

IFR4NPO Project

Discussion Summary and Requests Practitioner Advisory Group meeting

15 November 2021
PAGED04



Attendance

Notes

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

Carolyn Cordery, Genny Kiff, Kenneth Makanga, Masayuki Deguchi, Paul Winrow, Philip McMinn Mitchell, Sizwile Sibindi and Tejas Desai Mergh.

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 recording provides a full verbatim account of the views of individual PAG members, any small group discussions are 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](#).



Session outline

1. Consultation Paper responses and potential changes to approach
2. Guidance form
3. Engagement with PAG

1. Q1, 2&3 – characteristics of NPOs

Discussion summary

- The definition of 'public benefit' was test applied to two organisations known to PAG members. One had beneficiaries limited to a particular sub-set of a Maori tribe and another was a palaeontologists' membership society. In both cases, it was initially assumed such organisations could fall outside the scope, but decided on closer examination that they would be – on account of the additional characteristics.
- It was noted that the definition of public benefit is key. There may be assumptions in people's minds whether or not they read the definition.
- There was support for the TAG's approach of keeping the characteristics as expansive and inclusive as possible, acknowledging that it was up to individual jurisdictions to apply in their contexts.

Requests

- Provide guidance, perhaps with examples, for jurisdictions to clarify the intended applicability of the 'public entity' concept.
- Clarify the extent to which 'social enterprises' would be expected to fall within this definition.

1. Q4 – internal stakeholders

Discussion summary

- As noted in Para 2.21, general purpose financial reports are produced for those who lack the authority to require an NPO to disclose information they would like.
- Non-executive board members do possess this authority. Therefore the focus should be on other users.
- It was reported anecdotally that for some NPOs, the only stakeholders to view the financial reports are the auditors and board. Also, while they might possess the *authority* to require certain information, they might lack the *expertise* to define the information and formats that would be most useful.
- A member noted resistance to the term ‘general purpose financial reports’ due to its association with for-profit entities.



1. Q5 – donors as primary users?

Discussion summary

- This issue of donors as users of general purpose financial reports (GPFRs) was discussed at the Donor Reference Group on 27 October. An official report out from that meeting will be shared with the PAG and publicly.
- The Consultation Responses from donors confirmed that they do use GPFRs, mostly as part of due diligence for potential grantees.
- It was noted that there is a difference between a donor that has already awarded a grant to a particular NPO, or embarked upon a due diligence process and is therefore able to request certain information, compared to a potential grantor who is not.
- It may be too difficult to accommodate the needs of donors, and more pragmatic to focus on the needs of others as primary users.

1. Q6 Users of the Guidance

Discussion summary

- In addition to the comments in the paper, it was noted that there was ongoing discussion among the secretariat about how to describe which NPOs would benefit most from the Guidance. The Guidance could be positioned as a middle tier within the universe of non-profit financial reporting. The key driver to distinguish between tiers would be the level of accountability by NPOs, rather than their size, or the complexity of their operations or transactions.
- Much as all NPOs have accountability, Tier 3 would have accountability to the smallest number and type of stakeholders, and cash reporting likely to be appropriate. Tier 1 would have the highest accountability requirements, perhaps with public listing. Tier 2 would be the focus of the Guidance, with 'proportionate application of accrual based accounting'.
- For Tier 1, could consider use of the idea of 'holding funds in a fiduciary capacity', similar to the wording in IFRS for SMEs, rather than 'public listing'.
- There were no objections to using accountability as the key determinant, or for defining Tier 2 as those falling between Tiers 1 & 3.

1. Overview of Part 2 responses

Discussion summary

- An [overview of Part 2 responses](#) was presented
- It was noted that the geographical distribution was very encouraging. The number of responses was commendable given that the project started only two years ago and the diversity of stakeholders.

1. Q7 Long-listed NPO specific topics

Discussion summary

Q7a) Foreign exchange transactions

- Whilst it was acknowledged that foreign currency transactions were common among NPOs, it was apparent why it was a sector-specific issue where other guidance would not be adequate
- A member with experience of auditing donor project reports confirmed that there were often strict donor requirements that had to be applied.
- FX transactions could be an NPO specific issue, relevant in GPFRs if fund accounting is applied, and if functional analysis of expenses requires such costs to be allocated, or disclosed separately.
- It will be necessary to provide guidance on how NPOs should account for a variety of obligations with respect to FX rates used to record transactions.
- A clear recommended approach could also encourage donors to align, and provide an independent reference point for negotiation of terms.

1. Q7 Long-listed NPO specific topics

Discussion summary

Q7b) Joint activities

- This was not discussed

1. Q8&9 Short-listed topics

Discussion summary

- There was support for foreign exchange transactions being elevated to the short list
- The proposal for 'measurement of non-financial assets' to be demoted from the short list was also supported, in light of this being complex, and there being a considerable degree of variation among national standards on this.
- Non-financial assets was of a lower level of concern for many NPOs compared to other topics, and more applicable to NPOs more mature in their accounting, hence a suitable candidate to be considered for deferral to 'Phase 2', ie beyond 2025.



2. Guidance form

Discussion summary

- Discussion of this topic was deferred to a future meeting due to lack of time

3. Engagement with PAG during ED

Discussion summary

- Paper 3 was presented for members' information
- A schedule of TAG meetings, roughly quarterly, has been agreed to the end of the project.
- It is proposed that PAG meetings are scheduled roughly 2-3 weeks before the TAG, to provide input and insight on specific issues, particularly where there was a lack of consensus or clarity from the consultation.