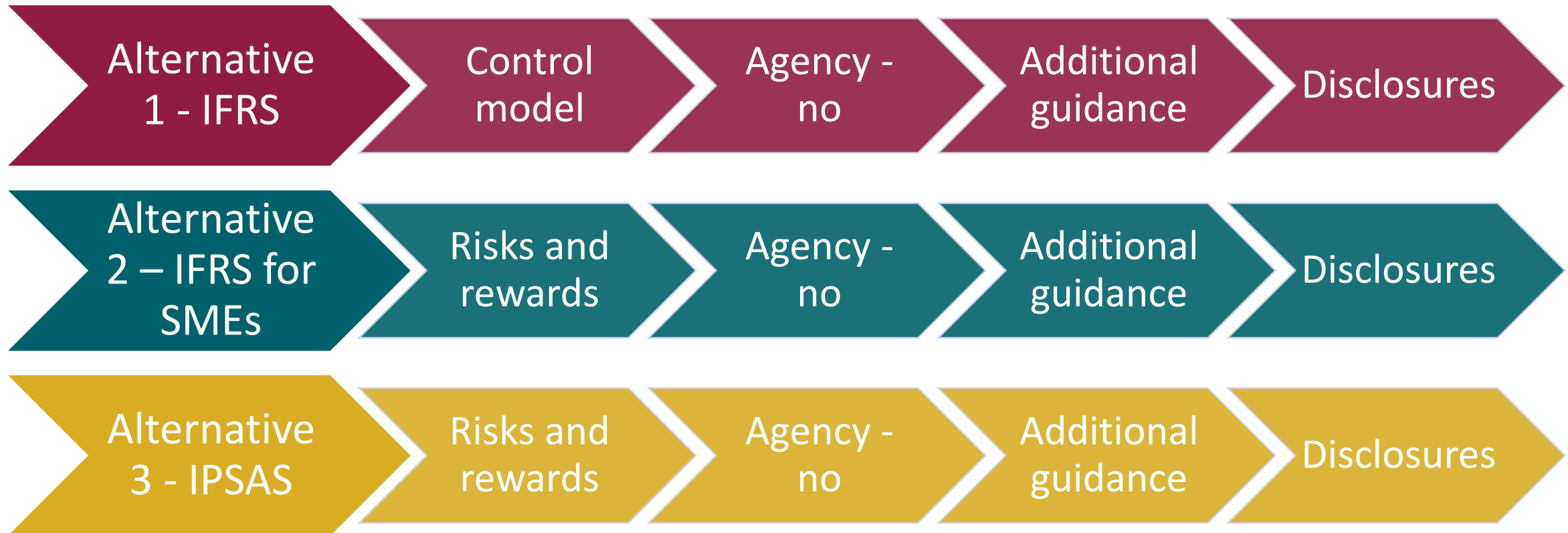
# International Standards



- IFRS 10 requires entities to decide whether an investor is acting as principal or agent.
- IFRS for SMEs requires that revenue is not recognised when acting as agent.
- IPSAS 9 says an entity is acting as an agent when it does not have exposure to significant risks and rewards.
- National NPO frameworks provide additional guidance.



# Alternatives – NPOs acting on behalf of other entities



# Comparison of advantages and disadvantages – NPOs acting on behalf of other entities

	Alternative 1 - IFRS	Alternative 2 – IFRS for SMEs	Alternative 3 - IPSAS
Technical	<ul style="list-style-type: none"> <li>• <b>Enduring</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Under review</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Likely to change</b></li> </ul>
Practical	<ul style="list-style-type: none"> <li>• <b>Demanding</b></li> <li>• <b>Limitation of examples</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Easier to implement</b></li> <li>• <b>Limitation of examples</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Easier to implement</b></li> </ul>
Stakeholder	<ul style="list-style-type: none"> <li>• <b>Transparency</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Transparency</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Transparency</b></li> </ul>
Cost/benefit	<ul style="list-style-type: none"> <li>• <b>Additional costs</b></li> </ul>		



# Consultation questions – NPOs acting on behalf of other entities

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?

What challenges would you anticipate with additional disclosures? Are there any additional disclosures that might be relevant?



# Q&A 4

Do you have any questions or comments on the alternatives on NPOs acting on behalf of others?

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

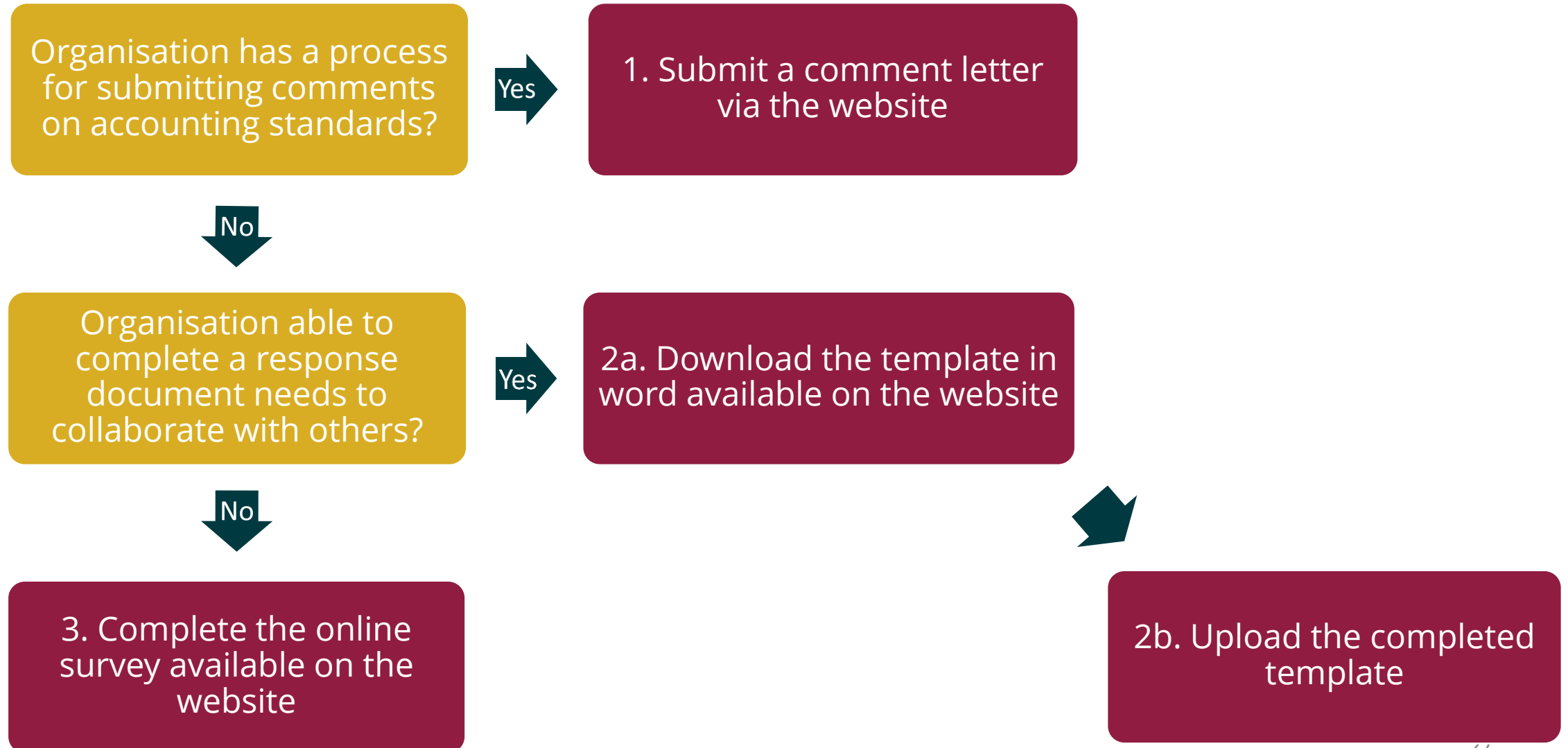


# Next steps – please respond!

- 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



# 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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