

## Grants and donations (common model)

**Q1. Do you agree with the terms enforceable grant arrangement and enforceable grant obligations and their definitions? Are there any practical or other considerations arising from these definitions?**

Yes – Agree <ul style="list-style-type: none"><li>• Simple and easy to understand.</li><li>• It is specific and states the conditions and terms .</li></ul>
Are there practical or other considerations arising on the conditions? <ul style="list-style-type: none"><li>• What if we have funds that are in between?</li><li>• OFA is too open and unrestricted-Where it's too open-it can lead to:<ul style="list-style-type: none"><li>- Internal control lapses</li><li>- Abuse</li><li>- Misreporting</li></ul></li></ul>
Terms could be simpler, but they do catch what is needed.
May be better understood if “enforceable” was replaced by “contractual”?
If an arrangement is not fully documented, is it enforceable?

**Q2. Do you agree that all grants and donations can be categorised as an enforceable grant arrangement or as an other funding arrangement? If not, provide examples of grants or donations would not fit in either of these classes? Do these categories raise any concerns for the application of the principles for principal and agent?**

Example of category that may not fall in between the 2 categories- Funds raised through online fundraising e.g when you have a humanitarian crisis and are doing online fundraising.
Contractual still means a contract? need to be more on specific conditions which need to be fulfilled for income recognition.
NPO funding can be placed on a spectrum based on enforceability - starting from donations made to the organization's general mission to very restricted funds with detailed outputs and budget. We also have items in between that would fall in between these two with purposes narrower than the organization's general mission. Individually they might not be enforceable, but if we do not spend them as per declared purpose, we could face reputational risks leading to going concern issues. So maybe there could be a third category in between that would address the above consideration.
The grants and donations can be categorized as enforceable grant obligations or as other funding agreement. The issue with the other funding agreement (OFA) lies in its broad scope, encompassing anything that is not an enforceable grant obligation (EGA). This raises concerns about potential internal control weaknesses.

Grants and donations often consist of multiple components, with some falling under enforceable grant obligations (EGA) and others under other funding agreements (OFA). Together, EGA and OFA encompass all types of grants and donations.

Is there another word we could use other than enforceable? Not necessarily 'contract', but something easier to understand than 'enforceable'?

Restricted maybe.....

Binding? Reacted to "Binding?" with 👍

Grants where beneficiaries hold expectations or rights, and grants where beneficiaries lack expectations or rights.

We may also need to consider the perspective of financial statement users. Users are likely to be interested in understanding the proportion of total NPO revenues that are entirely at the discretion of the NPO to utilise (for internal system enhancements, etc.), as well as the amount designated for specific programmatic purposes. From this viewpoint, it might be beneficial to further dissect the OFA category.

The OFA category is overly broad, necessitating potential further subcategorisation.

Some grants and donations can be classified as enforceable grant arrangements or other funding arrangements, but there are cases where certain grants or donations may not fit neatly into these categories. For instance, Unrestricted Donations (Some donations are made without any specific conditions).

**Q3 Enforceable grant arrangements are required to be enforceable through legal or equivalent means. Do you agree that regulatory oversight and customary practices can be sufficient to create an enforceable grant arrangement? What weight should be applied to these mechanisms?**

Regulatory oversight differs across countries, leading to varying approaches by donors and recipients in their treatment of grants.

Can donors require recipients to treat grants as EGA or OFA, whatever the actual situation? What if multiple donors have different views?

There's a concern regarding EGA being solely legally enforceable. In my opinion, not considering performance conditions would be inaccurate. Additionally, it seems incorrect to rely on third-party information for recognising grant expenses. It should be under the complete control of the grant funder for proper auditing.

## Grant expenses

**Q1 Do you agree that the full amount of the grant (including where it covers multiple years) should be recognised as an expense if the grant-provider has no realistic means to avoid the expense? If not, under what circumstances should a grant-provider not recognise the full expense and what is the rationale?**

No - especially where there are multi-year grants.  
Expenses need to be assessed or considered under the following circumstances:

- Initial agreement obligations or deliverables
- Complete validation of the expense
- During audits

Donors may not be happy with this provision.

Donors and recipients may end up accounting for grants differently.  
Should donors only report up to the maximum amount budgeted by the recipient?

How do you treat the excess of a grant-where you spend less than what was contracted/in the agreement -does it attract tax?

**Q2 Do you agree that administrative tasks in an enforceable grant arrangement are generally not an enforceable grant obligation but a means to identify or report on resources. If not, why not?**

Yes, because administrative tasks, such as reporting or record-keeping, are typically considered ancillary to the primary purpose of a grant which is to fund specific programs or activities.

Yes, but with specific details outlining what is meant by an administrative expense.

Donors may have expectations regarding the allocation of their funds, sometimes specifying a certain percentage to cover administrative tasks.

EU-funded projects often expect administrative costs such as project management, reporting, monitoring, and financial management to be accounted for and allocated appropriately within the grant reporting.

Separating administrative tasks from programmatic activities simplifies auditing and compliance processes by clearly delineating which expenses are directly related to the grant's objectives and which are administrative in nature.

**Q3 Do the proposals for disclosure of grant expenses, which include a sensitive information exemption, provide an appropriate level of transparency? If not, what would you propose and what is the rationale for your proposal?**

Yes, but it's crucial to ensure that the level of disclosure is appropriate and not overly detailed, allowing for consolidation where possible. There's a risk of inundating the accounts with excessive information, which may not always be relevant in the statutory accounts.

Happy to see the clause about sensitive information.  
However:

- "Sensitive" is very judgmental.
- All opt-out clauses are open to abuse.

This needs a good auditor.