



International Non-profit Accounting Guidance (INPAG) Exposure Draft 3

Response template

Please use this form to record your responses to the Specific Matters for Comment relating to [INPAG Exposure Draft 3](#)

Comments are most helpful if they:

- a) Address the question asked;
- b) Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
- c) Propose alternatives for consideration, where responses are not in agreement with the proposal made;
- d) Specify the INPAG paragraphs to which any comments relate; and
- e) Identify any wording in the proposals that might not be clear because of how they translate.

The text boxes will expand as required. There is no size limit. There are 11 question areas, according to the various sections in INPAG. You do not need to answer all questions and can choose to answer as many or as few as you wish. You may comment on any aspect of Exposure Draft, not just the specific matters identified. General comments should be added at the end of this document.

Responses must be received by **16 September 2024 and must be in English**.

Responses can be submitted to ifr4npo@cipfa.org or through the website at www.ifr4npo.org/have-your-say

Respondent information:

First name:	Mikhael	Country: (this should be the country in which you are based)	Canada
Last name:	Dumetz	Professional interest: please choose from: <ul style="list-style-type: none"> • NPO, ie preparer of financial statements, • auditor, • accounting standard setter, • professional accounting organisation, • regulator of NPOs, • donor, • academic, • civil society, • user of NPO services, • other (please state) 	Auditor Donor
Email:	Mikhael.Dumetz@international.gc.ca		
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Organisation: (who do you work for)	Global Affairs Canada		
Response submitted:	<ul style="list-style-type: none"> • on behalf of my organisation 		
Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided.			Agree

This document has been designed purely to enable feedback to Exposure Draft 3. Participation is undertaken on an entirely voluntary basis. The responses will be used to shape the development of INPAG and not for any other purpose. We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses will be public, but personal contact information will not be disclosed. Personal information will only be held for the purposes of developing INPAG. You may withdraw your consent for us to hold any of your personal information at any time by contacting us at ifr4npo@cipfa.org.

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Specific Matters for Comment

Question 1: Fund accounting

INPAG Section 36 sets out the characteristics of a fund for the purposes of INPAG and whether a fund is presented in the financial statements as being with or without restrictions. A fund is presented as with restrictions where the use of resources is limited to a specific purpose or activity as a consequence of externally imposed legal or equivalent arrangements or where a fund is established for a fundraising campaign with an externally communicated commitment on the specific use for the funds. The guidance requires that the income, expenses, assets and liabilities associated with a fund are recorded. New disclosures are required for fund balances and movements in the year. INPAG Section 5 has been amended to remove the requirement to disclose funds with and without restrictions on the face of the Statement of Income and Expenses.

1 Fund accounting	References	Response
a) Do you agree that the ED1 requirement to present funds with restrictions and funds without restrictions on the face of the Statement of Income and Expenses should be removed? If not, why not?	G5.3, AG5.4	Yes.
b) Do you agree that the guidance in Section 36 will ensure that material funds can be identified? If not, what changes would you propose? Is there a risk that funds are not identified?	G36.3–G36.4, Figure AG36.1	Yes. Guidance does not include specific guidance on materiality, options could be given to NPOs to continue to keep the accounting records of trivial restricted funds with the general fund and disclose key or specific information through the notes to the financial statements as to not bring confusion to stakeholders (i.e. having one restricted fund with multiple donors might not bring additional value to the reader).
c) Do you agree that income, expenses, assets and liabilities are tracked for each fund? What are the costs and benefits? What, if anything, would you change and why? What are the practical considerations?	G36.5, G36.7, AG36.3	Yes. Tracking assets and liabilities for each fund will allow greater transparency while not bringing a significant additional burden to the organization as most donors would require their assets to be tracked separately. As a donor, it would also be relevant to include disclosure of assets by donors and location to allow greater collaboration amongst donors, value for money, transparency from the organizations as well as prevent double-dipping.
d) Do you agree with the two criteria for a fund to be a fund with restrictions? If not, what would you change and why?	G36.9	Yes

1 Fund accounting	References	Response
e) In order to provide transparency about the finances of an individual fund, do you agree that all the expenses should be charged against a fund with restrictions even if there are currently insufficient resources to cover these, or specific costs are not eligible under a grant arrangement? If not, what alternative would you propose and why?	G36.11–G36.12	<p>No. G36.11 states that support costs could be charged to the fund even if inclusion of such costs is not permitted under the terms of any arrangement. This would create discrepancies between the amounts recorded in the fund and the amounts reported to the donor as eligible expenses and therefore decrease the value for the donor of the information recorded in the financial statements.</p> <p>Would propose to modify G36.11 for the following:</p> <p><i>A reasonable allocation of support costs associated with managing the fund shall be charged to a fund if inclusion of such costs is permitted under the terms of the arrangement that has resulted in the creation of a fund.</i></p> <p>Or</p> <p><i>A reasonable allocation of support costs associated with managing the fund shall be charged to a fund, even if inclusion of such costs is not permitted under the terms of any arrangement that has resulted in the creation of a fund. Support costs that are not permitted under the terms of any arrangements shall be disclosed on a separate line.</i></p> <p>Another option would be to include a separate category of expenses to report on expenses charged to the fund but not permitted under the terms of the arrangement to promote greater transparency on actual cost of delivery.</p>
f) Do you agree with the NPO funds disclosures requirements? If not, what would you change and why?	G36.21–G36.23	<p>Yes. If an option is given to the NPO to present a fund that is individually immaterial with the general fund, we suggest additional disclosure of those amounts under G36.23 as well as including more guidance or definition of “similar purposes”.</p>
g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?	Implementation Guidance – Section 36	<p>Yes.</p> <p>Consideration to add under IG36.2 (f) the financial dependency on the specific stakeholder (would potentially create a ‘reasonable expectation’)</p>

Other: G36.17: For NGO, we suggest removing revaluation of assets as this complexifies accounting policies and will more likely not be useful for users in the context of non-for-profit organizations.

Question 2: Presentation of expenses, fundraising costs and related disclosures

INPAG Section 24 Part II provides guidance on the presentation of expenses. It permits an expense analysis by nature, by function, or a mixture of the two. It includes a rebuttable presumption that an **analysis by nature is used unless another analysis provides information that is more relevant** and reliable. Guidance is provided on the allocation and aggregation of costs where a functional or mixed presentation is used, which will be useful for calculating support costs. INPAG Section 24 Part III provides a definition of fundraising activities and identifies three categories to be disclosed: activities to generate donations, gifts and similar transfers; commercial and trading activities; and investment management. There is a pragmatic exception where costs need to be split between fundraising and other activities.

INPAG Section 33 on related party disclosures draws attention to the possibility that an NPO's financial position and/or its surplus or deficit have been affected by the existence of related parties. Disclosure is required of personnel compensation made to governing body members as well as key management personnel. INPAG Section 28 has been updated to include the disclosure of short-term employee related benefits.

2 Presentation of expenses	References	Response
a) Do you agree that there is a rebuttable presumption that a by nature classification of expenses is used unless this doesn't provide the most relevant and reliable information to the users of the financial statements? If not, why not?	G24.43–G24.47, AG24.45–AG24.47	Yes. Combined with the Fund accounting methodology, classification by nature makes more sense. For donors, classification by function becomes less relevant with Fund accounting, especially if the restricted fund includes a few or one donor.
b) Do you agree that the rationale for using a classification of expenses other than by nature should be disclosed? If not, why not?	G24.44	Yes.
c) Do you agree that where a functional or mixed presentation of expenses is used, a narrative description of the types of expenses incurred on each function line item is sufficient and that a requirement for these to be quantified is not necessary? If not, why not?	G24.46, AG24.48	Yes. If we want to encourage NPOs to use the presentation by nature, a requirement to have a schedule to ventilate the expenses by nature when using presentation by function could be considered.
d) Do you agree with the expense disclosure requirements? If not, what would you change and why?	G24.50–G24.57, G33.7–G33.11, G28.38	Yes. For the G24.52 benefits received by volunteers, considerations should be included when the value of the benefits received is difficult to evaluate (cost benefits to include)

2 Presentation of expenses	References	Response
e) Do you agree with the description of direct costs, shared costs and support costs and that these allow the full cost of an activity to be identified? If not, why not?	G24.48–G24.49	Yes. Disclosure requirement should be added for the methodology used for categories G24.49(b) and G24.49(c). Currently G.50 seems to require the disclosure of the method only when an analysis by function or mixed presentation of expenses has been used.
f) Do you agree that commercial and trading activities that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns are included as fundraising activities? If not, why not?	G24.64–G24.66	No. If disclosing expenses by program, should not be recorded on the same line. As the risk and nature of those activities are not similar (e.g. Market rates and commercial activities do not fluctuate with the capacity to raise funding) they should not be combined for reporting. Also, maybe confusing for readers. If going forward with this requirement, suggest adding disclosure requirements on commercial and trading activities that are included as fundraising activities.
g) Do you agree with the pragmatic exception that fundraising costs do not need to be split from other costs where the cost of doing so would exceed the information benefit to stakeholders? If not, what would you change and why?	G24.72	Yes.
h) Do you agree that the costs for each of the three categories of fundraising activity should be separately disclosed and presented gross? If not, what should be disclosed and why?	G24.74	Yes.
i) Do you agree that grants or donations made in arm's-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as a related party transaction? If not, why not?	G33.18 a)– G33.18 b)	Yes.

Question 3: Supplementary information and INPAG Practice Guide 1 – Supplementary statements

INPAG Section 37 requires additional information to be disclosed when an NPO produces one or more supplementary statements using INPAG Practice Guide 1. NPOs may choose to prepare a single note to meet the requirements or disclose only the additional information. INPAG Practice Guide 1 – Supplementary Statements enable the presentation of key financial information about a specified activity, project or grant, in a prescribed statement format, which can be included as an Annex to the financial statements. The Practice Guide provides templates for different variants of reporting that includes comparison to budget, multiple grants, multiple time periods and different currencies.

3 INPAG Practice Guide 1	References	Response
a) Do you agree that the requirements of Section 37 do not have to be met unless Supplementary statements are prepared in accordance with INPAG Practice Guide 1– Supplementary statements? If not, why not?	G37.1–G37.2	Yes.
b) Do you agree that a whole of NPO supplementary statement need not be presented if the additional information is already in the financial statements and/or notes? If not, why not?	G37.3, G37.10–G37.12	Yes.
c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?	SS.5	No. Although there is value in having standard and comparable information between the organizations using INPAG, many donors use different ways of presenting the information. Having a format that could be somewhat modified on an as needed basis could bring more value to the donors and provide valuable information in a case where an organization would present expenses by functions on the face of the financial statements (the supplementary statement could be adjusted based on donor requirements). Regarding the presentation currency, we agree with SS.8 but suggest adding flexibility for the organizations to add a column and present in other currencies based on donor's preference.
d) Do you agree with the options for the disclosure of capital and inventory related costs? If not, what would you change and why?	SS.18–SS.21	Yes.
e) Do you agree that the Supplementary statements are not part of the general-	SS.25–SS.26	Yes. Having them as an annex could give options to the organizations and donors as to audit or not the information (cost benefit analysis).

3 INPAG Practice Guide 1	References	Response
purpose financial report but can be published as an annex? If not, why not?		

Question 4: Illustrative financial statements

INPAG Implementation Guidance Annex A includes Illustrative financial statements. The templates have been populated with data to cover the most common NPO transactions. The illustrative financial statements focus on new INPAG requirements.

4 Illustrative financial statements	References	Response
a) Do you agree that the illustrative financial statements cover the transactions that are prevalent for NPOs? If not, which prevalent transactions are missing and why do these need to be covered?	Illustrative financial statements	Yes.

Question 5: Equity

INPAG Section 2 provides the concepts and principles on which INPAG is based. Amendments are proposed to equity and net assets as a result of feedback. Net assets is a new element defined as the residual amount of an NPO's assets and liabilities available to achieve its objectives. The term equity claim is introduced to describe equity type instruments, which is a subset of net assets. INPAG Section 22 has the principles for classifying financial instruments as either liabilities or equity claims. As INPAG does not use the term equity, consequential amendments reflect the expected nature of NPO equity claims.

5 Equity	References	Response
a) Do you agree with the revised description of net assets and its inclusion as an element? If not, what would you change and why?	G2.73	Yes.
b) Do you agree with the use of the term equity claims in Sections 2 and 22 and that equity claims are a subset of net	G2.74, AG2.6, AG2.7, Section 22	We suggest adding additional guidance to differentiate equity claims with liabilities (amounts held in trust, endowment funds, etc.)

5 Equity	References	Response
assets? If not, what would you change and why?		
c) Do you agree that the paragraphs relating to the sale of options, rights and warrants, extinguishing financial liabilities with equity claim instruments and treasury shares are removed from and that the paragraphs relating to capitalisation or bonus issues of shares and share splits and convertible debt or similar compound financial instruments are retained? If not, why not?	G22.12–G22.15	No comment

Question 6: Transition to INPAG

INPAG Section 38 describes the requirements for recognising and measuring assets and liabilities to create a Statement of Financial Position when INPAG is adopted for the first time. Accumulated funds that contain historic surpluses and deficits must be split between funds with restrictions and funds without restrictions. Compliance with just the financial statements can be asserted ahead of full compliance. The narrative reporting requirements must be completed within a two-year period to be able to continue to express compliance with INPAG.

6 Transition to INPAG	References	Response
a) Do you agree with the pragmatic approaches proposed for the first time adoption of INPAG? If not, what are the practical challenges that are likely to be experienced?	G38.11–G38.12	Yes.
b) Do you agree that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period? If not, why not?	G38.5–G38.6	Yes.

Question 7: Application of fair value

INPAG Section 12 describes how to measure assets and liabilities using fair value. The use of fair value to determine the deemed cost of donated assets is reflected in INPAG Section 16, for investments in land or buildings that are held to earn rentals or for their capital appreciation, INPAG Section 17, for property, plant and equipment, including capitalisation and depreciation and INPAG Section 18, for identifiable non-monetary assets that does not have a physical substance (eg licenses). The cost model in Section 17 applies to all tangible assets that are held for use in the activities of the NPO and are expected to be used during more than one period as well as to property held to deliver an NPO's missional objectives, eg social housing. There are no exceptions for assets that are funded by grants or donations.

7 Application of fair value	References	Responses
<p>a) Is the Section 12 application guidance that sets out how the fair value hierarchy applies to NPO assets and liabilities and the illustrative examples of fair valuing donations in-kind useful? If not, how could it be improved?</p>	<p>AG12.1– AG12.11</p>	<p>No. The examples are very specific and would not necessarily apply to organizations that will be using these accounting standards or would be very difficult to do so.</p> <p>Example 1 – Includes a very complex analysis that would be difficult for small to medium NGOs (e.g. <i>On the basis of that development and recent zoning and other changes to facilitate that development, the NPO determines that the land currently used as a site for a factory could be developed as a site for high-rise apartment buildings [...]</i>)</p> <p>Example 4 – Requires an NGO that received a land that per donor requirement requires <i>to be used by the association as a playground in perpetuity</i>. The example suggests that the NGO would need to do a legal review to determine if the land could be sold regardless of donor requirement and adjust the value of the donated land accordingly. First, would require significant efforts for the NGOs therefore limit adoption to the INPAG but also as a donor, I feel that the example raises ethics considerations.</p> <p>Example 6 – Donations in services: Many large NPOs receive significant number of in-kind contributions (volunteers). Although the example can be relevant for a small NGO that has one volunteer employee, it would not address the requirement of a larger NGO that would have multiple volunteers with different backgrounds, etc.</p>
<p>b) Do you agree with the additional guidance provided for donated:</p> <ul style="list-style-type: none"> i) investment property (Section 16)? ii) property, plant and equipment (Section 17)? iii) intangible assets (Section 18)? <p>If not, why not?</p>	<p>G16.7 G17.10 G18.14</p>	<p>Yes.</p>

Question 8: Impairments

INPAG Section 27 requires that the carrying amount of an asset is reduced to the recoverable amount, where its carrying amount is higher than its recoverable amount. The new measurement base for inventories held for distribution at no or nominal cost has been added. The Section refers to an NPO's 'operating units' to encompass assets that are held for missional purposes rather than purely cash-generation.

8 Impairments	References	Responses
a) Do you agree that inventory held for distribution is measured for impairment using cost adjusted for any loss of service potential? If not, what would you change and why?	G27.2–G27.4	<p>Yes. Concerning G27.3 - assets for distribution, if purchased makes sense to impair, if donated assets (e.g. books, food or other goods received for distribution) might need to add guidance on the adjustments required to the 'deferred revenue' component of the transaction.</p> <p>No. Concerning G27.4 - Reversal of impairment (side note that there are 2 G27.4 on page 102 of the ED3 document), I feel that requiring the NGOs to reevaluate a potential reversal of impairment might not bring additional value to the stakeholders and significantly increase the work required by the NPOs. I would remove that option entirely (no reversal of impairment possible) or at least make it an option.</p>
b) Do you agree that the term operating unit better reflects the nature of an NPO's operations and with its proposed definition? If not, what alternative term would you use and why?	G27.8	Yes.
c) Do you agree that impairments to assets that form an operating unit can take account of other economic benefits and service potential? If not, what would you change and why?	G27.15	Yes. The difficulty in applying the guidance will be increased if your equipment generates services and not cash flows and cannot be sold or purchased on an external market. Might consider adding examples in the guidance.

Question 9: Combinations of entities

INPAG Section 19 applies to the combining of entities, (including NPOs) that meet the definition of a business. The term business has been broadened to include the types of activities carried out by NPOs. It provides guidance on the recognition and measurement of the assets and liabilities acquired in a combination and includes a simplification where there is a combination of two NPOs that both have positive net assets.

9 Combinations of entities	References	Responses
a) Do you agree that the term 'business' can be applied by NPOs when taken alongside the amendments proposed, (including the expansion of examples of control)? If not, why not? What practical issues are experienced?	G19.4, G19.5, AG19.1–AG19.2	Yes.
b) Do you agree with the proposed exemption for two NPOs that have net assets and that it should not apply where one NPO has net liabilities? If not, describe the practical and accounting issues that arise?	G19.24	No comment on G19.24 Were there considerations to add guidance on fusion of two NPOs without considerations transferred (e.g. fusion of 2 NPOs in the same sector/nature to reach more beneficiaries while combining cost without one 'purchasing' the other)

Question 10: Other topics in Exposure Draft 3

INPAG Section 14 and INPAG Section 15 provide guidance on accounting for associates and joint arrangements in consolidated and separate financial statements respectively. INPAG Section 20 covers the accounting for all leases and INPAG Section 34 provides guidance on three types of specialised activities: agriculture, extractive activities and service concessions. None of these Sections have been amended other than for terminology changes.

10 Other topics in ED3	References	Response
a) Do you agree that no further alignment changes are needed to: i) Section 14 Investment in associates? ii) Section 15 Joint arrangements? iii) Section 20 Leases? If not, why not?	Section 14 Section 15 Section 20	No comment
b) Is any of the guidance in Section 34 needed by NPOs? If yes, which elements of the section are needed and why?	Section 34	No comment

Question 11: IFRS for SMEs Addendum

INPAG Section 7 and INPAG Section 30 (published in ED1 and ED2 respectively) have been updated as a consequence of additional text proposed in the Addendum to the draft Third edition of the IFRS for SMEs Accounting Standard issued by the International Accounting Standards Board on 28 March 2024. There is additional text on supplier finance arrangements in Section 7 and lack of exchangeability in Section 30.

11 Addendum	References	Responses
a) Do you agree that the guidance for supplier finance arrangements is useful and relevant to NPOs? If not, what would you change and why?	G7.20A–G7.20B,	Yes.
b) Do you agree that the guidance on lack of exchangeability is useful and relevant to NPOs? If not, what would you change and why?	G30.5A, G30-31–32, AG30.26–AG30.43	No comments.

General Feedback

Please share any other comments that you wish to raise on Exposure Draft 3. When providing additional feedback please reference the paragraph numbers, where possible and provide a short explanation to support your comments.

Reference	Comment
Section 36 – Fund accounting	<p>There is no guidance or examples when an NPO would have multiple donors.</p> <p>As a donor, the fund accounting method does not bring significant value if our funds are combined with multiple donors into one large ‘with restriction’ column. The supplementary statements might bring more value, but they would require to be adjusted based on each donor requirement to remain relevant. If that possibility does not exist, each donor would continue to request individual reports to support their own due diligence requirement.</p> <p>Was it considered in a case where an organization would have for example two large donors and few trivial ones to have one general Fund, one Fund for each large donor and then one last one to record the other donors.</p>
INPAG ED3	In general, the INPAG framework could be complex and difficult to apply for smaller not-for-profit organizations, which could delay or prevent adoption of the accounting framework.
Deferred revenues reporting requirement through notes	If not using fund accounting, additional requirement could be required to ‘ventilate’ the value of the deferred revenues of the organization between large donors and/or projects. As a donor, this would be relevant.

Reference	Comment
	If using fund accounting is used and no supplementary information is provided, information in the notes to the financial statements should include at minimum information on the fund residual value between donors (and/or projects), revenues and expenses of each donor (and/or projects) to give some information to the donors.