Latin America & Caribbean Roundtable

7 February 2023
<table>
<thead>
<tr>
<th>Time</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>08:30</td>
<td>Welcome and introduction</td>
</tr>
<tr>
<td>09:30</td>
<td>1 - <strong>Reporting entity</strong> Framing, perspectives, discussion, feedback</td>
</tr>
<tr>
<td>10:40</td>
<td>Tea break</td>
</tr>
<tr>
<td>11:10</td>
<td>2 - <strong>Concepts and pervasive principles</strong> Framing, perspectives, discussion, feedback</td>
</tr>
<tr>
<td>12:30</td>
<td>Lunch</td>
</tr>
<tr>
<td>13:45</td>
<td>3 - <strong>Financial statements</strong> Framing, perspectives, discussion, feedback</td>
</tr>
<tr>
<td>14:55</td>
<td>Tea break</td>
</tr>
<tr>
<td>15:15</td>
<td>4 - <strong>Narrative reporting</strong> Framing, perspectives, discussion, feedback</td>
</tr>
<tr>
<td>16:25</td>
<td><strong>Next Steps</strong> Framing, discussion</td>
</tr>
<tr>
<td>16:45</td>
<td>Closing remarks</td>
</tr>
<tr>
<td>17:00</td>
<td>End</td>
</tr>
</tbody>
</table>
Welcome

Welcome (Event chair)

Opening remarks

Recap and introduction
Opening Remarks

José Enoc Cano Mora
President COLCES

Héctor Jaime Correa Pinzón
President AIC

Jorge José Gil
Ex presidente / GLENIF
Why INPAG?

*Only a few countries benefit from their own national standards. Existing international standards do not meet the unique needs of NPOs.*

**INPAG**

(International Non-profit Accounting Guidance)

**Future Outcomes**

- NPOs able to demonstrate capacity and attract funds
- Improved usefulness, transparency and consistency of NPO financial reports
- Reduced duplication of effort
- Simplified audit assurance provision

**Efficiency**

**Equity**

**Accountability**

5

Only a few countries benefit from their own national standards. Existing international standards do not meet the unique needs of NPOs.
Project partners and stakeholders

**Humentum**
- Membership Association (285), NPO sector convener and advocate
- Advocacy, insights & influence, roundtables, conferences, training, member community
- Convenes Practitioner Advisory Group – NPOs, donors, auditors, and academics ~ 15 countries

**CIPFA**
- Only professional accountancy organization in world exclusively dedicated to public finance
- Unique standard setter roles for local government and charities in UK
- Convenes Technical Advisory Group ~ 13 national and international standard setters

“By the sector for the sector”
Project Community

TAG Members

Country Champions

PAG Members

Donor Reference Group

USAID

FCDO (DfID)

World Bank

Global Fund

Gates Foundation

Oak Foundation

Children’s Investment Fund Foundation

Ford Foundation
Stakeholder engagement

11,300+
newsletter subscribers + LinkedIn +
Youtube + Twitter
National working groups

National working groups are active in Ethiopia, Malaysia, Colombia, Nigeria, Bangladesh, Senegal

Why

• National focus
• Consider INPAG EDs - Submit organisational responses
• In time – adoption task force

Who

• 5-10 people
• Chair Country Champion or Govt official
• NPO, PAO, Regulator, Standard setter, auditor, training provider, software developer etc
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.
Annex 1 - Stages of development

**Commencement**
- CCAB research identified need for specific financial reporting guidance (2014)
- IFASS Working Group brought together a group of international standard setters (2016)
- Initial funding from the Ford and Open Society Foundations enabled the project to progress

**Phase 1: development**
- Identifying issues and possible options
- Engaging Advisory Groups and Country Champions
- Building website and community awareness
- **Output:** Consultation Paper (Jan 2021)

**Phase 2: development**
- Designing the draft Guidance
- Explaining proposed solutions
- Obtaining regional and topic feedback
- **Output:** Exposure Draft (2022/2023)

**Phase 3: Launch**
- Finalising and launching Guidance
- Developing training materials
- Supporting adoption and transition
- **Output:** Final Guidance (Early 2025)
Overall engagement and responses

Events: 1000 people from 96 countries

Responses: 28

Consultation Paper responses

- Eastern & Southern Africa: 30%
- Europe: 15%
- West & Central Africa: 14%
- Latin America & Caribbean: 11%
- Australia & Oceania: 6%
- North America: 6%
- East & South East Asia: 4%
- Central Asia / Eastern Europe: 3%
- South Asia: 1%
- Middle East & North Africa: 1%
- Global: 1%
- Unknown: 1%

www.ifr4npo.org/cp-response
 Responding to the Consultation

- Over 80% support overall
- Approval of topic lists
- Published response
- Focus groups
- Developing the framework
- Webinar – the way forward
- Analysis and discussion
- Developing individual topics
Relationship with international guidance

IFRS for SMEs

Full IFRS and IPSAS (including conceptual framework)

Jurisdiction level standards

Foundational framework

Additional guidance on sector specific issues

Additional guidance on sector specific issues
## Guidance development model

<table>
<thead>
<tr>
<th>Section status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modified</td>
<td>Fully updated to reflect NPO requirements.</td>
</tr>
<tr>
<td>Aligned</td>
<td>Updated to align with modified Sections, but not in itself fully reviewed</td>
</tr>
<tr>
<td>Unchanged</td>
<td>Updated for terminology changes only</td>
</tr>
<tr>
<td>New</td>
<td>Developed specifically for NPOs.</td>
</tr>
</tbody>
</table>
Roadmap for Exposure Draft

Consultation findings

Jan 2022

Nov 2022

Q2 2023

Q4 2023

Mid 2025

--------------------- Exposure Draft (ED) ---------------------

ED1 Framing

ED2 Accounting

ED3 Presentation

4-month response periods

Plan is subject to change
### Annex 2 - What is in each ED

<table>
<thead>
<tr>
<th>ED1</th>
<th>ED2</th>
<th>ED3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 NPOs</td>
<td>23a Non-exchange revenue</td>
<td>13 Inventories</td>
</tr>
<tr>
<td>2 Concepts and pervasive principles</td>
<td>23b Exchange revenue</td>
<td>24b Classification of expenses</td>
</tr>
<tr>
<td>3 Financial statement presentation</td>
<td>24a Grant expenses</td>
<td>24c Fundraising costs</td>
</tr>
<tr>
<td>4 Statement of financial position</td>
<td>30 Foreign currency translation</td>
<td>36 Transition to the Guidance</td>
</tr>
<tr>
<td>5 Statement of income and expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Statement of changes in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Statement of cashflows</td>
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<tr>
<td>8 Notes to the financial statements</td>
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<tr>
<td>9 Consolidated and separate financial statements</td>
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<td></td>
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<tr>
<td>10 Accounting policies, estimates and errors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 Narrative reporting</td>
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</table>
Main Adaptations

- Approach to defining NPOs
- Primary users
- Audience for INPAG
- Reporting boundary
- Key concepts and principles
- Fund accounting
- Financial statements
- Narrative reporting
INPAG Target audience

- Tier 1: IFRS
- Tier 2: INPAG
- Tier 3: Cash based
## INPAG Structure

**ED1 Invitation to comment**
Including Summary and Questions.
In English, Spanish, French and Arabic

<table>
<thead>
<tr>
<th>INPAG Volumes (in English only)</th>
<th>Paragraph numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoritative Guidance in 36 sections</td>
<td>G1, G1.1, G2...</td>
</tr>
<tr>
<td>Application Guidance</td>
<td>AG1, ...</td>
</tr>
<tr>
<td>Basis for Conclusions</td>
<td>BC1, ...</td>
</tr>
<tr>
<td>Implementation Guidance &amp; Illustrative Examples</td>
<td>IG1, ...</td>
</tr>
</tbody>
</table>
Any questions?
Ice breaker

• **Introduce yourself**
  • Name
  • Organisation
  • Country

• **Why are you attending today’s event?**
• **What do you hope to get out of it?**
INPAG Exposure Draft 1
Latin America Roundtable

Topic 1 – Reporting NPO

7 February 2023
Session 1 – Reporting entity

- Introduction (15)
- Perspectives (15)
- Group discussion (20)
- Feedback (20)
Broad characteristics

Primary objective of providing a benefit to the public

Direct surpluses for benefit of the public

Not government or public sector entities
Indicators

- Absence of rights to financial returns from surpluses
- Requirement to transfer residual net assets upon dissolution
- Receiving or providing voluntary funding
- Holding and using assets for the benefit of the public
**Difficult areas**

<table>
<thead>
<tr>
<th>Multiple objectives</th>
<th>• Entity may have multiple objectives not all of which are aimed at providing a benefit to the public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public that benefits is restricted</td>
<td>• The section of the public that benefits from the entity’s purpose may be just a small section of society or even members of the entity</td>
</tr>
<tr>
<td>Surpluses are distributed for private benefit</td>
<td>• Important to examine quantum and nature of benefits – may or may not be incidental to public benefit objective</td>
</tr>
</tbody>
</table>
Definition of a reporting NPO

An NPO that is required or chooses to prepare general purpose financial reports

- Financial statements with supporting financial and non-financial information
- Information useful for primary users – not tailored to any specific individual user
- Present the reporting NPO as a single economic entity
Identification of the reporting NPO

Easier when a single legal entity with simple operational structure but there can be challenges when...

- Complex organisational structures
- Part of a legal entity
- Combination of two or more legal entities

More difficult to identify
Indicators of being a branch

Operational arrangements to help with administration of the NPO

Examples include supporters groups, members groups, location offices

An internal branch will be included in the general purpose financial report of the reporting NPO

Indicators that an operational structure is an internal branch include:

- Not a separate legal structure
- Not required to produce separate general purpose financial reports
- Uses the name of the reporting NPO
- Raises funds solely for the reporting NPO
- Presents itself as a representative of the reporting NPO
- Receives support, instruction and advice from the reporting NPO
Terminology proposed

**Controlling NPO**
- An NPO that controls another entity
- Replaces term ‘parent’

**Controlled entity**
- An entity that is controlled by a controlling NPO
- Replaces term ‘subsidiary’

**Beneficial interest**
- Interest held by an NPO in the net assets of another entity that arises other than through equity ownership
- Replaces term ‘investment’
Principles of control

Why control another entity? – to provide services and goods, create a trading entity, invest to support wider activities....

Power over the other entity

Exposure, or right, to variable returns

Ability to use power to affect returns
Application of control principles for NPOs - power

- **Existing rights**
  - Majority of shares, voting rights, contractual agreement
  - Allow NPO to direct policies, budgets, transactions of another entity
  - May be one right, combination or rights, or rights with other factors

- **Current ability**

- **Relevant activities**
  - Selling and purchasing of services and goods
  - Selecting, acquiring or disposing of assets
  - Providing services in line with NPO’s objectives
  - Fundraising

- **Affect returns**
Application of control principles for NPOs - returns

Control requires a return or benefit as well as power

Could be financial such as transfer of profits.... but for NPOs may also be non-financial such as fulfilment of purpose

Must be continuous rather than one off

Returns must be linked to power – no control arises in voluntary agreements or coincidence of activities
Rebuttable presumption

Control assumed to exist where reporting NPO:

- Has power over more than half of voting rights
- Has power to govern financial and operating policies
- Owns the majority of voting rights
- Has power to appoint or remove majority of members of Board
- Has power to cast majority of votes at the Board
The public benefit, in general terms, can be understood as the search for well-being and the improvement of people's quality of life.

Despite the fact that this concept implies a high social content, people have particular interests that lead to groups marked by differences between what they intend to obtain as well-being and the way in which they can achieve it.

In this way, the public benefit would be subject to groups of people with similar interests who benefit each other through the development of activities aimed at satisfying their needs, from which they can obtain some profit, either economic or social.

From a financial point of view, in turn, the general public benefits from the information provided by these groups, by being accountable for the activities carried out.
#2: What is “return” for an NPO?

Fernando Catacora
Fundador
REDContable.com
Peru
#3: When does an NPO control another entity?
Discussion

**Question 1**
Do you agree with the description of the broad characteristics of NPOs? Does the term ‘providing a benefit to the public’ include all entities that might be NPOs? If not, what would you propose and why?

**Question 2**
Is the NPO as a reporting entity clear? Does the process for identifying branches in the Application Guidance support the principles? If not, what would be more useful?

Do you agree with the use of the terms ‘controlling NPO’, ‘controlled entity’ and ‘beneficial interest’ instead of ‘parent’, ‘subsidiary’ and ‘investment’? If not, what would you propose and why?

**Question 3**
Is the Application Guidance to apply the control principles sufficient? If not, what changes or additions would you propose and why?

Do you agree that a rebuttable presumption relating to control should be retained? Is the current drafting sufficient? If not, what would you propose and why?
Tea Break

Back at 11.10
INPAG Exposure Draft 1
Latin America Roundtable

Topic 2 – Concepts and pervasive principles

7 February 2023
Session 2 – Concepts and pervasive principles

Introduction (20)
Perspectives (15)
Group discussion (25)
Feedback (20)
Purpose of GPFRs – accountability and decision-making

Provide information about the NPO that is useful to users for accountability and decision-making

Not developed to respond to information needs of any one individual
Proposals for primary users

Primary user have no rights to tailored information so... their information needs drive reporting requirements

Public + Resource providers + Oversight functions = Primary users
Proposals for their information needs

Accountability and decision-making

Management of resources, capacity to operate, compliance with regulations

Core financial information

Financial statements – economic resources and claims, transactions and other events, cash flows

Supporting information

Supporting financial and non-financial information – enhance, complement and supplement financial statements
Proposals for compliance and why needed

INPAG not designed for entities with public accountability

If a publicly accountable entity uses INPAG disclosures required
Fundamental and enhancing characteristics

Fundamental qualitative characteristics of information

- **Relevance**
  - Capable of making a difference
  - Material — nature, magnitude, or both

- **Faithful representation**
  - Substance of a fact or event
  - Complete, neutral, free from error

Enhancing qualitative characteristics of information

- **Comparability**
- **Verifiability**
- **Timeliness**
- **Understandability**
Accounting for resources and why they are being held

- Economic resources are a right that has the potential to produce economic benefit or provide services and goods.

**Economic benefits**
- Cash inflows of reduction in cash outflows

**Service potential**
- Capacity to provide services and goods
Service potential and why included

Resources held by NPO to provide services or goods + Concept of service potential = Better meet information needs of users
Undue cost and effort

Pervasive cost constraint
Cost of reporting must be justified by the benefits

Undue cost or effort exemption
Specific limited circumstances that permit an NPO to not comply with a requirement
Elements of financial statements

- Statement of financial position
  - Assets
  - Equity
  - Expenses
  - Liabilities
  - Income

- Statement of income and expenses
- Statement of changes in net assets

[Diagram showing the relationships between financial statements and their components]
Inclusion of equity

An external party’s financial interest in the net assets of the NPO

Holders of equity must have an entitlement to distributions of future economic benefits or service potential....

and holders of equity must also be able to sell, exchange, transfer or redeem their equity interest
Components of net assets

- Funds with restrictions
- Funds without restrictions
- Equity
- Non-controlling interests
Fund accounting

**Funds with restrictions**

- exist where externally imposed funding or other legal arrangements restrict the use of resources provided.
- must be used for the purposes or activities that the external resource provider has restricted them to.

**Funds without restrictions**

- freely available to be used for any purpose or activity.
- includes funds that the management may have internally designated for specific purposes or activities but do not have externally imposed restrictions.
Presentation and disclosure

Effective communication of information
- relevant
- faithful representation
- understandability
- comparability

User needs

Selection

Location

Organisation
#4: What do donors need from general purpose financial statements?

Jaime Tobar
Pan American Development Foundation
El Salvador
#5: What makes useful information?
#6: What components are needed within the net assets?
What is equity in the IFRS for SMEs?

• Paragraph 22.3. Equity "is the residual interest in the assets of an entity after deducting all of its liabilities".

• Sum of:
  
  investments made by the owners of an entity
  + increases in such investments earned through operations
  - reductions in these investments due to unprofitable operations
  - distributions to owners
Equity is not net assets

• Both concepts correspond to the same formula
  \[(\text{Assets} - \text{Liabilities} = \text{Equity}; \text{Assets} - \text{Liabilities} = \text{Net Assets})\]

• Equity involves an investor's residual interest in assets.

• Net assets do not necessarily imply residual interest.

• The Guide proposes an addition to the definition by also requiring the existence of a "right to such assets".

• That is, upon liquidation of the entity, the investor is entitled to the residue of the asset that it is entitled to.
Can an NPO have assets?

• It usually does not, because in the event of liquidation, its residual assets are typically handed over to another NPO or to the State.

• However, if any contributors have clauses that allow them to recover some or all of their contributions under certain circumstances (not necessarily on liquidation), there may be equity.

• Equity does not require the existence of returns to the contributor.
Net assets

• The proposal is to establish net assets as follows:
  Investments of equity holders
  • +/- Changes in these holdings through operations and retained in restricted and unrestricted funds
  • - Distributions to owners

In other words, in the rare case of an NPO with equity, net assets include it, together with the other items that are not included in the statement of income and expenses.
#6: What components are needed within the net assets?

INPAG proposal:
- Description of an NPO in INPAG: on dissolution the residual net assets are transferred to another NPO, NOT to owners.
- Five elements in the FE: assets, liabilities, income, expenses and equity.
- ESF with 3 sections: assets (DB), minus liabilities (CR) = net assets (CR)

My view:
✓ If there are owners (very rare), equity is valid
✓ Where does a typical NPO transfer the surplus or deficit to at the end of the period (NO equity)?
✓ An additional element is needed.
✓ If there is no equity, can it be called net assets, if it is also liabilities?
✓ There should be a sixth element: "Funds".
✓ The section in the ESF should be "Funds" (or "Funds and Assets", if available).

Questions:
➢ Is the term "net assets" appropriate for an item of a credit nature?
➢ If there is no sixth element, in which account is the result for the period accumulated?
Discussion

**Question 1**
Do you agree with the range of primary users and the description of their needs? If not, what would you propose and why?
Do proposals to express compliance with INPAG create unintended consequences? If so, what are your main concerns?

**Question 2**
Do you agree with the qualitative characteristics of useful information? If not, what would you change and why?
Do you agree that ‘service potential’ should be introduced into Section 2? If not, why not?
Do you agree that the provisions for ‘undue cost and effort’ used in IFRS for SMEs should be retained? If not, why not?

**Question 3**
Do you agree with the components of net assets? If not, why not?
Do you agree with the inclusion of equity as an element? If not, what would you propose and why?
What type of equity might an NPO have?
Do you agree with the categorisation of funds between those with restrictions and those without restrictions in presenting accumulated surpluses and deficits? If not, what would you propose and why?
Lunch

Back at 13.45
INPAG Exposure Draft 1
Latin America Roundtable

Topic 3 – Financial Statements

7 February 2023
Session 3 – Financial statements

- Introduction (15)
- Perspectives (15)
- Group discussion (20)
- Feedback (20)
Statement Names

- Statement of Financial Position
- Statement of Cash Flows
- Statement of Income and Expenses
- Statement of Changes in Net Assets

Unchanged

- Statement of Financial Position
- Statement of Cash Flows

Changed
Terminology

Profit or loss  Surplus or deficit
Subsidiary  Controlled entity

Funds with restrictions  Funds without restrictions
Funds with and without restrictions

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Sales of goods</td>
<td>1,500</td>
</tr>
<tr>
<td>Donations</td>
<td>5,700</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>7,200</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>6,300</td>
</tr>
<tr>
<td>Premises</td>
<td>700</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Surplus or (Deficit)</strong></td>
<td>200</td>
</tr>
</tbody>
</table>
# Funds with and without restrictions

<table>
<thead>
<tr>
<th></th>
<th>Funds with restrictions</th>
<th>Funds without restrictions</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
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<td></td>
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</tr>
<tr>
<td>Sales of goods</td>
<td>0</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Donations</td>
<td>1,300</td>
<td>4,400</td>
<td>5,700</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>1,300</td>
<td>5,900</td>
<td>7,200</td>
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<tr>
<td><strong>Expenses</strong></td>
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<tr>
<td>Staff</td>
<td>1,200</td>
<td>5,100</td>
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<tr>
<td>Premises</td>
<td>0</td>
<td>700</td>
<td>700</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>1,200</td>
<td>5,800</td>
<td>7,000</td>
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<tr>
<td>Surplus or (Deficit)</td>
<td>100</td>
<td>100</td>
<td>200</td>
</tr>
</tbody>
</table>
Funds with and without restrictions

- Transparency
  - Funds with and without restrictions - balances
  - Statement of Income and Expenses
- Minimising Complexity
  - Assets and liabilities
  - Other statements
Financial Statements

Statement of Income and Expenses – differs from *IFRS for SMEs*

Key figures:
- Income
- Expenses
- Surplus or Deficit
Financial Statements

- Income / Expenses / Realised Gains and Losses
- Statement of Income and Expenses
- Unrealised Gains and Losses
- Statement of Changes in Net Assets
# Statement of Income and Expenses

<table>
<thead>
<tr>
<th></th>
<th>With Restrictions</th>
<th>Without Restrictions</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td><strong>Expenses</strong></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Surplus or deficit from operating activities</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Gains and losses</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Surplus or deficit</strong></td>
<td></td>
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</table>
# Statement of Income and Expenses

<table>
<thead>
<tr>
<th>Income</th>
<th>With Restrictions</th>
<th>Without Restrictions</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and donations - general</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants for and donations of non-current assets</td>
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<td></td>
</tr>
<tr>
<td>Sales of services and goods</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
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<td></td>
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<tr>
<td>Other income</td>
<td></td>
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</tr>
</tbody>
</table>

| Expenses                                    |                   |                      |                             |
| Surplus or deficit from operating activities |                   |                      |                             |
| Gains and losses                            |                   |                      |                             |
| Surplus or deficit                          |                   |                      |                             |
## Statement of Income and Expenses

<table>
<thead>
<tr>
<th></th>
<th>With Restrictions</th>
<th>Without Restrictions</th>
<th>TOTAL</th>
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</thead>
<tbody>
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<tr>
<td><strong>[Analysis of expenses to be determined]</strong></td>
<td></td>
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<tr>
<td>• By nature?</td>
<td></td>
<td></td>
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<tr>
<td>• By function?</td>
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<tr>
<td>Finance costs</td>
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</table>

Unrealised gains or losses from fair value adjustments:

- Defined benefit plans
- Financial instruments
- Investment property

Share of the gains or losses of associates and jointly controlled entities accounted for using the equity method
Statement of Changes in Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>With Restrictions</th>
<th>Without Restrictions</th>
<th>Equity</th>
<th>Non-controlling Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus or deficit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in accounting policies and corrections of errors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains or losses that are recognised directly in net assets</td>
<td></td>
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<tr>
<td>Total income</td>
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<td></td>
</tr>
<tr>
<td>Movements between funds with and without restrictions</td>
<td></td>
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<td>Movements in equity</td>
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Statement of Changes in Net Assets

Surplus or deficit

Changes in accounting policies and corrections of errors
Gains or losses that are recognised directly in net assets
Total income
Movements between funds with and without restrictions
Movements in equity

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- Income
- Expenses
- Surplus or deficit from operating activities
- Gains and losses
- Surplus or deficit
### Statement of Changes in Net Assets

<table>
<thead>
<tr>
<th>Surplus or deficit</th>
<th>Gains or losses on translation of foreign operation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in accounting policies and corrections of errors</td>
<td>Actuarial gains and losses – employee benefits</td>
</tr>
<tr>
<td>Gains or losses that are recognised directly in net assets</td>
<td>Fair value of hedging instruments</td>
</tr>
<tr>
<td>Total income</td>
<td>Changes in revaluation surplus of property, plant and equipment</td>
</tr>
<tr>
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*Equity* includes *Non-controlling Interest*.
Statement of Changes in Net Assets

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Details of transfers required
Statement of Cash Flows

- Grants with restrictions (operating)
- Grants without restrictions (operating)
- Cash donations (operating)
- Grants and donations for the purchase of non-current assets (investing)
Comparative Information

Comparative information, including amounts with restrictions and amounts without restrictions

- In statements and notes
- In notes only
- Neither – only provide totals in comparative information
Compliance with INPAG

All INPAG Sections + Permitted Timescales → Compliance with INPAG
Which scope for the Statement of Income and Expenditure provides the most useful information?
Do you agree that the name of the main statement to be "Statement of Income and Expenditure"?

I agree.

**Reason 1:** The name "Statement of Income and Expenditure" is well known to stakeholders and has the benefit of simplicity (BC5.4).

**Rationale 2:** NPOs shall have the flexibility to use different expressions in their financial statements if any alternative would better explain the financial statement or better comply with local regulations (BC5.5).
2 Do you agree that the expressions "surplus" and "deficit" should be used instead of "profit" and "loss"?

I agree.

Reason 1: There is broad support from users of NPO financial statements. Rationale 2: This removes the implication that there is some profit or loss and is more focused on the arithmetic difference between income and expenditure (BC5.6).
3 Do you agree that restricted and unrestricted items should be opened, "line by line", in the body of the statement?

I disagree.

Rationale 1: The primary financial statements should help users to identify key issues in a summarised way and answer big questions (e.g. what surplus is constrained?).
Reason 2: Based on my experience, NPO users are interested in restricted information on net surpluses rather than on revenues and related expenditures.
Suggested approach: Any restricted net surplus should be presented as a single line item in the income and expenditure statement, and the detail on that line item should be disclosed in the narrative information to the financial statements.
4 Do you agree that NPOs should be able to choose whether to present revenue items or expenditure items first in order to obtain a surplus or a deficit?

Agreed.

Reason: The approach seems to be widely understood by users.
#8: What information is required in financial statements about restricted funds?

Optimally, the resources of a restricted fund should not increase or decrease the result of an ESAL in a given period.

Where does the restricted fund detail add value for third parties?
• EEA (leverage)
• I/E (Portfolio)
• Reservations (if applicable)
Discussion

Question 1
Do you agree with the proposal that there should be no Other Comprehensive Income (OCI) and that an expanded Statement of Changes in Net Assets would produce an equivalent to OCI? If not, why not?

Do you agree that all asset and liability balances should be split between current and non-current amounts (except where a liquidity-based presentation has been adopted)? If not, why not?

Question 2
Do you agree with the proposal that not all categories of asset and liability balances should be split between those with and without restrictions? If not, which categories of assets and/or liabilities should be split? Do you agree that the amounts of each income and expense line should be split between those with and without restrictions on the face of the primary statement? If not, what alternative approach would you propose and why?

Question 3
Do you agree with the proposed changes to the terminology in the IFRS for SMEs Accounting Standard? If not, what would you propose and why?

Do you agree that comparatives should be shown in the primary financial statements? In particular, do you agree with the comparatives proposed for the Statement of Income and Expenditure? If not, what would you propose and why?
Tea break

Back at 15.15
INPAG Exposure Draft 1
Latin America Roundtable

Topic 4 – Narrative reporting

7 February 2023
Session 4 – Narrative reporting

- Introduction (15)
- Perspectives (15)
- Group discussion (20)
- Feedback (20)
GPFRs and Narrative Reporting

General purpose financial reports = Narrative reporting + General purpose financial statements

More fully describe an NPO’s performance
**Principles**

<table>
<thead>
<tr>
<th>May exclude sensitive material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
</tr>
</tbody>
</table>

| Context, purpose, mission, vision | Objectives, achievement, measures | Objectives, resources, how they support performance | Analysis of financial statements impacts and trends | Relation to objectives, significant changes and mitigations |

Fair and balanced reporting

<table>
<thead>
<tr>
<th>Qualitative characteristics</th>
</tr>
</thead>
</table>

**Same qualitative characteristics and pervasive constraints applicable to information in the financial statements**

**Same general purpose financial report, reporting NPO and reporting period**
## Principles

### May exclude sensitive material

<table>
<thead>
<tr>
<th>Overview</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial objectives</td>
<td>Financial statement analysis</td>
</tr>
<tr>
<td>and strategies</td>
<td>Principal risks and uncertainties</td>
</tr>
</tbody>
</table>

### Overview
- Context, purpose, mission, vision
- Objectives, achievement, measures
- Objectives, resources, how they support performance
- Analysis of financial statements impacts and trends
- Relation to objectives, significant changes and mitigations

### Fair and balanced reporting
- Objectives, achievement, measures
- Analysis of financial statements impacts and trends
- Relation to objectives, significant changes and mitigations

### Qualitative characteristics
- Same scope
Performance information and financial statement commentary

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Qualitative characteristics</td>
<td></td>
</tr>
</tbody>
</table>

Same scope
Overview of the NPO

Who we are?
Form, structure, governance

What we exist for?
Purpose, objectives, impact

What we do?
Activities, environment, relationships
Performance information

Linked to discussion in the overview of what the NPO exists for

What are the performance objectives → What has been done to achieve them

Focused on activities and performance monitored by NPO’s management
Performance information

Quantitative measures

Qualitative descriptions

Qualitative measures
Financial objectives and strategies

- Financial position
- Income and expenses
- Net assets
- Cash flows

Resources managed to achieve them

How these support performance objectives
Analysis of the NPOs financial statements

- Significant changes and trends
- Judgement
- Context
- Disclosure of adjustments
- Impact on performance objectives
Risks and uncertainties

- Principal risks and uncertainties
- Achievement of performance objectives
- Achievement of financial objectives and strategies

Objectives and strategies
Changes since last period
How managed
Presentational issues

Clear and simple language and presentation → Use of tables, graphics, case studies → Cross-referencing

Reasons for and nature of any changes → Comparative information and consistency
## Sensitive information

### May exclude sensitive material

<table>
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### Fair and balanced reporting

### Qualitative characteristics

### Same scope

- Ability to deliver mission
- Safety or wellbeing

### Use of exception, if noted, retains compliance with INPAG
## Reporting of other information

| Mandatory core | • Performance information  
<table>
<thead>
<tr>
<th></th>
<th>• Financial statement commentary</th>
</tr>
</thead>
</table>
| Additional information | • Climate related disclosures  
|                | • Broader sustainability reporting |
| Other frameworks | • e.g. Integrated reporting |
Potential barriers to implementation

- New requirements
- Transition to accruals
- Option for extended transition
In my view, NPOs for INPAG purposes do have benefits to the community, one of which is the management of the SDGs https://www.un.org/sustainabledevelopment/es/globalpartnerships/, which should be included in general purpose financial reporting. This aspect is not being taken into account and is not stipulated in the regulations of the jurisdictions, especially in LATAM, based on the experience that has been gained in this area, including sustainability (economic, environmental and social). Primary users and resource providers and for those exercising or performing oversight functions. These reports shall comply with the aspects requested by these entities that provide the reporting process:

- UNEP https://environmentlive.unep.org/
- CERES https://www.ceres.org/user/login
- CDP https://www.cdp.net/en/latin-america
- CDSB https://www.cdsb.net/sites/default/files/cdsb_framework_2019_v2.2.pdf
- TCFD https://www.cdsb.net/sites/default/files/cdsb_framework_2019_v2.2.pdf
- SASB https://www.sasb.org/standards/process/
- FSB https://www.fsb.org
- IR https://www.integratedreporting.org/resource/international-ir-framework/

Among others.
#10: What should a good NPO narrative report look like?

Marcia Brandon
Founder
COESL
Barbados
#11: What makes a narrative report fair and balanced?

Zandra Puertes
DG
INCP
Colombia
#12: What might prevent the adoption of narrative reporting?

Annually, the narrative reports are always submitted in an "activity report" format to the state bodies, where the general nature of the project activities, beneficiaries and areas of intervention for non-public use are disclosed.

There would be no impediment to the adoption of narrative reporting from the NPOs' financial statements, as it is somewhat required practice by local government and adopting this practice under the EFs would provide transparency and good reporting practice under the INPAG format.

Marla Arrazola
Administrative and Finance Manager
WCS
Honduras
Discussion

**Question 1**
Do you agree with the proposed principles underpinning narrative reporting? If not, what would you propose to change and why?

**Question 2**
Do you agree with the scope of the mandatory minimum requirement, with additional information, such as sustainability reporting, being optional? If not, what changes should be made and why?

**Question 3**
Do you agree with the proposals that sensitive information can be excluded from narrative reports? If not, what alternative would you propose and why?

Should a two-year transition period for narrative reporting be allowed to help overcome any implementation problems? If not, what alternative would you propose and why?
Next steps

INPAG
10 topics
2025

Adoption by jurisdictions
Sustainable governance

Remaining themes?
Different sizes of NPOs?

Demand
Resources
## List of NPO-specific topics

### Long list (20)

- Reporting and Controlling Entity
- NPOs acting on behalf of others
- Unearned income
- Scholarship expenses
- Measurement of assets
- Inventory held for use or distribution
- Presentation of the financial statements
- Classification of expenditure
- Fundraising costs
- Narrative report

### Short list (10)

1. Reporting and Controlling Entity
2. NPOs acting on behalf of others
3. Unearned income
4. Scholarship expenses
5. Measurement of assets
6. Inventory held for use or distribution
7. Presentation of the financial statements
8. Classification of expenditure
9. Fundraising costs
10. Narrative report

### Criteria

- Predominance
- Consequence
- Demand
- Feasibility

[www.ifr4npo.org/accounting-issues](http://www.ifr4npo.org/accounting-issues)
INPAG Target audience

- Tier 1: IFRS
- Tier 2: INPAG
- Tier 3: Cash based
Your feedback

The questions we want feedback on are called ‘Specific Matters for Comment’ (SMCs).

Answer the ones that are most relevant.
Your feedback matters!

- Donors
- NPOs
- Regulators
- Auditors
- Standard setters
- Civil society
- Accounting profession

✓ Relevant
✓ User friendly
✓ Credible
✓ Fit for purpose
Share your opinion on INPAG ED1

www.ifr4npo.org/have-your-say

By 31 March 2023
Thank you!

www.ifr4npo.org
info@ifr4npo.org
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