



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

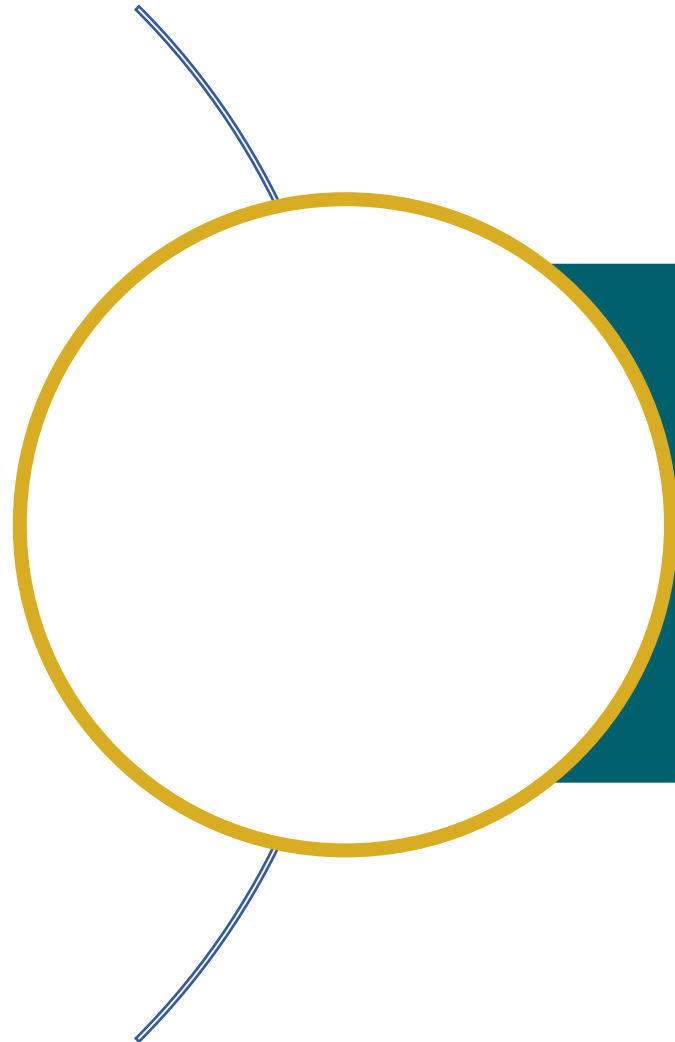
7 November 2023

TAGED15





Session outline



Illustrative financial statements



Agenda item 1 – Illustrative financial statements

1.1 Advice (Question 1)

- a) Need to elaborate on the example to explain that research and development are costs other than staff costs.
- b) Fundraising needs to be carefully defined so where a charity has a shop, these costs are disclosed separately to fundraising campaign costs.
- c) It is not clear whether the supplementary statement information is mandatory and care needs to be taken to ensure that supplementary statement information is not duplicated.



Agenda item 1 – Illustrative financial statements

1.1 Advice (Question 2)

- a) The requirement that an NPO needs to have records for a fund to exist may provide an unintended exemption from recording a fund.
- b) The definition of a fund is reasonable, although there may not be many assets and liabilities due from or to other funds. The definition is consistent with the approach in the US.
- c) The term self-balancing isn't clear. This includes where there is a balance on a fund.
- d) The proposed definition of a fund does not have a specific link to outcomes or activities. The definition rightly is likely to include contracts to provide services.



Agenda item 1 – Illustrative financial statements

1.1 Advice (Question 2)

- e) Public campaigns as currently drafted might not be considered to be part of funds with restrictions. Need a definition that it isn't dependent on an NPO choice.
- f) Useful to talk about funds in the context of an accumulated fund, rather than focus on assets and liabilities.
- g) It might be possible to leverage the description of restriction used in ED1, with the existence of a fund evidenced by certain characteristics, using a mix of principles and evidence.
- h) Be clear about how transfers between funds will appear particularly where there is a balance on the fund.
- i) A decision tree would be useful to show the steps to determine whether there is a fund with restrictions.



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1.2 Requests (Question 2)

- a) Need to cover in the basis for conclusion the risk that NPOs don't identify funds and include as a specific matter for comment.
- b) Include a flow chart to show the decision-making steps used to determine a fund with restrictions.

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1.1 Advice (Question 3)

- a) Clarity is required on what is meant by a public commitment, with a focus on the existence of an external communication of an intention and for this to be made before funds are raised.
- b) The use of the term obligation could be confusing alongside an EGA as well as constraint, and the distinctions need to be clear. Consider the terminology used.
- c) A commitment made in advance of a gift being made should be accounted for as a fund with restriction as this is a reasonable expectation of the donor. The existence of a reasonable expectation is key.
- d) Ensure that there is clarity on external public commitments, contingent liabilities and constructive obligations. Require that public commitments are disclosed separately.
- e) Consider if all revaluations reserves would be part of funds without restrictions, particularly if there are assets subject to revaluation that are part of fund with restrictions.
- f) A definition that references explicit requirement and circumstances that make clear implicit intention may be useful.



Agenda item 1 – Illustrative financial statements

1.1 Advice (Question 4)

- a) Be clear how materiality and practicality apply where there are a lot of funds, with a risk of too much detail or too much aggregation.
- b) The level of explanation in the case study might be difficult to follow. Consider what should be in INPAG and what should be in training materials, taking account of the cumulative impact of the implementation guidance. Some of the detail might be better in training materials.
- c) Consider what auditors think about the cumulative impact of the requirements from an assurance perspective and the implication for audit fees.
- d) There may be too much detail in the notes to the illustrative financial statements for the reader to understand.



Agenda item 1 – Illustrative financial statements

1.2 Requests (Question 4)

- a) A disclaimer needs to be added to the financial statements to confirm that they are for illustrative purposes only.

Acronyms

Acronym	Full name	Description
ED	Exposure Draft	A document published by the INPAG Secretariat to solicit public comment on proposed reporting guidance
IFRS	International Financial Reporting Standards	A set of accounting standards developed by the International Accounting Standards Board (IASB) for use by profit making private sector organisations internationally
INPAG	International Non-profit Accounting Guidance	High quality, trusted, internationally recognised financial reporting guidance for NPOs being developed as part of IFR4NPO.
NPO	Non-profit Organisation	For the purposes of INPAG, these are organisations that have the primary objective of providing a benefit to the public, direct surpluses for benefit of the public, and are not government or public sector entities.
SMC	Specific matter for comment	A question raised in a consultation document, including the Exposure Drafts on which specific feedback is sought