



IFR4NPO Project

Advice and Requests

Technical Advisory Group meeting

25 March 2025

TAGFG07



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Attendees	Apologies
Jeffrey Mechanick (Chair)	Ian Carruthers (Chair)
Bill Biese	Catherine Asemeit
Bee Leng Tan	Jianqiao Lu
Jenny Carter	Observers
Fridrich Housa	Jeff Gabello (items 1- 6)
Daniel Sarmiento Pavas	Samantha Musoke
Katherine Knowlton (items 1- 4)	Carlo Pereras
Tamba Momoh	
Bernhard Schatz (items 1- 4)	Staff
Mohammad Anwarul Karim (items 1 – 4)	Karen Sanderson
Iheanyi Anyahara	Nandita Hume
Tim Boyes-Watson	Sarah Sheen
	Paul Mason (items 2, 3 and 4)



Session outline

- Concepts and Pervasive principles
- Financial Statements
- Illustrative financial statements
- Supplementary information
- Narrative reporting
- Transition to INPAS
- Fund Accounting



Agenda item 1 – Concepts and Pervasive Principles

1.1 Advice

- a) Cross referencing from authoritative text to non-authoritative text may create issues for the authoritative text.
- b) The first sentence of G2.83 (that does not allow income to be recorded directly to net assets) is problematic as it is not clear what types of income would be in net assets and how this is different to the usual accounting for revenue. It may be helpful to refer to endowment funds earlier. Also, the second sentence of G2.83 contradicts the first, and it needs to be clear that the paragraph refers to the inability of the income received to be spent rather than converted to income.
- c) Clarifications could be made to IG2.34 on undue cost or effort to require 'reassessment' to avoid the possibility of users thinking that they need a completely new assessment. The wording of the second sentence should be reviewed so that it does not refer to 'removing the exemption'.
- d) Paragraph IG2.19 relating to materiality refers to financial position ratios. This could be widened to financial performance ratios to broaden the range of things this can represent.

Agenda item 1 – Concepts and pervasive principles

1.2 Requests

- a) Review paragraphs G2.83, IG2.19 and IG2.34 to reflect TAG member feedback.

Agenda item 2 – Financial statements

2.1 Advice

- a) Removing the list of disclosure requirements from Section 3 may lose relevant information. The illustrative financial statements should not be relied on as a checklist.
- b) The possibility of using alternate names for the primary statements in Section 3 is ok, but this should not extend to the Statement of Cash Flows. This should be made clear in the Basis for Conclusions.
- c) The list of things an NPO might need to disclose in IG5.11 seems to include some items that are already required disclosures. These should be removed from the list.
- d) If the requirement to group reclassified amounts for hedged assets that will be subsequently taken to surplus or deficit is not required in the *IFRS for SMES* Accounting Standard, it should not be required in INPAS Section 6.

Agenda item 2 – Financial statements

2.1 Advice

- e) All the disclosures relating to supplier finance arrangements should be retained. A certain level of sophistication is required to use these transactions. NPOs using such arrangements should be able to comply with these disclosures as they have the knowledge and expertise to enter into the arrangement.
- f) While one of the disclosures for supplier finance arrangements was removed on cost benefit and proportionality grounds in local GAAP, there is no NPO-specific reason to remove it from INPAS.
- g) Agree that no disclosures on supplier finance arrangements should be removed.

Agenda item 2 – Financial statements

2.2 Requests

- a) Clarify in the Basis for Conclusions that the Statement of Cash Flows is the generally accepted name of this statement and there is not an expectation that an alternative is used.
- b) Remove from IG5.11, transactions that are required to be disclosed elsewhere in INPAS.
- c) Check that the requirement to separately group reclassified amounts for hedged assets that will be subsequently taken to surplus or deficit is required by the *IFRS for SMES* Accounting Standard.
- d) Require all supplier finance arrangement requirements from the *IFRS for SMEs* Accounting Standard. Update the Basis for Conclusions to reflect discussion and reasons to include all disclosures.

Agenda item 3 – Illustrative Financial statements

3.1 Advice

- a) Note that the new disclosure analysis of the net book value of non-current assets split between restricted and unrestricted has caused difficulties in one jurisdiction. It needs to be clear which non-current assets it relates to.
- b) Cross references to the relevant INPAS paragraphs will help provide clarification on the scope of disclosures. Referring to specific INPAS paragraphs rather than to a Section is more helpful.
- c) If reconciliations for comparatives are not required these should not be included in the Illustrative Financial Statements to avoid confusion, particularly as comparatives are required by other INPAS sections. It is ok to provide additional information eg expenses where this demonstrates good practice.

Agenda item 3 – Illustrative Financial statements

3.1 Advice

- d) Using a footnote to differentiate additional information beyond INPAS requirements may not be sufficient. Perhaps put such disclosures in a different box to show more clearly that it is not a requirement.
- e) It would be helpful to explain why a statement of going concern is presented as it does not appear in key judgements.
- f) Note 2, states rounding to CU100,000 when it should be CU1,000.

Agenda item 3 – Illustrative Financial statements

3.2 Requests

- a) Consider how to differentiate optional additional information from the mandatory minimum disclosures.
- b) Review the disclosures for going concern and update to include how this ties to key judgements.
- c) Check the rounding convention shown in the Illustrative Financial Statements.

Agenda item 4 – Supplementary Information

4.1 Advice

- a) The word ‘optional’ is not clear in the Section in terms of the requirement to prepare supplementary information. This should be more explicit.
- b) The second sentence of G37.2 is hard to understand because of the use of supplementary statements and supplementary information. It would be helpful to carry out a plain English review.
- c) This Section provides an important bridge to supplementary statements. Whole of entity information on capital expenditure is available from the Statement of Cash Flows. Inventory goes beyond current requirements, but bridges that aspect of whole of entity financial information.
- d) Clarify the references to ‘routine’ so that it is expectation driven. If it is expected that supplementary financial statements are prepared, then the Section 37 disclosures should be made.

Agenda item 4 – Supplementary Information

4.2 Requests

- a) Review the introductory paragraphs to Section 37 to reflect TAG member feedback.
- b) Update the Implementation Guidance to set the requirement for producing supplementary information to be based on the expectation of Supplementary statements being produced.

Agenda item 5 – Narrative reporting

5.1 Advice

- a) If all the guidance about sensitive information including when information is expected to be omitted is in the Implementation Guidance, are we sure that this would not lead to problems with the statement of compliance.
- b) Regarding other areas to disclose, in the UK exemptions are limited and there are not general requirements. It is only specific disclosures or where information has been disaggregated that could lead to issues.
- c) There is limited leeway in IFRS (where the lens is on commercially sensitive information) to make exemptions. Restraint should be exercised in providing relief for sensitive information. It needs to be looked at in the context of the likelihood of the risk of transpiring and the financial statements it would affect.

Agenda item 5 – Narrative reporting

5.1 Advice

- d) Agree that the exemption for sensitive information should be removed from the authoritative text, but that there needs to be a sufficient anchor to enable compliance.
- e) Sensitive information is a pervasive issue and guidance should be in Section 2. Otherwise, the major considerations are narrative reporting, grant expenses and grant revenue.
- f) Moving the discussion of sensitive information to the Implementation Guidance essentially removes the sensitive information exemption. It should be left in the authoritative text but include language that it is expected to be used in rare circumstances.
- g) Jurisdictional regulations for narrative information might include non-material information. Including jurisdiction requirements in INPAS could result in material information being obscured

Agenda item 5 – Narrative reporting

5.2 Requests

- a) Review whether the wording could assist with compliance, particularly through the level of aggregation.
- b) Progress discussions with the audit community over omissions due to sensitive information.
- c) Review the wording around the relationship with jurisdictional narrative reporting requirements so that when presentation is considered, the resulting presentation does not obscure material information.

Agenda item 6 – Transition to INPAS

6.1 Advice

- a) In IFRS there would be separate compliance statements for the financial statements and management commentary. Having separate compliance statements would allow NPOs to attest to one without the other. This would negate the discussion about a transition period for narrative reporting.

Agenda item 6 – Transition to INPAS

6.2 Requests

- a) Explain in the Basis for Conclusions the objective of a single compliance statement because narrative reporting is part of INPAS.

Agenda item 7 – Fund accounting

7.1 Advice

- a) If not all items in a fund are tracked, need to be clear that the fund will unwind to zero so that there is no leakage. Also, that there are no issues when an entity moves from one auditor to another to avoid issues with opening or closing balances for restricted and unrestricted funds.
- b) Except in rare circumstances, all payments and receipts will go into general bank account, so there will be a record between a particular fund and the bank account in the general fund, which will balance. To track individual items may be difficult and arbitrary. A fund should net down to zero, even if at an intermediate stage it could be difficult to track.
- c) The interaction between G36.4 and G36.9 with regard to reasonable expectations is confusing and it is not clear if this is properly reflected in the decision tree. This is because both paragraphs include 'or' statements. It is not clear how often G36.9 a) would be fulfilled if G36.4 is met.
- d) Paragraph G36.5 is a bit circular because of the addition of the final sentence ie a fund enables resources to be tracked, and the keeping of such records helps to identify funds.

Agenda item 7 – Fund accounting

7.1 Advice

- e) Make clear that governing body members retain the ability to take away designation where funds are internally designated ie a designation is not permanent.
- f) Make clear that in the examples on classification that CU30000 is not material for the NPO. May be useful to make the fact pattern more specific to be more definitive.
- g) Avoid specificity in the examples to deter users from aligning themselves with particular examples.
- h) The additional material on shortfalls on funds in the presentation examples is helpful.
- i) The Venn diagram is useful but seems more focussed on income side, which may be the appropriate, but may not be helpful when it comes to allocating costs. The Venn diagram was well received by Focus Group members.

Agenda item 7 – Fund accounting

7.1 Advice

- j) Focus Group members had mixed views on the proposed descriptions and definitions, with probably the term legitimate cost least understood. For example, it is not clear what should be included taking account of what actually happens (eg fraud).
- k) Concerns remain about charging costs to a fund that specifically does not allow certain costs to be charged to it, e.g. not allowing admin costs to be charged to a restricted fund. Agree that costs should not be charged to a fund if they are not allowed. Supplementary statements can show the different funding sources for costs of one activity.
- l) The new cost definitions can be confusing particularly how eligible and ineligible costs work with a restricted fund that has a negative balance. Where there is reliance on future funding to make up the shortfall, it may be difficult to determine the eligibility of costs.

Agenda item 7 – Fund accounting

7.1 Advice

- m) The transfer column in the note on the movement of funds will show the transfer between restricted and unrestricted funds and allows for more transparent disclosure.
- n) A disclosure should be made where there is a shortfall on a fund. Inclusion in the Implementation Guidance only, seems more optional than required. It is helpful to require disclosures of shortfalls on a fund to aid transparency and ensure that shortfalls are not being hidden in restricted funds.
- o) There is an important distinction to be made, that materiality is relevant to what funds are presented in the financial statements, which is not the same as what an organisation tracks internally. Obligations to internally track restricted contributions and other restricted amounts need to be considered separately. The discussions of materiality are not clear on this.

Agenda item 7 – Fund accounting

7.2 Requests

- a) Review the wording of paragraph G36.5 to remove the possibility of circularity of the requirement.
- b) Review the additional guidance on costs and which costs should be presented as part of a fund. Explain the discussion in the Basis for Conclusions.
- c) Review the drafting of G36.4 and G36.9 to make clear the differences between the requirements and reflect this in the decision tree.
- d) Add the requirement to explain shortfalls on a fund to the disclosure requirements.
- e) Review the materiality guidance to make sure it is clear that this is related to financial statement presentation.

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
INPAS	International Non-profit Accounting Standard	High quality, trusted, internationally recognised financial reporting standard 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