



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

12 December 2023

TAGED16





Session outline

- ED2 Fund accounting
- Classification of expenses
- Fundraising costs
- Supplementary information
- Equity
- Other ED3 topics

Agenda item 1 – Fund accounting

1.1 Advice

- a) The requirement that a fund is set up to track resources duplicates the other requirements and is not necessary. Criteria a and c could be combined.
- b) NPOs might choose not to track funds separately. This could be mitigated by the requirement that a fund exists where stakeholders have a reasonable expectation that expenditure is separately tracked.
- c) It would be useful to explain in the basis for conclusions why the approach being proposed has been chosen rather than an alternative, such as segments.
- d) It is not clear what independently maintained means for a fund to exist.
- e) References to activities should be to a set of activities rather than part of the organisation's activities.

Agenda item 1 – Fund accounting

1.1 Advice

- f) Fund balances should be used rather than assets and liabilities in the criteria for a fund as INPAG does not require a split of assets and liabilities in the Statement of Financial Position.
- g) The criteria that refers to terms agreed between the donor and the NPO are not clear and could be circular. It is not clear how a public commitment differs from a private commitment as the obligation is the same and whether it is the intention to capture private commitments in criteria c). As currently drafted the third criteria appears to be covered in the first criteria and any duplication should be removed.
- h) The language used in criteria b) might be useful in criteria c) with regard to the valid expectation of the use of resources.
- i) The 'other means' in relation to the enforceability of the arrangement should be more specific as it could be interpreted in different ways. IPSAS refers to 'equivalent means'.



Agenda item 1 – Fund accounting

1.1 Advice

- j) Clarity is required as to whether the limitation arises from access to the funds or use of the funds. The use of the word 'restricted' in creating the definition of funds with restrictions could be problematic.
- k) The definition of funds with restrictions in Section 2 should be the same as Section 36. Reconsider once the definition has been finalised in Section 36.
- l) The decision tree is useful but make clear which boxes are part of step 1 and which are part of step 2. It is not currently clear which step needs to be carried out first.
- m) It would be useful to explain why it is useful to identify separate funds to set the context.
- n) It is possible that an EGA is shown as without restrictions using the approach proposed.

Agenda item 1 – Fund accounting

1.2 Requests

- a) Include a specific matter for comment that addresses how tightly to define a fund and whether assets and liabilities should be used to determine if a fund exists.

Agenda item 2 – Classification of expenses

2.1 Advice

- a) Disclosures about budget execution might be useful and could be required. There is a mandatory requirement to publish budget information in IPSAS if a budget is published. Budget performance can be a challenge if the budget is prepared on a cash basis rather than accruals.
- b) Budget performance should be picked up in the narrative report.

Agenda item 2 – Classification of expenses

2.2 Requests

- a) Include a specific matter for comment about whether performance against budget should be shown where a budget is published or accountability is required to members.
- b) Include a specific matter for comment on the scope of losses, write-offs and special payments.

Agenda item 3 – Fundraising costs

3.1 Advice

- a) The proposed definition of fundraising costs is broader than that used in Australia, noting that there are differences within Australia due to regulatory reasons. Good to expose the different categories.
- b) The scope now appears to be for all forms of income generation rather than just fundraising costs. There is a fine line between income generation and fundraising.
- c) Fundraising costs should be limited to costs incurred to secure donations, gifts and grants. Some might not understand investment management and commercial activities as part of fundraising costs.
- d) The proposals make sense as some NPOs rely on their investments or commercial activities to raise funds to support their missions.

Agenda item 3 – Fundraising costs

3.1 Advice

- e) There is inconsistent use of 'materiality' across the sections. As it is covered as a concept in Section 2 additional references are not necessary.
- f) A pragmatic exemption for certain fundraising costs rather than referring to materiality.

Agenda item 3 – Fundraising costs

3.2 Requests

- a) Raise the discussion on the scope of fundraising costs in the basis for conclusions.
- b) Include a specific matter for comment about the scope of fundraising costs that must be disclosed.

Agenda item 4 – Supplementary information

4.1 Advice

- a) The title of the supplementary guidance should not include the word 'recommended'.
- b) Audit views on the marking of the supplementary statements in terms of audit status would be useful.
- c) Clarify where the cost of volunteer time should appear in the supplementary statement.

Agenda item 5 – Equity

5.1 Advice

- a) The proposals provide balance and don't overemphasise equity or net assets.
- b) Equity may still have too much profile as many NPOs do not have equity. As equity is proposed to be a subset of net assets it could be renamed to equity claims (with equity claim holders or claimants). This change of term would remove potential confusion over the term equity and how it co-exists with net assets.
- c) The element should be net assets with equity a subset. This would resolve confusion about how net assets should be considered. A chart might assist the explanation of these elements in the application guidance.

Agenda item 5 – Equity

5.2 Requests

- a) The basis for conclusions should make clear that it takes on constituents comments from ED1.

Agenda item 6 – Other ED3 topics

6.1 Advice

- a) The new example for fair value is an improvement, but it would be useful to explain why the cost of cheaper space is being used.
- b) In the basis for conclusions explain why business combinations has been included to avoid misunderstandings.
- c) Feedback is needed on whether NPOs carry out activities in relation to mineral resources.



Agenda item 6 – Other ED3 topics

6.2 Requests

- a) Raise an SMC about whether the section on specialised activities is needed by NPOs.

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 |