



IFR4NPO Project

Advice and Requests

Technical Advisory Group meeting

25 February 2025

TAGFG06





TAG meeting 21 January 2025

Attendees	Apologies
Ian Carruthers (Chair)	Jianqiao Lu
Bill Biese	Tim Boyes-Watson
Jeffrey Mechanick	Iheanyi Anyahara
Bee Leng Tan	Observers
Jenny Carter	Jeff Gabello
Fridrich Housa	Samantha Musoke
Daniel Sarmiento Pavas (items 1-6)	Michelle Sansom
Katherine Knowlton	
Tamba Momoh	Staff
Catherine Asemeit (from agenda item 1 part)	Karen Sanderson
Mohammad Anwarul Karim (from agenda item 1 part)	Nandita Hume
	Sarah Sheen
	Paul Mason

Includes points raised by all TAG members during the meeting and subsequently by those unable to attend.



Session outline

- Revenue
- Inventories
- Grant expenses
- Illustrative financial statements
- Classification of expenses
- Foreign currency translations
- Other INPAG topics

Agenda item 1 – Revenue

1.1 Revenue

- a) The text on match funding in Section 23 and Section 24 is not consistent. It is not clear, including in the Basis for Conclusions whether match funding is a type of condition or a probability assessment and how this affects recognition. The thinking should be consistent between grantors and grant recipients.
- b) The text on the renegotiation of a grant agreement talks about the correction of a prior period error rather than recognising that circumstances may have changed. The emphasis appears to be on an error, rather than on new information.
- c) It is not clear whether the withholding of funds is the only consideration in enforceability or whether there are other factors in relation to renegotiated arrangements. It is not clear if this is intended to be an example or more firm guidance.

Agenda item 1 – Revenue

1.2 Requests

- a) Update the text and/or examples to make clear the treatment of match funding and that the approach is consistent between grantors and grant recipients. Explain the approach in the Basis for Conclusions.
- b) Review the wording in IG23.20 to ensure that the approach is neutral on the reasons for a change, with a focus on measurement first.
- c) Reframe the implementation guidance so that it is reads as an example rather than more definitive guidance.

Agenda item 2 – Inventories

2.1 Inventories

- a) References to materiality are unneeded since materiality always applies. There is a question about whether applying the guidance is on a collective basis (by class) or individual basis (by item) and therefore whether this exception is useful. Is there really a low value exception.

Agenda item 2 – Inventories

2.2 Requests

- a) Remove paragraph G13.6 on materiality. Explain the approach in the Basis for Conclusions, with input from Katherine.

Agenda item 3 – Grant expenses

3.1 Grant expenses

- a) The second box on decision tree (left hand side) is confusing as NPO is used in two different ways. Could this be amended to another term such as 'grantor'.
- b) Did any focus group member raise that if the grantor has fulfilment rights, should the grant recipient have fulfilment obligations. Raised to ascertain if there is a nuanced difference between fulfilment and delivery. Focus group member concerns were that the grantor is not the one being delivered to, and so delivery rights does not make sense for the grantor.
- c) In theory a fulfilment right can be extinguished in ways other than the grant recipient satisfying the delivery obligation and so the definition may be too narrow. Extinguish is used with a wider definition in accounting. Perhaps redefine or use a different term.

Agenda item 3 – Grant expenses

3.1 Grant expenses

- d) Agree that the diagram doesn't add to the flowchart but if it does contain helpful content then add to the flowchart. It is not helpful in its current form.
- e) Is there a risk that moving guidance on sensitive information from authoritative guidance to implementation guidance could lead to situations where organisations get qualified opinions for not disclosing information.
- f) The Standard can make the comment that exemptions are expected to be rarely used and this might help NPOs in applying judgement about whether the exemption applies.

Agenda item 3 – Grant expenses

3.2 Requests

- a) Amend the decision tree to refer to ‘grantor’ rather than ‘NPO’.
- b) Review use of the term ‘extinguish’. Recognise explicitly in the Implementation Guidance that a grant agreement may come to an end for reasons other than satisfying the delivery obligation.
- c) Remove the diagram from the Implementation Guidance, unless there is further feedback from TAG members.
- d) Reflect the discussions about the sensitive information in the Basis for Conclusions and address in the next sweep paper.

Agenda item 4 – Illustrative financial statements

4.1 Illustrative financial statements

- a) Support the inclusion of cross references in illustrative financial statements, and a paragraph cross reference is more useful than a Section reference. A column with the references will be helpful.
- b) The response to the feedback on going concern may be oversimplifying things and it would be useful to explain the judgements around going concern.
- c) Consideration should be given to NPOs that have commercial activities (including subsidiaries) and to the inclusion of illustrative examples for this situation. Possibly a reference to use of the relevant section of IFRS for SMEs in such situations.

Agenda item 4 – Illustrative financial statements

4.2 Requests

- a) Reflect going concern considerations in the illustrative financial statements.
- b) Reflect on whether references to commercial activities can be included in the illustrative financial statements

Agenda item 5 – Classification of Expenses

5.1 Classification of Expenses

- a) It is unclear why incidental costs for volunteers needs to be disclosed when equivalent costs for staff might not be disclosed.
- b) The provision of lunches or reimbursement of expenses to volunteers or trustees wouldn't be considered remuneration and not included on IRS 990 tax returns. Its not clear why these would need to be disclosed.
- c) Expenses can be abused. So the disclosure of even small/ trivial costs can be of value.
- d) Maybe useful to lift volunteer benefits to a principle focusing on the quantitative and perhaps qualitative features and provide some examples as practice will vary by jurisdiction and entity. It isn't possible to capture all potential abuses and principles may allow a middle path.

Agenda item 5 – Classification of Expenses

5.1 Classification of Expenses

- e) The use of apportionment and allocation may be unnecessary. In the US and Canada direct costs are attributed and everything else allocated. The use of apportionment may be making the approach more complex. Recommend the use of allocation for both.
- f) There is a distinction between costs that can be put to a project and some to a pool of costs that then needs to be split out. There are different processes for these types of costs. Allocate being used to mean two different processes would be more confusing.
- g) IFRS9 and IFRS39 use directly attributable and allocation on a reasonable basis. Look to existing standards in terms of terminology.

Agenda item 5 – Classification of Expenses

5.1 Classification of Expenses

- h) Consideration needs to be given to whether this makes a difference to external reporting. Based on the discussion this may make a difference to donors so that they can understand the difference in processes. It might be helpful to have explicit discussion of differences in process. If there are regional preferences in use of language these might have to be dealt with separately.
- i) Spanish is context specific and so translation of the same word can be different depending on the context
- j) Keep the fundraising categories as separate as possible for those that see fundraising as traditional forms of fundraising. In particular investment management should be distinguished from other fundraising.

Agenda item 5 – Classification of Expenses

5.2 Requests

- a) Reframe to exclude benefits provided to a volunteer on the same terms as other employees (eg meals at training events or receipted expenses). Provide some scenarios with different factors to consider to illustrate the principles
- b) Check whether the terms attribute, allocate and apportion translate differently in other languages to inform the final proposals. Check IFRS 9, IFRS 39 and IFR18 for use of these terms.
- c) Differentiate as much as possible between terms particularly where a different process being used.
- d) Update the Basis for Conclusions to reflect the discussion on the separation of classes of fundraising costs.



Agenda item 6 – Foreign currency translations

6.1 Foreign currency translations

a) No comments

Agenda item 7 – Other INPAS topics

7.1 Other INPAG topics

- a) Agree with the way in which business is used in Section 19 and how the guidance is framed.
- b) Cross references between donations in kind and leases would be useful for peppercorn leases.
- c) Something in future education materials about a bifurcation between inherent contributions and other types of exchange lease below market would be helpful. This would assist in distinguishing intended contribution rather than entering market at opportune time as tenant. Consider whether a distinction can be drawn without providing guidance?

Agenda item 7 – Other INPAS topics

7.2 Requests

- a) Highlight the link between Section 23 and Section 20 in education material post publication. Consider whether it can be included in Implementation Guidance.
- b) Peppercorn leases to be addressed in a subsequent edition of INPAS.

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