

Practitioner Advisory Group

AGENDA ITEM: PAGED12-02

8 February 2024 – Online

Supplementary Statements

Summary	The paper provides an overview of developments relating to the Supplementary Statements and the proposed 'INPAG – Supplementary Statement Guide' that will be included as part of Exposure Draft 3.
Purpose/Objective of the paper	<p>The objective of each individual Supplementary Statement is to present key auditable financial information about a specific project or grant (or projects/grants) in a way that could be useful to the grantor for accountability purposes. Since last brought to the PAG, the Supplementary Statement guidance has been finalised and it has been agreed that it will sit outside of INPAG. It will be a recommended practice guide called – 'INPAG – Supplementary Statement Guide'.</p> <p>Where an NPO prepares one or more Supplementary Statements using this Guide, a new section in INPAG – Section 37 <i>Supplementary Information</i> – will require an NPO to disclose defined information in its general purpose financial statements. These disclosures are intended to provide the (audited) bridge between the information in the general purpose financial statements and the Supplementary Statement(s).</p>
Other supporting items	N/A
Prepared by	Philip Trotter
Actions for this meeting	<p>Comment on:</p> <ul style="list-style-type: none">(i) the positioning of the INPAG – Supplementary Statement Guide outside of main INPAG(ii) the relationship with INPAG and the requirements of Section 37 Supplementary Information and Section 234 Part II <i>Classification of Expenses</i>; and(iii) the draft INPAG – Supplementary Statement Guide that is due to be exposed for public comment as part of Exposure Draft 3.

Practitioner Advisory Group

Supplementary Statements

1. Introduction

- 1.1 This paper provides:
- an overview of the developments on Supplementary Statements since it was last discussed with the PAG;
 - the proposed positioning of the Supplementary Statement guidance in relation to the main INPAG;
 - the proposed INPAG – Supplementary Statement Guide that will be exposed for public comment as part of Exposure Draft 3; and
 - seeks any final PAG views on the INPAG – Supplementary Statement Guide prior to it being exposed for public comment.

2. Developments on the Supplementary Statements

- 2.1 The PAG were provided with an initial update on progress to producing a standard format for an optional Supplementary Statement that can meet the needs of providers of grant funding in March 2023. The objective of the Supplementary Statement being to present key auditable financial information about a specific project or grant (or projects/grants) in a way that could be useful to the grantor for accountability purposes.
- 2.2 At that meeting, it was noted that a Supplementary Statement Working Group (SSWG) had been set up to develop proposals, and that this had developed draft Supplementary Statement Guidance and formats.
- 2.3 Following the meeting, additional work was undertaken by the SSWG to refine the proposals incorporating feedback from the DRG, and the TAG as well as the PAG. The Secretariat also developed a number of options and held discussions with auditor members of the PAG to understand the potential audit and assurance challenges that may arise.
- 2.4 The options ranged from a mandatory INPAG requirement to present an additional primary financial statement in a defined format covering all of an NPO's transactions to external guidance outside of INPAG that NPOs can opt to use. The latter option would enable NPOs to present one or more Supplementary Statements for individual programmes and grants.
- 2.5 Auditor feedback highlighted a number of considerations to incorporating Supplementary Statement(s) into the general purpose financial reports and any associated audit report. These included the level of assurance that would be required and who could place reliance on the audit report given that the focus

of Supplementary Statement(s) is likely to be on a particular set of users. While it was noted that all options presented would be possible, those options where Supplementary Statements did not form part of the general purpose financial reports had greater support. They noted that this would have least impact on existing audit approaches and could support donors in gaining assurance where audit was not currently mandatory in a jurisdiction.

- 2.6 Based on these discussions, it was agreed with the TAG that the Supplementary Statement guidance would sit outside of INPAG as the equivalent of a recommended practice guide and be called – ‘INPAG – Supplementary Statement Guide’. This reflected the view that INPAG is being created for general purpose reporting purposes and that mandatory options within INPAG could place increased burdens on some NPOs without any benefit. The current draft is in Appendix A.

Question 1: Do PAG members have any comments on the INPAG – Supplementary Statement Guide sitting outside of main INPAG?

3. Relationship with INPAG and the classification of expenses

- 3.1 Where an NPO prepares one or more supplementary statements using the INPAG – Supplementary Statements Guide, Section 37 *Supplementary information* of INPAG (see Appendix B) will require an NPO to disclose additional information in its general purpose financial statements if not presented elsewhere in those financial statements. This is to enable the disclosure of all of the information that would allow a whole of NPO expense analysis using the Supplementary Statement expenses classification to be prepared. If an NPO does not need to, or chooses not to produce supplementary statements using the Guide it will not have to make the disclosures in Section 37.
- 3.2 These additional disclosures are intended to provide the (audited) bridge between the information in the financial statements at a whole of NPO level and the Supplementary Statement(s), using the same recognition and measurement principles and the Supplementary Statement expenses classifications.
- 3.3 While not a mandatory requirement, NPOs are recommended to present a whole of NPO Supplementary Statement incorporating information already presented elsewhere in the financial statements using the prescribed format included in the INPAG – Supplementary Statement Guide. This is to enable users to better see the relationship between the general purpose financial report for an NPO and any supplementary statements.
- 3.4 The current draft of Section 24 *Part II Classification of Expenses* permits an NPO to provide an analysis of expenses using a classification based on either the nature of expenses, the function of expenses within the NPO, or a mixed

presentation (that is partly natural expenses and partly functional expenses). Based on discussion with the TAG about the need for simplicity there is a rebuttable presumption (ie a default assumption) within this section that a natural expense analysis will provide information that is more reliable and relevant to the users of the financial statements. This means that NPOs are required to produce financial statements using a natural classification of expenses (by type) unless to do so would result in information that is not reliable or relevant.

- 3.5 For those NPOs that prepare Supplementary Statements it is envisaged that over time the natural expense classifications included in the Supplementary Statement Guide are likely to be chosen for the main financial statement expense analysis. This will ensure consistency and comparability of information for users and reduce burdens on preparers.

Question 2: Do PAG members have any comments on:

- (i) the requirements of Section 37 *Supplementary information* that there are additional disclosures to provide the (audited) bridge between the information in the financial statements and the Supplementary Statement(s)?**
- (ii) the relationship between the expense classification in the Supplementary Statements and the requirements of Section 24 Part II *Classification of expenses*?**
- (iii) practical issues in implementing the proposals?**

4. INPAG – Supplementary Statement Guide

- 4.1 Since the draft guidance was last brought to the PAG there have been a number of changes made. The most significant from a conceptual basis has been amendment in relation to capital and inventory costs.
- 4.2 Capital costs have a special treatment to reflect how donors would want to see information presented. This special treatment means that where the income included in the Supplementary Statement has been received to purchase or acquire capital items, an NPO shall disclose the capital costs incurred in the acquisition in an optional section within the Supplementary Statement. Where this does occur, any depreciation or amortisation charges related to the capital item(s) included within expenses in the Supplementary Statement is then deducted from expenses to arrive at a total expenses and capital costs figure in order to remove the potential for including both acquisition costs and the depreciation.
- 4.3 Amendment to the guidance has been made to ensure that where capital costs are included, cumulative expenses on depreciation and amortisation and expenditure on capital assets from prior years is reflected in opening balances where these include capital costs.

- 4.4 For inventory costs it was agreed that a similar overall treatment as capital costs would be required to meet donor information requirements and to ensure that expenses are recognised consistently with INPAG. This is because while INPAG requires that an inventory expense is normally recognised when inventories are sold, distributed or used, the Supplementary Statement guidance previously required that where funding had been provided to purchase inventory, an inventory expense would be recognised at the point of purchase of supplies and material required for activities rather than on use or distribution.
- 4.5 Direct expenses in the Supplementary Statement Guide have been amended so that they show procured supplies and materials required for activities that have been used, distributed or written-down in the reporting period. Inventory costs have been added as an optional section alongside capital costs. Inventory costs show costs incurred in the acquisition of supplies and materials. Any expenses as a result of inventory being used, distributed or written-down included within expenses in the Supplementary Statement are then deducted from expenses to arrive at a total expenses and inventory and capital costs figure.
- 4.6 As with capital costs where inventory costs are shown, the opening balance including inventory and capital costs will include adjustments for cumulative use, distribution or write-downs and inventory costs in prior years.
- 4.7 In addition to this conceptual change, the guidance has also been updated to ensure that it has a consistent look and approach to the main INPAG.

Question 3: Do PAG members have any comments on the INPAG – Supplementary Statement Guide prior to it being exposed for public comment?

February 2024

Appendix A – Draft Supplementary Statement Guide

Supplementary Statements of income, expenses, inventory and capital costs

Scope

- SS.1 Donors to an NPO may require financial information in addition to that which is included the general purpose financial statements in order to gain confirmation as to how those resources have been used by an NPO. The objective of the Supplementary Statements of Income, Expenses, Inventory and Capital Costs (Supplementary Statements) is to present key auditable financial information about a set of the NPO's activities that is useful to donors, as well as other users of the financial statements.
- SS.2 This guidance applies where NPOs choose to prepare one or more Supplementary Statements in relation to one or more sets of its activities. The activities to which a Supplementary Statement relates is a **specified activity** or set of **specified activities**. The specified activities covered by a Supplementary Statement may relate to a specific activity, grant, project, programme, an aggregation of these, or to all of the NPO's activities.
- SS.3 An NPO shall determine, by reference to the specified activities, which transactions to include in the Supplementary Statement. All material transactions incurred in connection with the specified activities shall be included in the Supplementary Statement. All information contained in the Supplementary Statement and the accompanying notes must be verifiable to an NPO's general purpose financial statements and/or underlying accounting records.
- SS.4 Where an NPO prepares one or more Supplementary Statements, it must also follow all relevant requirements of INPAG Section 37 *Supplementary Information* applicable to the Supplementary Statements.

Format of the Supplementary Statement and information that shall be presented within it

- SS.5 Any Supplementary Statement prepared by an NPO shall be presented in accordance with the following format, subject to the additional information that NPOs are permitted to present in accordance with SS.23. This format cannot be varied, but where an NPO has no material transactions against any line item, this may be omitted from the Supplementary Statement.

	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		
Services in-kind and 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		
Inventory and Capital Costs		
Total expenses before inventory and capital costs		
Less: inventory expenses		
Less: depreciation or amortisation charged		
Add: inventory costs incurred		
Add: capital costs incurred		
Expenses, inventory and capital costs		
Opening balance including inventory and capital costs		
Closing balance including inventory and capital costs		

SS.6 The Supplementary Statement shall state the name of the reporting NPO, and the specified activity or activities included within the Supplementary Statement in the title to the statement. An NPO may also disclose the names of the grant providers although this is not a mandatory requirement. If the Supplementary Statement includes all the NPO's transactions for the period, the NPO must disclose this in the title of the Supplementary Statement, by stating that the Supplementary Statement is for the reporting NPO as a whole.

- SS.7 The Supplementary Statement shall indicate the date of the end of the reporting period and the period covered by the Supplementary Statement, which shall be the same as the general purpose financial statements.
- SS.8 The Supplementary Statement shall also indicate the presentation currency, which shall be the same presentation currency as the general purpose financial statements. It shall also set out the level of rounding, if any, used in presenting the amounts in the Supplementary Statement.
- SS.9 Where income and expenses with and without restrictions are both included in the Supplementary Statement, they shall be presented in separate columns.

Income

- SS.10 Revenue for a specified activity, shall be recognised consistently with the requirements of INPAG. Each material grant or donation for a specified activity shall be included separately. Where there are other income sources related to the specified activities, such as interest receivable, these shall be identified separately from grant and donation income.

Expenses

- SS.11 Expenses related to a specified activity, shall be recognised consistently with the requirements of INPAG, and classified in accordance with SS.12. Those expenses funded from funds with restrictions shall be shown separately from those funded from funds without restrictions.
- SS.12 Expenses within the Supplementary Statement shall be classified as:

Direct expenses

- (a) **Employment** - Staff salaries including income taxes; social security or national insurance contributions; staff-related statutory or contractual costs; additional remuneration paid to staff as part of the organisation's standard staff contract; statutory termination payments; staff housing costs; temporary staff costs; any costs associated with benefits provided to volunteers.
- (b) **Travel and subsistence** - Travel costs, including car rental, fuel, vehicle running costs, depreciation of vehicles, required flights and public transport; accommodation, subsistence or per diems for travelling staff; visas and other travel permits where required.
- (c) **Supplies and materials** - Procured supplies and materials required for activities that have been used, distributed or written-down in the reporting period; non-staff costs of procurement and distribution including fuel, transport and haulage.
- (d) **Running costs, external services and other** - Rent, utilities, mobile and online communications and IT, office supplies, expensed equipment associated with direct activities; bank fees directly related to direct activities; costs of services including consultants, staff training costs, project audit fees, legal advice specifically in connection with the direct activities and other required specialists; depreciation of equipment used for the direct activities; any other direct running costs including the distribution costs associated with individual grant-making.
- (e) **Services in-kind and gifts-in-kind** - A service such as consulting or a physical item such as equipment or inventory provided as a donation for use in the direct activities that has been used distributed or written down.

- (f) **Grants** - Amounts transferred to other organisations or to individuals to undertake activities or to cover certain costs.

Support costs

- (g) **Support costs** - Costs which are necessary to administer and manage the NPO as a whole. Support costs relate to all the activities of the NPO, and are therefore shared across all the activities. Support costs may be included as a separate expenses heading or included in the direct expenses headings on a line by line basis.

Foreign currency translation gains or losses

- SS.13 Any element of foreign currency translation gains or losses or other financial movements which have been funded by the income within the scope of the specified activities in the Supplementary Statement.

Transfers between funds

- SS.14 Any transfers between funds that related to a specified activity must also be reflected in the Statement of Changes in Net Assets and the Movement in Funds note. Where an NPO makes a transfer between the funds relating to a specified activity and another fund, it shall disclose the transfer on the face of the Supplementary Statement.

Other financial movements

- SS.15 Other financial movements which have been included in the Statement of Changes in Net Assets within the general purpose financial statements and allocated by the NPO to a specified activity.

Opening and closing balances

- SS.16 The opening and closing balances of the funds related to a specified activity. This must be cross-referenced and reconciled to the Movement in Funds note in the general purpose financial statements. An attestation must be provided confirming that the information in the Supplementary Statement reconciles to the note.

Inventory costs

- SS.17 Where the income included in the Supplementary Statement been received to purchase or acquire inventory, an NPO may disclose the inventory costs incurred in the acquisition of supplies and materials in an optional section within the Supplementary Statement. In such cases, any charge to expenses as a result of inventory being used, distributed or written-down that has been included within expenses in the Supplementary Statement needs to be identified. Where this option is used, this charge shall be deducted from expenses to arrive at the expenses, inventory and capital costs figure. This part of the statement related to inventory costs does not need to be completed where an NPO has no inventory items and is not required (but permitted) if the amounts are immaterial.
- SS.18 Where inventory costs are shown, the opening balance including inventory and capital costs shall include adjustments for cumulative use, distribution or write-downs and inventory costs in prior years.

Capital costs

- SS.19 Where the income included in the Supplementary Statement has been received to purchase or acquire capital items, an NPO may disclose the capital costs incurred in their acquisition in an optional section within the Supplementary Statement. In such cases, any depreciation or amortisation charges related to the capital item(s) included within expenses in the Supplementary Statement shall be deducted from expenses to arrive at the expenses, inventory and capital costs figure. This part of the statement does not need to be completed where an NPO has no capital items and is not required (but permitted) if the amounts are immaterial.
- SS.20 Where capital costs are shown, the opening balance including capital costs will include adjustments for cumulative depreciation or amortisation charges and capital costs in prior years.

Notes to the Supplementary Statement

- SS.21 An NPO shall include the following notes to the Supplementary Statement.
- (a) **Purpose and scope of the Supplementary statement** - The note shall explain the purpose of the Supplementary Statement and a description of the specified activities. Cross-references to information in the general purpose financial statements including notes to the financial statements must be provided. The note shall provide an explanation for any differences in opening and closing balances.
 - (b) **Basis of preparation** - The note shall confirm that the Supplementary Statement has been prepared on the same basis and using the same accounting policies as the general purpose financial statements and the relevant accounting policies to the statement. It shall explain if the Supplementary Statement has departed in any material respect from the basis and policies used to prepare the general purpose financial statements. The NPO shall provide an explanation of the departure(s) and the reason for the departure(s) in the note. Where amounts included in an Supplementary Statement are affected by a change in accounting policy, a change in estimate, or a prior period error, this shall be disclosed along with the impact of the change or error.
- SS.22 An NPO shall also include the following notes to the Supplementary Statement where relevant or necessary for the user's understanding of the information presented in the Supplementary Statement. The Supplementary Statement shall include a reference number to the note on the relevant line.
- (a) **Presentation of the Supplementary Statement** - If an NPO presents additional information in the Supplementary Statement, as permitted by SS.22 it shall explain the presentation in a note to the Statement, and provide the information necessary for the user to understand the presentation and layout of the Statement.
 - (b) **Income** - If income includes amounts other than the grant or donation income related to the specified activities in the Supplementary Statement, it shall provide an explanation of the income included and provide a cross reference to the general purpose financial statements. Where an NPO uses a different classification of income in the Supplementary Statement to the general purpose financial statements it shall explain, where each line of income within the Supplementary Statement is included in the Statement of Income and Expenses and income notes.

- (c) **Expenses** - An NPO may include a further analysis of the expenses included in the Supplementary Statement including the expense amounts related to the specified activities on a different recognition basis from that used in the general purpose financial statements. Where an NPO does so it must explain the alternative basis and the differences from the expenses as shown in the Supplementary Statement.
- (d) **Support costs** - Where an NPO includes an amount for support costs within the relevant line on the Supplementary Statement, it shall explain the basis of the support cost charges, indicate where these costs are included in the general purpose financial statements with a reconciliation if different to the disclosure required in Section 24 Part II *Classification of expenses*, and the basis of apportionment to the specified activities. Where an NPO allocates a portion of support costs to any of the expenses lines within "Direct expenses", it shall disclose these amounts and explain the basis of allocation to the expense line headings. This may include the difference between the support costs supplied by a grant or donation, its support cost rate based on its actual expenses, and the basis of the support cost rate calculation.
- (e) **Foreign currency translation gains and losses** - If an amount is included in the Supplementary Statement for foreign currency translation gains or losses, an NPO shall explain the basis upon which such gains or losses have been calculated, including the extent to which they are unrealised. The NPO shall also explain the foreign currency translation rates used to arrive at the amounts shown. The source of funding for additional costs in connection with specified activities that have arisen because of foreign currency translation gains and losses must be disclosed, accompanied by an explanation. Any differences to the amounts disclosed in accordance with INPAG must also be explained. An NPO may also calculate and disclose the amount of the income, expenses or grant or fund balance had different foreign currency translation rates been used. Where it does so, it shall explain the basis of the alternative rates.
- (f) **Transfers** - Where an amount is included as a transfer in the Supplementary Statement, the NPO shall explain the transfer in a note, including its basis and the fund to or from which the amounts have been transferred. Support costs funded by the income shown in the Supplementary Statement can be shown in this line as a transfer to funds without restrictions.
- (g) **Other financial movements** - If an amount is included within the Supplementary Statement for other financial changes the NPO shall provide an explanation for the amount, including the basis of its calculation in relation to the specified activities.
- (h) **Inventory costs** - Where an NPO has included amounts in the inventory costs section of the Supplementary Statement in accordance with SS.17, it shall provide an explanation of those amounts including details of the inventory acquired, gross value, expenses related to any use, distribution or write-down, and whether these expenses have been included in the Supplementary Statement.
- (i) **Capital costs** - Where an NPO has included amounts in the capital costs section of the Supplementary Statement in accordance with SS.19, it shall provide an explanation of those amounts including details of the asset(s) acquired, their gross value, any depreciation or amortisation applicable to the asset, and whether such depreciation or amortisation has been included in the Supplementary Statement.

- (j) **Reconciliation to cash income/cash expenditure/cash income and expenditure** - An NPO may present a reconciliation of the income amounts within the Supplementary Statement to the cash amounts received in the period in relation to the specified activities. It may also present a reconciliation of the expense amounts within the Supplementary Statement to the cash amounts expended in the period in relation to the specified activities. If the NPO presents both reconciliations to cash amounts, it may also present a grant or fund cash balance at the end of the reporting period.
- (k) **Reconciliation to the general purpose financial statements** - Where an NPO presents a Supplementary Statement for all of the NPO's activities in the reporting period, it shall provide a reconciliation from the Supplementary Statement to the general purpose financial statements for total income, expenses, and the movement in funds.

Presentation of additional information in the Supplementary Statement

SS.23 In addition to the information that an NPO shall present in accordance with the prescribed Supplementary Statement format in SS.5, an NPO may also choose to present further information in separate columns.

- (a) **Currency in which the income was provided to the NPO** - an NPO may present the amounts, line by line, in the currency in which the income was provided to the NPO. Where this information is presented an NPO shall explain the basis of the presentation of the foreign currency amounts, including the foreign currency translation rates used.
- (b) **The budget amounts associated with the Specified Activities** - an NPO may present the budgeted amounts, line by line, associated with the specified activities. An NPO shall only such amounts where they are capable of verification to the underlying accounting records of the NPO.
- (c) **The prior period amounts relating to the Specified Activities** - where an NPO presents prior period amounts, each prior period included shall be shown in a separate column, clearly identifying the relevant period. A column showing the line totals over all the periods included may also be added. Where this information is included an NPO shall confirm whether prior period amounts agree to the prior period financial statements, and if not, it shall explain the differences.
- (d) **Amounts for each line split into two time periods which together make up the reporting period of the general purpose financial statements** - where an NPO presents this information it shall clearly identify the time periods included in each column, and include a column containing the total by line heading for the reporting period.
- (e) **Separate columns for each grant and donation** - Where more than one grant or donation is included in the Supplementary Statement, the NPO may include each grant or donation, with the related expenses, as a separate column within the Supplementary Statement. If the NPO does so, it may identify each grant or donation separately and may include a column containing the totals of the income and expenses presented for each grant or donation. If the NPO does not include a separate column for each grant or donation included in such a Supplementary Statement, it may include more than one grant or donation in a column, for example, grouping grants or donations in accordance with a specific theme or strand of activities, or grouping immaterial grants and donations together.

Identification and inclusion of the Supplementary Statement in the general purpose financial reports

- SS.24 An NPO may include any Supplementary Statement(s) that it has prepared after the final note to the general purpose financial statements as an annex to the financial statements. The Supplementary Statement(s) shall be clearly separated from the primary financial statements and accompanying notes. Any notes to a Supplementary Statement shall follow immediately after the Supplementary Statement to which they relate.
- SS.25 If a Supplementary Statement and accompanying notes are audited, this shall be noted in the audit report. Where a Supplementary Statement is unaudited, this should be clearly marked on both the Supplementary Statement and in the audit report.

Presentation formats - Annex A

The format of the Supplementary Statement is prescribed in accordance with SS.5 but an NPO is permitted to present further information in separate columns in accordance with SS.22.

Standard prescribed presentation

Supplementary Statement of income, expenses, inventory 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		
Inventory and Capital Costs		
Total expenses before inventory and capital costs		
Less: inventory expenses		
Less: depreciation or amortisation charged		
Add: inventory costs incurred		
Add: capital costs incurred		
Expenses, inventory and capital costs		
Opening balance including inventory and capital costs		
Closing balance including inventory and capital costs		

Donor currency presentation

Supplementary Statement of income, expenses, inventory and capital costs for [<i>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</i>]			
For the year ending XX XX 202X			
		Restricted grant	Restricted grant
		Current year	Current year
	Note	Presentation Currency	Donor 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			
Inventory and Capital Costs			
Total expenses before inventory and capital costs			
Less: inventory expenses			
Less: depreciation or amortisation charged			
Add: inventory costs incurred			
Add: capital costs incurred			
Expenses, inventory and capital costs			
Opening balance including inventory and capital costs			
Closing balance including inventory and capital costs			

Against agreed budget presentation

Supplementary Statement of income, expenses, inventory and capital costs for [<i>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</i>] For the year ending XX XX 202X			
		Restricted grant	Agreed grant budget
		Current year	Current year
	Note	Presentation Currency	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			
Inventory and Capital Costs			
Total expenses before inventory and capital costs			
Less: inventory expenses			
Less: depreciation or amortisation charged			
Add: inventory costs incurred			
Add: capital costs incurred			
Expenses, inventory and capital costs			
Opening balance including inventory and capital costs			
Closing balance including inventory and capital costs			

Multi-year presentation

Supplementary Statement of income, expenses, inventory 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				
		Restricted grant	Restricted grant	Restricted grant
		Prior year	Current year	Total to date
	Note	Presentation Currency	Presentation Currency	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				
Inventory and Capital Costs				
Total expenses before inventory and capital costs				
Less: inventory expenses				
Less: depreciation or amortisation charged				
Add: inventory costs incurred				
Add: capital costs incurred				
Expenses, inventory and capital costs				
Opening balance including inventory and capital costs				
Closing balance including inventory and capital costs				

Split reporting period presentation

Supplementary Statement of income, expenses, inventory 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				
		Restricted grant	Restricted grant	Restricted grant
		Period 1 to [Donor reporting date]	Period 2	Total current year
	Note	Presentation Currency	Presentation Currency	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				
Inventory and Capital Costs				
Total expenses before inventory and capital costs				
Less: inventory expenses				
Less: depreciation or amortisation charged				
Add: inventory costs incurred				
Add: capital costs incurred				
Expenses, inventory and capital costs				
Opening balance including inventory and capital costs				
Closing balance including inventory and capital costs				

Multiple grants presentation

Supplementary Statement of income, expenses, , inventory 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				
		Restricted grant 1	Restricted grant 2	Restricted grants
		Current year	Current year	Total
	Note	Presentation Currency	Presentation Currency	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				
Inventory and Capital Costs				
Total expenses before inventory and capital costs				
Less: inventory expenses				
Less: depreciation or amortisation charged				
Add: inventory costs incurred				
Add: capital costs incurred				
Expenses, inventory and capital costs				
Opening balance including inventory and capital costs				
Closing balance including inventory and capital costs				

Funds without restrictions presentation

Supplementary Statement of income, expenses, inventory and capital costs for [<i>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</i>] For the year ending XX XX 202X						
		Funds without restrictions	Restricted grant 1	Restricted grant 2	Restricted grants	Total programme or organisation
		Current year	Current year	Current year	Total	Total
	Note	Presentation Currency	Presentation Currency	Presentation Currency	Presentation Currency	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						
Inventory and Capital Costs						
Total expenses before inventory and capital costs						
Less: inventory expenses						
Less: depreciation or amortisation charged						
Add: inventory costs incurred						
Add: capital costs incurred						
Expenses, inventory and capital costs						
Opening balance including inventory and capital costs						
Closing balance including inventory and capital costs						

Optional cash reconciliation presentation - Annex B

An optional cash reconciliation note can be used to (a) reconcile income in the Supplementary Statement to cash income (b) expenses and capital costs in the Supplementary Statement to cash expenditure or (c) reconcile both income and expenses and capital costs in the Supplementary Statement to cash and generate a grant cash balance. It can therefore be used as a cash drawdown report to the donor or to allow the donor to reconcile funds sent as per their records to income received by the NPO.

	Note	Restricted grant
		Current year
		Presentation currency (insert)
Income reconciliation to grant cash received		
Grant income		
Add: grant income accrued in prior year received in current year		
Less: grant income accrued in current year but not yet received		
Less: grant cash income received in prior year and deferred to current year		
Add: grant cash income received in current year but deferred		
Less: in mind (non-cash) income included in grant income		
Grant income: cash received in year		

Expenditure reconciliation to grant cash spent		
Total expenses and capital costs recognised		
Cash flows not included within total expenses:		
Add: cash outflows not included within total expenses and capital costs		
Less: cash inflows not included in total expenses and capital costs		
Non-cash expenses and capital costs:		
Less: non-cash expenses, inventory and capital costs included within total expenses		
Grant expenses: cash expended in the year		



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

Opening grant cash balance		
Net grant cash inflow/outflow		
Cash transfers		
Closing grant cash balance		
<i>Other cash items associated with the grant</i>		
Other opening cash balances		
Add: other cash income reported within the SS		
Cash foreign exchange gains/losses allocated to the grant		
Other closing cash balances		
Closing grant cash balance including other income and foreign exchange		

Appendix B – Draft INPAG Section 37 *Supplementary Information*

Section 37 Supplementary information

Scope of this Section

- G37.1 Section 37 specifies the supplementary information that shall be disclosed by NPOs that produce one or more Supplementary Statements in accordance with INPAG – Supplementary Statement Guide.
- G37.2 Supplementary information is the additional information not presented elsewhere by an NPO in its general purpose financial statements prepared under INPAG that is required to enable the preparation of a whole of NPO Supplementary Statement using the classifications and format in INPAG – Supplementary Statement Guide.
- G37.3 An NPO may adopt the requirements of this Section including the publication a whole of entity Supplementary Statement irrespective of whether it has produced one or more Supplementary Statements.

Recognition and measurement of Supplementary Information

- G37.4 Income and expenses in INPAG – Supplementary Statement Guide are recognised and measured consistently with the requirements of the relevant Section of INPAG. Supplementary Information required by this Section shall be produced using the relevant INPAG recognition and measurement principles.
- G37.5 Exceptionally, if an NPO departs from these recognition and measurement principles, an NPO must disclose by way of note, the recognition and measurement principles it has used and explain why it has been necessary to depart from the INPAG recognition and measurement principles in order to produce the supplementary information.

Presentation of Supplementary information

- G37.6 Supplementary Information shall be prepared using the same whole of NPO reporting boundary as the rest of the general purpose financial statements prepared under paragraph G9.2.
- G37.7 Exceptionally, if an NPO produces supplementary information using a different NPO reporting boundary, an NPO must disclose by way of note the reporting boundary it has used and explain why it has been necessary to depart from the reporting entity boundary to produce the Supplementary Information.

- G37.8 An NPO shall disclose all of the information required to meet the classifications of income and expenses that are required in INPAG – Supplementary Statement Guide. Disclosures shall be made for each category of income and expenses where the amount is material.
- G37.9 Where an NPO separately presents expenses on support activities in the Supplementary Statement(s) produced in accordance with INPAG – Supplementary Statement Guide it must disclose its expenses on support activities.
- G37.10 In meeting the requirements of this Section, an NPO shall disclose all classification of income and expenses that are not otherwise disclosed in the financial statements. Each piece of supplementary information may be disclosed individually or as part of a whole of NPO Supplementary Statement.
- G37.11 NPOs are not required to repeat disclosures already made elsewhere in the financial statements. Where an NPO is required to follow this Section, NPO's must identify in the disclosures made in accordance with other Sections of INPAG the related supplementary information income and expense category.
- G37.12 NPOs are encouraged, but not required to produce a whole of entity supplementary statement using the format INPAG – Supplementary Statement Guide.

Section 37 Implementation Guidance

- IG37.1 Users are most likely to benefit from a whole of NPO presentation of information using the statement format included in INPAG – Supplementary Statement Guide. This presentation would include all Supplementary Information prepared under this Section and any other information already presented elsewhere in the general purpose financial statements.
- IG37.2 The source of information to produce a whole of entity Supplementary Statement will depend on how an NPO adopts the INPAG Guidance. Figure IG37.1 provides an illustration of the sources of information to meet the disclosure requirements.

Figure IG37.1

	Source
Income	
Grants and donations	Section 23 Part I
Other income (<i>list out</i>)	Section 37 – if not separately disclosed in accordance with Section 5
Total income	
Expenses	
Direct expenses	
Employment	Section 28
Travel and subsistence	Section 37 – if not separately disclosed in accordance with Section 24 Part II
Supplies and materials	Section 37– if not separately disclosed in accordance with Section 24 Part II
Running costs, external services and other	Section 37– if not separately disclosed in accordance with Section 24 Part II
Services in-kind and gifts in-kind	Section 23 Part I
Grants payable	Section 24 Part I
Support costs	Section 37– if not separately disclosed in accordance with Section 24 Part II
Total expenses	
Foreign currency translation gains/losses	Section 5 and Section 36
Transfers	Section 36
Other financial movements	Section 5, Section 6 and Section 36
Change in grant [<i>fund</i>] balance	
Opening balance	Section 36
Closing balance	Section 36

Inventory and Capital Costs	
Total expenses before inventory and capital costs	Section 24 Part I
Less: inventory expenses	Section 37- if not separately disclosed in accordance with Section 24 Part II
Less: depreciation or amortisation charged	Section 17 and 18
Add: inventory costs incurred	Section 37
Add: capital costs incurred	Section 37
Expenses, inventory and capital costs	Section 37
Opening balance including inventory and capital costs	Section 37
Closing balance including inventory and capital costs	Section 37

Section 37 Basis for Conclusions

Supplementary Statements

- BC37.1 Providers of grant funding to NPOs frequently require special-purpose financial and other reports specific to the activities that they are funding. Feedback during stakeholder outreach over the course of the IFR4NPO project has highlighted that the lack of harmonisation of donor reporting formats results in a significant burden to NPOs. Funders and auditors have also highlighted that the inability for these special-purpose financial reports to be reconciled or cross-referenced to entity level audited financial statements is also a significant assurance challenge.
- BC37.2 In September 2022 it was proposed that the IFR4NPO project should develop a standard format for an optional Supplementary Statement that can meet the financial accountability needs of providers of grant funding. Its objective was to present key auditable financial information about a specific project or grant (or projects/grants) in a way that could be useful to the grantor for accountability purposes, as well as meaningful to primary users.
- BC37.3 A Supplementary Statement Working Group (SSWG), was set up to develop proposals. It comprised six members drawn from the Donor Reference Group, Practitioner Advisory Group, Technical Advisory Group and a Country Champion.
- BC37.4 The output of the SSWG has been taken by the INPAG Secretariat to produce the INPAG – Supplementary Statement Guide. The INPAG – Supplementary Statement Guide provides guidance for NPOs who wish to prepare one or more Supplementary Statements in relation to one or more sets of its activities in order to present financial

information on income, expenses, inventory and capital costs related to those activities that are based on the audited financial statements.

The relationship between Supplementary Statements and Section 37 Supplementary Information

- BC37.5 Following discussion with stakeholders, the Secretariat determined that the guidance for the creation of Supplementary Statements should sit outside of INPAG as the equivalent of a recommended practice guide. This view was reached because the numerous permutations of Supplementary Statements that could be produced is inconsistent with the principles of general purpose financial reporting, which requires that information should be capable of being useful to all users and not to a particular subset.
- BC37.6 The Secretariat did, however, consider that a whole of NPO set of supplementary information could be valuable as part of INPAG. This would provide an audited base from which additional statements (outside of the general purpose financial reporting) could be produced as well as additional information for primary users.
- BC37.7 The Technical Advisory Group noted that this could be a burden if all NPOs were required to produce this information, regardless of whether or not they were also preparing one or more Supplementary Statements. The Secretariat agreed and amended the proposals such that the provision of such information would only be required for those NPOs that are preparing one or more Supplementary Statements.
- BC37.8 The relationship between the Supplementary Statement guidance and the requirements to produce supplementary information in the financial statements and/or accompanying notes would be covered in a new section of INPAG, Section 37 Supplementary Information.

Disclosure of additional information

- BC37.9 The proposed requirements of Section 37 require an NPO that has prepared one or more Supplementary Statements to disclose additional information that is not already presented elsewhere in the financial statements. This is to enable the disclosure of all of the information that would allow a whole of NPO expense analysis using the Supplementary Statement expenses classification to be prepared.
- BC37.10 Mindful of reducing reporting burdens, the proposals that the Secretariat presented to the Technical Advisory Group did not include a mandatory requirement for NPOs to present a whole of NPO Supplementary Statement incorporating information already presented elsewhere in the financial statements using the prescribed format included in the INPAG – Supplementary Statement Guide. This whole of NPO Supplementary Statement was instead encouraged to benefit users.



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

BC37.11 This approach was supported by the Technical Advisory Group. It was also recognised that along with the proposed reporting requirements of Section 24 Part II *Classification of Expenses*, NPOs that do produce Supplementary Statements would over time likely find it beneficial to produce this information in accordance with the prescribed format included in the INPAG – Supplementary Statement Guide.