



Technical Advisory Group Issue Paper

AGENDA ITEM: TAGED15-01
7 November 2023 – Virtual

Illustrative financial statements

Summary	The paper illustrates the effect of proposed presentation requirements and disclosures on the financial statements.
Purpose/Objective of the paper	The paper provides a simplified set of financial statements to illustrate the effect on the primary statements and the notes to the accounts of the proposals in INPAG. This includes the presentation of transactions that form part of funds with and without restrictions and the information required to produce supplementary information. This paper sets out the key principles that underpin presentation and disclosure.
Other supporting items	TAGED14 papers
Prepared by	Karen Sanderson
Actions for this meeting	Advise on: <ul style="list-style-type: none">i. the principles proposed to identify which transactions should be presented as part of funds with restrictions and which transactions should be presented as part of funds without restrictions.ii. the collective impact of the proposals on the information provided for accountability and decision making purposes of the general users of an NPOs financial report.

Technical Advisory Group

Illustrative financial statements

1. Introduction

- 1.1 Exposure Draft 3 is the final planned exposure draft that will set out the proposals for the remaining INPAG sections. As noted previously there are 4 areas (classification of expenses, fundraising costs, fund accounting and supplementary information) that are important to the overall proposals in INPAG.
- 1.2 At the TAG meeting in September, there was significant feedback on the proposals on all of these four topics and the example illustrative statements provoked significant discussion.
- 1.3 This paper includes a set of simplified illustrative financial statements that are based on the principles supported by TAG members for the classification of expenses, fundraising costs and supplementary information. This paper also further considers the key discussion points about which transactions are shown as funds with restrictions and which transactions are shown as funds without restrictions, which will underpin the new section on Fund accounting.

2. Key principles

- 2.1 At the TAG meeting at the end of September, the feedback was that a natural classification of expenses should be the rebuttable presumption and therefore the default presentation unless an NPO can provide an explanation as to why an alternative presentation is more appropriate. INPAG will permit a functional or mixed presentation where the presumption is rebutted. INPAG will not mandate the format of the natural classification.
- 2.2 Regarding the disclosure of fundraising costs, TAG members felt that the minimum disclosure requirement should be focused on those costs associated with fundraising campaigns. The view was that the minimum disclosure should be more tightly defined rather than including activities such as the selling of merchandise for the purpose of raising funds for an NPO's mission. However, there was a view that such information could be useful for some NPOs and could be shown as a different category or categories of fundraising costs.
- 2.3 Finally, in the discussion about the proposals for supplementary information the view of the TAG was that an additional financial statement or disclosure note should not be required. Instead the information needed to create a whole of entity supplementary statement would be required to be available in the financial statements and/or the accompanying disclosure notes. This would reduce the level

of duplication but effectively make the whole of entity supplementary statement information mandatory for all NPOs. A new section of INPAG, Section 37 will set out the relationship between the Recommended Practice Statement for supplementary information and the financial statements.

- 2.4 These principles have been used to develop the illustrative financial statements in Annex A.

Question 1: Do TAG members have any comments on these principles?

3. Fund accounting

- 3.1 The other key area that created significant debate was the definition about which transactions should be presented as part of funds with restrictions and which transactions as part of funds without restrictions.
- 3.2 It should be noted that there was no difference of view about revenue recognition. Members agreed that revenue should be deferred where the NPO has a present obligation to satisfy an obligation in an enforceable grant arrangement until that obligation has been met and that otherwise resources should be recognised when they are received or become receivable.
- 3.3 As noted in TAGED14-01, Section 2 *Concepts and pervasive principles* shared in Exposure Draft 1 establishes the principle that the funds of an NPO shall be split between funds with restrictions and funds without restrictions. Fund accounting is one of the key concepts in developing INPAG and Section 2 defines funds with restrictions as follows:
- Funds that are required to be expended, invested or retained by the NPO for a specific purpose or activity as a consequence of externally imposed funding or other legal arrangements placed on the NPO by a resource provider.*
- 3.4 The underpinning principal is that the transactions included in funds with restrictions are those that would be considered to be part of a fund. Globally there are a number of descriptions of fund accounting. These share many similarities but have some differences in detail.
- 3.5 Recurring themes in the descriptions from these various sources are as follows:
- a. a fund is self-balancing and is separate to the other activities of an NPO. It can be any part of an NPO's activities;
 - b. a fund is created to track resources (income, expenses, assets and liabilities); and
 - c. funds can exist with different characteristics:



- some are legally unrestricted and available for any organisational purpose;
 - some are legally restricted and by accepting such a restricted gift, the NPO has an obligation to follow the donor's instructions.
 - the governing board may designate funds for a particular purpose, which is normally legally unrestricted.
- d. a restriction arises where resources can only be lawfully used for a specific purpose or a grantor or donor requires that the resources provided are applied to specific purposes, activities, assets or resources. Such requirement will limit the choices to an NPO has about how to achieve its missional objectives
- 3.6 In addition to the description in 3.5 d., based on the discussions to date, it seems appropriate to also include where an NPO makes a public commitment about how it will use donated resources, where this public commitment is the basis of a fund raising campaign. This type of public commitment would create a moral or ethical obligation and in some jurisdictions may also create a regulatory obligation.

Proposals for the definition of a fund

- 3.7 Reflecting on the existing literature and the NPO context it is proposed that to be a fund the following criteria are met:
- a. it is part of an organisation for which separate accounting records are kept that is independently maintained from other funds;
 - b. the separate accounting records are self-balancing and comprise the income, expenses, assets and liabilities relating to the fund; and
 - c. it enables the NPO to track its resources.
- 3.8 This definition of a fund may be challenging for NPOs who have previously tracked income and expenses but have not, or do not currently have the systems capability to track assets and liabilities. However, the requirement to track assets and liabilities might usefully serve to filter out very granular application of the guidance and thereby reduce any associated reporting burden for NPOs.

Question 2: Do TAG members have any comments on the proposed definition of a fund?

Proposals for which funds are presented as part of funds with restrictions

- 3.9 Taking this definition of a fund, there is then the question about which funds are presented as part of funds with restriction and which are presented as funds without restrictions.
- 3.10 The accounting requirements for revenue recognise that grants and donations received by an NPO can have different types of constraint that limit how an NPO can

use the resources provided. An enforceable grant arrangement (EGA), by definition, limits the use of resources as the NPO only earns revenue when it satisfies the obligations in the arrangement.

- 3.11 It is proposed that a fund is presented as part of funds with restrictions when the following criteria are met:
- a. Access to the resources in a fund is restricted through legal or other means, where acceptance of any terms set by the grantor or donor create an obligation for those terms to be followed;
 - b. An NPO has made a public commitment to use resources linked to a fund raising campaign for a specific purpose.
- 3.12 The proposed definition in 3.12 a. would mean that grants or donations that meet the criteria to be a fund, where the grant recipient has a legal (or equivalent) obligation to fulfil, would be presented as part of funds with restrictions. This would be the case irrespective of whether the obligation is a present obligation in accounting terms.
- 3.13 As an EGA would meet the criteria to be a fund it is expected that EGAs are presented as part of funds with restrictions. However, in most circumstances there will not be fund balances because of the assets and liabilities relating to each EGA that will be shown in the balance sheet. Showing the income and expenses within the movement on funds note would provide transparency over these transactions.
- 3.14 All other funds would be presented as part of funds without restrictions. This will include funds that governance bodies have set aside for specific purposes and therefore have an internally designated purpose. Funds without restrictions will also include any revaluation reserves.

Feedback from a Focus Group, PAG and DRG

- 3.15 It is important that the definition of what is to be included in funds with restrictions is clear and simple to apply. In previous discussions with the PAG and the Focus Group, all agreed that EGAs should be included in funds with restrictions, but there was significant disagreement about which other transactions should be shown and how these proposals would apply.
- 3.16 As a recap, the feedback included the expectation that those who provided resources to NPO's with any kind of limitation on use, would expect those resources to be part of funds with restrictions. Participants felt that substance over form was important in considering what should be treated as restricted.



- 3.17 It was also noted that having the ability to separate those transactions that are subject to constraints as opposed to being part of an EGA can be helpful, as it is these transactions where income and expenses are likely to appear in different reporting periods.
- 3.18 This topic and an earlier iteration of the illustrative financial statements in Annex A were shared with the DRG at its last meeting. Members did not disagree with the description of what constitutes a fund as set out in 3.5 and 3.6 and they found the illustrative financial statements clear and easy to understand.
- 3.19 The Secretariat were also concerned that should transactions with constraints be included as funds with restrictions, there may be difficulty in defining the significance of a constraint for this classification to apply. For example, a constraint might relate to time, general operations, or a particular set of activities. It might have a right of return, or an enduring requirement that can be exercised over any time period.

Question 3: What are TAG member's views on the proposed criteria for the inclusion of a fund within funds with restrictions?

4. Illustrative financial statements

- 4.1 To illustrate these proposals and how they interact with other disclosure requirements published in ED1 and ED2 a case study has been developed. This case study is simplified and is designed to address some of transactions that an NPO may have. Annex B includes the draft Recommended Practice Statement for supplementary information for information and cross reference.
- 4.2 It is currently proposed that this case study forms part of the illustrative financial statements to be issued as part of INPAG. Further iterations will be developed to cover all of the notes required and more complex scenarios such as controlled entities.

Question 4: What are TAG member's views on the cumulative impact of the proposal outlined in Sections 2 and 3 above in conjunction with already published disclosure proposals?

Question 5: Do TAG members have any comments on this case study and in particular improvements that can be made to illustrate the key INPAG proposals?

October 2023

Annex A - Illustrative NPO financial statements

Background

NPO A is established to carry out research into respiratory diseases and to support individuals and families who suffer from these diseases. Most of its activities are carried out in Country Z but it also has operations in Country Y and Country X.

It has a research programme that has expanded significantly post the Covid 19 pandemic. Its research is focused on the triggers for respiratory diseases and the short and long term impacts for individuals that have a respiratory disease and their families.

It owns a building in Country Z through which it provides respite care facilities to give under pressure families a break. NPO A charges for use of these facilities at a subsidised rate.

It also carries out educational activities on the prevention of respiratory diseases in all countries in which it operates as well as counselling services. NPO A charges for some of the educational activities at a market rate, some at a subsidised rate. It also provides free educational activities for disease prevention.

NPO A relies on volunteers to deliver its outreach activities including counselling and educational activities. Volunteers also provide support for those who are in respite care.

To use the respite facilities individuals are required to buy a share in NPO A. This share can be redeemed at the amount originally paid when an individual ceases to use the facilities for whatever reason. The share cannot be traded. It does not provide any ongoing rights to returns or provide a share of net assets if the NPO ceases to operate. Any residual net assets must be transferred to another NPO providing similar services.

NPO A is registered with the local regulator in Country Z and because of jurisdictional legislation does not pay any tax. It is not liable for tax in any of the countries in which it operates. It has a governing board made up of 12 independent members. Membership of the governing board is open to anyone, with appointments made following a vote made by the holders of the shares.

NPO A's financial reporting year is from 1 January to 31 December.

Fact pattern and analysis

	Fact pattern	Analysis	EGA	With restrictions	No restrictions	2022 Amount in SoIE
1	NPO A received a government grant of CU250,000 in 2022 to finance its recurrent operating costs. This is part of a 5 year commitment which started on 1 April 2020 that provides for CU250,000 in each financial year subject to annual approval.	The full amount is recognised as unrestricted in each year as there is no effective constraint on how the grant is used. It is recognised as revenue on receipt			x	250,000
2	NPO A was awarded a government grant of CU300,000 in 2022 to research the short term impact of Covid 19 on individuals that had a pre-existing respiratory disease. This grant is payable once the report has been accepted by the government department. At the end of the reporting period it was estimated that the report was 75% complete.	The grant arrangement is an EGA as both the grantor and the grantee have both rights and obligations in the arrangement. The EGO is the report that has to be accepted by government. As the EGO has not been satisfied at the end of the reporting period no revenue is recognised.	x			0
3	NPO A was awarded a government grant on 1 April 2022 of CU1,000,000 over 10 years for a longitudinal study to examine the longer term outcomes of Covid 19 on individuals with pre-existing respiratory diseases. CU72,000 is payable on 1 April of each year to contribute to staff costs with the balance to be paid when the final report is accepted by the government department. NPO A is required to provide an update report each year of the work carried out.	The grant arrangement is an EGA as both the grantor and the grantee have both rights and obligations. There is an EGO for the provision of staff to carry out the longitudinal study each year and an EGO to produce the final report. The EGO to cover the staff costs is over the long period of the grant arrangement and is recognised over time with the balancing amount relating to the report to be recognised at a point in time. As a consequence CU6,000 per month from the start of the agreement (9 months) is recognised.	x			54,000

4	NPO A received a grant on 1 July 2022 of CU100,000 for use as part of NPO A's programme of research into asthma.	The grant arrangement is not an EGA as the grant provider has not directed a specific set of inputs, activities or outcomes. However, as the grant is limited to asthma it is shown as a separate fund. All revenue is recognised when NPO A receives the funds (on receipt).		x		100,000
5	NPO A received a grant from the government in Country X to develop a database of individuals with pre-existing respiratory diseases that had Covid 19. The grant of CX50,000 was received on 1 December in Country X's local currency CX and held in a CX bank account. The exchange rate on receipt was 1CU to 2CX. The database was completed on 30 June 2022 when the exchange rate was 1CU to 2.5CX.	The grant arrangement is an EGA as both the grantor and the grantee have both rights and obligations. The EGO is the database, which was completed on 30 June 2022. As NPO A held the funds in a foreign currency bank account, it is converted when the EGO is complete at which point it is worth CU20,000.	x			20,000
6	NPO A carried out a public campaign to raise funds for research into long Covid in September 2022. Through a social media, print media and television advert campaign it committed that all funds raised would be used for this research. At 31 December 2022 it had received CU230,000.	The long Covid fundraiser is not an EGA as the individual donors have no realistic way of enforcing the arrangement and NPO A has some discretion about how it uses the funds. However, as the donations are limited to long Covid it is shown as a separate fund. All revenue is recognised when NPO A receives the funds (on receipt).		x		230,000
7	Donations of CU250,000 were received from members of the public in the financial year.	Donations from the public are recognised on receipt and are unrestricted as they can be applied to any of the NPO's missional purposes.			x	250,000
8	NPO A received a donation of CU50,000 from a corporate donor on 1 September 2022 who specified that the donation is to be used as part of NPO A's development of a new website. The corporate donor has an interest in improving on-line access to educational materials.	The grant arrangement is not an EGA as the grant provider has not directed a specific set of inputs, activities or outcomes. However, as the grant is limited to the development of a website it is shown as a separate fund. All revenue is recognised when NPO A receives the funds (on receipt).		x		50,000

9	NPO A received CU370,000 through charges for the use of its respite care facilities in 2022, but CU10,000 was not in the end delivered in 2022. In addition, CU12,000 was owed by users of the facilities at the end of the 2022.	Charges from respite care are recognised as the services are provided. The receipts are unrestricted as they can be applied to any of the NPO's missional purposes.			x	240,000
10	NPO A received CU150,000 through charges made for educational courses all of which were delivered in 2022.	Charges from educational activities are recognised as the services are provided. They are unrestricted as they can be applied to any of the NPO's missional purposes.			x	100,000
11	NPO A received CU5,000 from the sale of members shares.	Member shares are recognised as a liability as these amounts will be returned to participants in the respite care programme when they leave the programme. Despite being called a 'share', a share is not equity as members do not have an entitlement to a share in the net assets of NPO A.	N/A	N/A	N/A	N/A
12	NPO A received grants for its programmes of research into bronchitis (CU100,000) and emphysema (CU50,000) in 2021. At the 31 December 2021 it had not used any of the grants because resources had been diverted to dealing with the global Covid 19 pandemic.	These grant arrangements are not EGAs, but shown as separate funds for the same reasons as the asthma grant. The revenue was recognised in 2021 when NPO A received the funds.			x	N/A
13	NPO A received a donation of 10,000 units of asthma medication for use in its respite facilities on 1 November 2022 due to expire on 28 February 2023. The current market price for this medication is CU10 per unit. This price holds until it is within 16 weeks of its expiry at which point the value of it reduces on a straight line basis. NPO used 4,000 units in November and 4,000 units in December 2022. It expects to use the remaining 2,000 units in January 2023.	The amount recognised is 4,000 units at $\frac{3}{4}$ of the CU10 (being 12 weeks remaining of the 16 weeks to expiry) and 4,000 units at $\frac{1}{2}$ of the CU10 (being 8 weeks remaining of the 16 weeks to expiry). The remaining 2,000 is not recognised until it is distributed and is not recognised as inventory using the permitted exception. Although it intends to use the remaining items it cannot be certain that it will be able to do so.			x	50,000

14	NPO A has 15 volunteers who provide counselling support for those suffering from respiratory diseases. They operate on a rota and have a shift pattern that is overseen by a member of NPO A's staff. The volunteers work from home and receive expenses for any training that they are required to attend. The volunteers come from different parts of society, some who have full time jobs, some part time and some who do not have paid employment. If NPO employed volunteers it would expect to pay CU25,000 per annum. Each volunteer works on average 1 day per week.	These services in-kind are recognised as they are mission critical. Without these volunteers the service could not be provided. The amount that the volunteers earn through any paid employment is disregarded, with the services measured with reference to what the NPO would have paid if it had needed to employ its own staff. NPO A estimates that this is CU25,000 per annum. Based on an average of 1 day per week each volunteer is valued at CU25,000 x20% (CU5,000).			x	75,000
15	During 2022 a member of the medical profession from Country Y volunteered to work in the respite facility for 3 months. They volunteered as a nurse during this period. The annual salary of a nurse in Country Z is CU40,000.	NPO A has decided not to recognise this volunteer time as it wasn't mission critical. If NPO A had decided that this was mission critical, the amount recognised would have been made reference to what the NPO would have paid if it had needed to employ a nurse.	N/A	N/A	N/A	0
16	NPO A received a donation of a minibus on 1 January 2022. The donor stated that the minibus is for use in transporting members to and from the respite facilities. The second hand minibus is worth CU12,000 and has an estimated remaining life of 6 years.	As a high value item the value of the minibus is reflected in revenue when it is received. As the donor has limited the use of the minibus this will be shown as a separate fund. The depreciation of the minibus will be shown against the fund until it is fully depreciated.		x		12,000 Income 2,000 Expense
17	NPO A made 100 grants to individuals of CU500 to purchase equipment for residential adjustments to assist those individuals with their ongoing wellbeing. The recipients do not have to provide receipts to NPO A.	The grants provided for the purchase of equipment are unconditional. NPO A therefore recognises the expense when the amounts are paid to the individuals.			x	50,000
18	In the year NPO A made a grant of CU50,000 to NPO B to carryout research into the short term impacts of	Both of these grants are EGAs as there are rights and obligations for both parties and an EGO. As the			x	50,000

	Covid on individuals with pre-existing respiratory diseases in Country Y and a grant of CU50,000 to NPO C in Country X for the same purpose. These grants were made on the same terms, with grant payment dependent on the provision of a report accepted by NPO A. At the end of the financial year NPO A understands that NPO B's report is 80% complete and has accepted the report developed by NPO C.	provision of this grant is entirely at the discretion of NPO A it is not presented as a fund. At the end of the reporting period NPO B's report is 80% complete. As the EGO has not been satisfied no expense is recognised. NPO C's report is complete and accepted and so all of the expense is recognised.				
19	NPO A spent CU25,000 developing the database for Country X.	The Covid database is the delivery requirement (EGO) of the EGA that NPO A has with the government in Country Y. NPO A recognises its expenses on producing the database.	x			25,000
20	NPO A spent CU30,000 on its campaign to raise funds for research into long Covid. The appeal notice states that the campaign costs will be recovered against the donations received.	The campaign costs for the appeal to raise funds for long Covid are chargeable against the fund that has been set up as a result of the appeal. As a result all of the cost will appear against the fund.		x		30,000
21	NPO A spent CU5,000 on developing grant bids during the year.	The cost of the grant bids will be shown as unrestricted unless any of the grantors agree that the cost of the grant bid can be charged against the grant received. As none of the grants allow this, the expenses will come from unrestricted funds.			x	5,000
22	NPO A spent CU50,000 into research on asthma and CU 10,000 each on research into bronchitis and emphysema in 2022.	NPO A spent CU70,000 on research in total during the year. The amount spent of each area of research will be shown against the relevant fund.		x		70,000
23	NPO A spent CU10,000 on developing the website.	The costs of developing the website are charged to the fund established for this donation. The website is an intangible asset and the expenses are capitalised.		x		0
24	NPO A had the following operating expenses.	The operating expenses incurred by NPO are shown as relating to restricted or unrestricted funds	x		x	1,280,000



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

<p>Staff costs CU800,000 Medical supplies CU250,000 Electricity, gas, water CU100,000 Rent CU50,000 Repairs and maintenance CU50,000 IT CU75,000 Transport CU25,000 Other expenses CU80,000</p> <p>NPO A spent CU100,000 of these costs on support costs. CU150,000 was spent on the research into the short term impacts of Covid and CU80,000 was spent on the longitudinal study. None of the funds raised as part of the appeal were spent, other than the costs of running the campaign. The remainder was spent on the delivery of NPO's missional objectives.</p> <p>Other expenses includes CU40k depreciation on its own assets and CU5k amortisation separate to the CU2k resulting from the donation of the minibus.</p> <p>NPO A had accruals of CU75,000 at the end of the financial year and had CU80,000 at the beginning of the financial year.</p>	<p>depending on the allocation of expenses to these activities.</p> <p>The CU150,000 spent on the research into the short term impacts of Covid is recognised as work in progress until such time as the EGO is satisfied. The CU150,000 is made up of CU100,000 staff costs, CU10,000 utilities and CU40,000 of other expenses. This is deducted from the amount spent on each natural classification account code.</p> <p>The CU80,0000 spent on the longitudinal study is recorded against the EGA and the associated fund as this reflects the expenses for an EGO that is being recognised over time rather than at a point in time. The entire amount is shown as an expense at the end of the reporting period as the NPO is not certain whether it will be able to recover the full costs against the grant agreement. If it decided that it can recover the full costs the excess of costs over income recognised would be shown as part of work in progress. If it decided that it could not recover these costs it would need to fund these from its funds without restrictions.</p>				
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Statement of Income and Expenses

		Year ended 31 December 2022 CU000s	Year ended 31 December 2021 CU000s
Income			
<i>Revenue from grants and donations</i>			
Enforceable grant arrangements	1, 2	74	100
Other funding arrangements with constraints	1	380	35
Other grants and donations	3	500	1,500
Donations in-kind	4	137	160
		<hr/>	<hr/>
		1,091	1,795
<i>Revenue from goods and services</i>			
Respite care		372	500
Educational activities		150	80
		<hr/>	<hr/>
		522	580
<i>Other income</i>			
Interest received		-	-
		<hr/>	<hr/>
Total income		1,613	2,375
Expenses			
<i>Operational expenses</i>			
Staff costs	6	700	800
Rent, rates and utilities	6	140	220
Maintenance and repairs	6	50	75
Medical supplies	6	250	250
Research and development	6	95	25
Other expenses	6	175	175
		<hr/>	<hr/>
		1,410	1,545
<i>Expenses on grants and donations</i>			
Grants made	5	100	200
Donations in-kind	4,8	125	160
		<hr/>	<hr/>
		225	360
		<hr/>	<hr/>
Total expenses		1,635	1,905
		<hr/>	<hr/>
Operating surplus/(deficit)		(22)	470
Foreign exchange gain/(loss)	2	5	-
		<hr/>	<hr/>
Total surplus/(deficit)		(17)	470



Statement of Financial Position

	Note	As at 31 December 2022 CU000s	As at 31 December 2021 CU000s
Non-current assets			
Property, plant and equipment	7	970	1,000
Intangible assets	7	55	50
		<u>1,025</u>	<u>1,050</u>
Current assets			
Inventory	8	50	50
WIP - EGA	2	150	-
Prepayment - EGA	5	50	-
Other receivables	9	32	20
Cash held in foreign currencies	10	-	25
Cash	10	324	500
		<u>606</u>	<u>595</u>
Current liabilities			
Liabilities - EGA	2	(18)	(25)
Other liabilities	11	(95)	(110)
		<u>(113)</u>	<u>(135)</u>
Non-current liabilities			
Members' shares	12	(155)	(150)
		<u>1,363</u>	<u>1,360</u>
Net assets			
Funds			
Unrestricted funds	1	719	980
Restricted funds	1	644	380
		<u>1,363</u>	<u>1,360</u>
Net assets			



Statement of Changes in Net Assets

	Note	Unrestricted funds <i>CU000s</i>	Restricted funds <i>CU000s</i>	Total funds <i>CU000s</i>
Opening balance at 1 January 2022	1	980	380	1,360
Total surplus/(deficit) in the year	1	(281)	264	(17)
Movement between funds		-	-	-
Closing balance at 31 December 2022	1	699	644	1,343
Opening balance at 1 January 2021		535	355	890
Total surplus/(deficit) in the year		435	35	470
Movement between funds		10	(10)	-
Closing balance at 31 December 2021		980	380	1,360



Statement of Cash Flows

	Note	Year ended 31 December 2022 CU000s	Year ended 31 December 2021 CU000s
Operating activities			
Total surplus/(deficit)		(17)	470
Depreciation & amortisation		47	-
(Increase)/decrease from movements in current assets		(212)	-
Increase/(decrease) in current liabilities current liabilities		(2)	-
		<hr/>	<hr/>
		(84)	470
Investing activities			
Acquisition of tangible assets	7	(50)	(250)
Donation of tangible assets	7	(12)	-
Acquisition of intangible assets	7	(10)	-
Disposals	7	50	100
		<hr/>	<hr/>
		(22)	(150)
Financing activities			
Repayment of borrowings	11	-	(25)
New members	12	5	-
		<hr/>	<hr/>
		5	(25)
Movement in cash			
		<hr/>	<hr/>
		(201)	295
Opening cash and cash equivalents		525	230
Closing cash and cash equivalents	10	324	525

Notes to the financial statements

Note 1 Movement in funds note

	Opening balance at 1 January 2022 CU000s	Income CU000s	Expenses CU000s	Other charges CU000s	Transfers CU000s	Closing balance at 31 December 2022 CU000s
Funds with restrictions						
<i>Enforceable grant arrangements</i>						
Longitudinal study - Covid (3)	-	54	(80)	-	-	(26)
Covid database (5)	-	20	(25)	5	-	-
<i>Other funding arrangements</i>						
Asthma research (4)	-	100	(50)	-	-	50
Long-covid campaign (6)	-	230	(30)	-	-	200
Website development (8)	-	50	-	-	-	50
Bronchitis research (12)	150	-	(10)	-	-	140
Emphysema research (12)	100	-	(10)	-	-	90
Additional respite care facility	100	-	-	-	-	100
Other	30	12	(2)	-	-	40
Total funds with restrictions	380	466	(207)	5	-	644
Funds without restrictions						
<i>Designated funds</i>						
Capital improvement works	60	-	-	-	90	150
Website development	10	-	-	-	10	20
<i>General funds</i>						
	910	1,147	(1,428)	-	(100)	529
Total funds without restrictions	980	1,147	(1,428)	-	-	699



Note 2

Revenue from enforceable grant arrangements

Research - short term Covid impacts (2)	A government grant of CU300,000 was awarded in 2022 to research the short term impact of Covid 19 on individuals that had a pre-existing respiratory disease. This grant is payable once the report has been accepted by the government department. At the end of the reporting period it was estimated that the report was 75% complete. As the amount is payable only when the report has been accepted no income has been recognised. Costs of CU150k have been incurred and these have been included as an EGA asset (work in progress). These costs will be shown as expenses when the grant is completed. Work in progress is reviewed each year for impairment.
Longitudinal study – Covid (3)	On 1 April 2022 a grant of CU1,000,000 was awarded by the government for a 10 year longitudinal study to examine the longer term outcomes of Covid 19 on individuals with pre-existing respiratory diseases. CU72,000 is payable on 1 April of each year to cover staff costs. The balance will be paid when the final report is accepted by the government. This grant includes two enforceable grant obligations, one for the provision of staff to carry out the longitudinal study (EGO 1) and one to produce the final report (EGO 2). Revenue from EGO 1 is being recognised over the duration of the study and EGO 2 when the report is complete. Accordingly, CU6,000 per month from the start of the agreement (9 months) is recognised in 2022. At the end of the reporting period the costs incurred exceeded the amount of grant earned and it is not certain that these can be recovered against the grant as they relate to unexpected costs to set up the study. As a consequence they are not being treated as work in progress and will be shown as a deficit against the EGA until it is clear whether these costs can be recovered. Any irrecoverable amounts will be funded from funds without restrictions.
Covid database (5)	A grant of CX50,000 was received on 1 December 2021 from County X (CX being Country X's currency) for the development of a database. The database was completed on 30 June 2022. The grant received was held in a foreign currency bank account until the database was complete. A change in the exchange rate between receipt and date of completing the grant obligation resulted in a foreign exchange gain of CU5k, which has been used to fund the expenses.

Enforceable grant arrangement assets

	31 December 2022	31 December 2021
	<i>CU000s</i>	<i>CU000s</i>
Research – short term Covid impacts	150	-
	<u>150</u>	<u>-</u>

Enforceable grant arrangement liabilities

	31 December 2022	31 December 2021
	<i>CU000s</i>	<i>CU000s</i>
Covid database	-	25
Longitudinal study	18	-
	<u>18</u>	<u>25</u>



Note 3 Other grants and donations

	31 December 2022 <i>CU000s</i>	31 December 2021 <i>CU000s</i>
Government grant	250	1,250
Public donations	250	250
	500	1,500

Note 4 Donations in-kind

	31 December 2022 <i>CU000s</i>	31 December 2022 <i>CU000s</i>	31 December 2021 <i>CU000s</i>	31 December 2021 <i>CU000s</i>
	Income	Expenses	Income	Expenses
Asthma medication	50	50	70	70
Counsellors	75	75	75	75
Minibus	12	2		
	137	127	145	145

Asthma medication	10,000 units of asthma medication close to their expiry date were donated in 2022. 8,000 units of medication was used and valued with reference to the market price, which deteriorates as the expiry date gets closer. The 2,000 units unused at 31 December 2022 will reach life expiry at 28 February 2023. This medication has not been included in inventory as the organisation's policy is to not recognise medical supplies that are close to life expiry.
Counsellors	15 volunteers provide the counselling service. These volunteers operate on a rota overseen by a member of staff. Their services are critical to the ability to providing counselling to those suffering with respiratory diseases. As a consequence the time donated by volunteers is recognised in the financial statements and shown as both a revenue and an expense as they are used straight aware. The volunteer's time is valued with reference to the market salary of a junior counsellor.
Minibus	A minibus was donated with a value of CU12,000 to transport members to and from respite care. As this asset was donated with a specific purpose it is shown within funds with restrictions. A separate fund is not shown in the financial statements given the value of this item, but it is being managed as a separate fund.

Amounts not recognised in the financial statements

An overseas medical professional provided voluntary nursing services for 3 months during 2022. We are very grateful for the time that has been donated that has contributed to the wellbeing of our members. Whilst this type of volunteering is incredibly valuable it is not critical to our ability to provide our respite services. Our policy is to only recognise mission critical services and as a consequence these are not recognised in the financial statements. However, we estimate that if this voluntary time had been provided by a local nurse the cost would have been approximately CU10,000.

Note 5 Grant expenses

		31-Dec-22 <i>CU000s</i>
Residential adjustment grants	100 grants were made to individuals in 2022. Each grant was CU500 to purchase equipment for residential adjustments to assist qualifying individuals with their ongoing wellbeing.	50
Covid research - Country Y	A grant of CU50,000 was made to NPO B to carryout research into the short term impacts of individuals with pre-existing respiratory diseases in Country Y. Grant payment is dependent on the report provided by NPO B being accepted. At the end of the financial year NPO B has reported that its report is 80% complete. As the grant requirements have not yet been satisfied no expense has been recognised.	-
Covid research - County X	A grant of CU50,000 was made to NPO C to carry out research into the short term impacts of covid on individual with pre-existing respiratory diseases in Country X. Grant payment dependent on the report provided by NPO C being accepted. NPO C's report is complete and was accepted by the end of the financial year and so all of the entire expense was recognised.	50

	31 December 2022	31 December 2021
	<i>CU000s</i>	<i>CU000s</i>
Enforceable grant arrangement assets		
Covid research - Country Y	-	50

Note 6 Operating expenses

	31 December 2022	31 December 2021
	<i>CU000s</i>	<i>CU000s</i>
Missional activities	1,380	1,605
Fundraising costs	35	62
Support costs	220	235
	<u>1,635</u>	<u>1905</u>

Operating expenses included:

Travel and subsistence	35	35
Depreciation and amortisation	47	45

Missional activities are those activities that directly benefit those that use the services provided or activities that develop the understanding of respiratory diseases and their impact on individuals and their families. The main activities in 2022 were as follows:



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	31 December 2022 CU000s	31 December 2021 CU000s
Respite care programme	725	1,055
Education and counselling services	250	300
Research into respiratory diseases	250	200
Research related to Covid	155	50
Total	1,380	1,605

Fundraising costs include CU30,000 for the costs of the public campaign to raise funds for research into long Covid. These costs covered a social media campaign and a limited print media campaign with an advertorial in local newspapers and a limited tv advertising campaign in off-peak times. These costs have been funded from the donations received from the campaign.

Fundraising costs also include CU5,000 for the cost of preparing applications for grants. During the year 6 applications for grants were made, 4 of which were successful. In none of these cases could the application costs be charged against the grant awarded.

Support costs include the costs of the finance, HR, facilities and IT teams as well as senior management. Support costs only include those costs that cannot be allocated to a missional activity or fundraising costs and are costs that support the entire operation of the NPO.

Note 7 Tangible and intangible assets

	Land CU000s	Buildings CU000s	Vehicles CU000s	Plant and equipment CU000s	Intangible assets CU000s	Total CU000s
Cost						
As at 1 January 2022	250	600	100	500	60	1,510
Additions			12	50	10	62
Disposals				(100)		(100)
As at 31 December 2022	250	600	112	450	70	1,472
Accumulated depreciation						
As at 1 January 2022		(100)	(50)	(300)	(10)	(460)
Charge for the year		(10)	(10)	(22)	(5)	(47)
Disposals				50		50
Closing balance 31 December 2022	0	(110)	(60)	(272)	(15)	(457)
Net book values						
Brought forward at 1 January 2022	250	500	50	200		1,050
Carried forward at 31 December 2022	250	490	52	178	55	1,015



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	Land <i>CU000s</i>	Buildings <i>CU000s</i>	Vehicles <i>CU000s</i>	Plant and equipment <i>CU000s</i>	Intangible assets <i>CU000s</i>	Total <i>CU000s</i>
Cost						
As at 1 January 2021	250	510	90	450	60	1,360
Additions		90	10	150		250
Disposals				(100)		(100)
As at 31 December 2021	250	600	100	500	60	1,510
Accumulated depreciation						
As at 1 January 2021		(90)	(42)	(328)	-10	(470)
Charge for the year		(10)	(8)	(22)		(40)
Disposals				50		50
Closing balance 31 December 2021	0	(100)	(50)	(300)	-10	(460)
Net book values						
Brought forward at 1 January 2021	250	420	48	122		890
Carried forward at 31 December 2021	250	500	50	200	50	1,050

Vehicles include a minibus donated in 2022 for the transport of members to and from respite care. This vehicle is limited to those purposes until it cannot economically function. The estimated value of the minibus when it was donated was CU12,000 and has a net book value of CU10,000 at 31 December 2022.

Additions to intangible assets in 2022 were funded by a donation by a corporate donor for the purposes of developing a new website. This is shown as a separate fund in Note 1 to the financial statements.

Note 8 Inventory

	Medical supplies <i>CU000s</i>	Consumables <i>CU000s</i>	Total <i>CU000s</i>
As at 1 January 2022	40	10	50
Purchases	250	25	275
Donations	50	-	50
Utilised	(300)	(25)	(325)
As at 31 December 2022	40	10	50
As at 1 January 2021	75	15	90
Purchases	215	30	245
Donations	70	-	70
Utilised	(320)	(30)	(350)
Impairment		(5)	(5)
As at 31 December 2021	40	10	50

10,000 units of medication were supplied during the year. 8,000 units were used with 2,000 remaining. The remaining 2,000 units are approaching their expiry date and it is not certain they can be used. The policy for perishable inventory close to expiry is not to include it in inventory and to only record it on distribution.



Note 9 Other receivables

	31 December 2022 CU000s	31 December 2021 CU000s
Prepayments and accrued income	15	15
Operational debtors	17	5
	<u>32</u>	<u>20</u>

Note 10 Cash

	31 December 2022 CU000s	31 December 2021 CU000s
Cash in foreign bank accounts	-	25
Cash at bank	324	50
	<u>324</u>	<u>525</u>

Note 11 Other current liabilities

	31 December 2022 CU000s	31 December 2021 CU000s
Borrowings	-	25
Operational creditors	10	5
Receipt in advance	10	-
Accruals	75	80
	<u>95</u>	<u>110</u>

Note 12 Non-current liabilities

	31 December 2022 CU000s	31 December 2021 CU000s
Members shares at 1 January	50	30
New shares	5	15
Refunds	-	5
Members shares at 31 December	<u>55</u>	<u>55</u>

Members shares provide the holder of those shares with the ability to access respite care and educational services and the right to appoint members to the governance board. Members shares do not give holders any rights to the net assets of NPO A. The value of the share is refunded when the holder leaves the respite scheme.



Annex B

Supplementary statement of income, expenses and capital costs for [INSERT reference for or name by which the specified activities are known, for example, a grant or project name OR INSERT the NPO's name]		
For the year ending XX XX 202X		
	Note	Presentation Currency
Income		
Grants and donations		
Other income (<i>list out</i>)		
Total income		
Expenses		
Direct expenses		
Employment		
Travel and subsistence		
Supplies and materials		
Running costs, external services and other		
Gifts in-kind		
Grants payable		
Support costs		
Total expenses		
Foreign currency translation gains/losses		
Transfers		
Other financial movements		
Change in grant [<i>fund</i>] balance		
Opening balance		
Closing balance		
Capital Costs		
Total expenses before capital costs		
Less: depreciation or amortisation charged		
Add: capital costs incurred		
Total expenses and capital costs		
Opening balance including capital costs		
Closing balance including capital costs		