INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS

Technical Advisory Group
Issue Paper

AGENDA ITEM: TAGFG07-08
25 March 2025 – Virtual

Drafting changes following TAG FG03 – TAG FG06

Summary	This paper summarises the key changes being made to the Guidance in the Sections presented in draft since the September 2024 TAG meeting.
Purpose/Objective of the paper	At the TAG meetings in September 2024 to February 2025, drafts of the final guidance were provided for certain sections of INPAG. There were a number of discussion points for consideration. This paper sets out the key actions that have been taken or are proposed to be taken to address the discussion points raised. This paper gives early sight of proposed amendments and therefore is intended for information only. TAG members are encouraged to raise any points of principle for discussion and to provide the Secretariat with detailed drafting comments.
Other supporting items	n/a
Prepared by	Karen Sanderson, Sarah Sheen, Paul Mason, Nandita Hume
Actions for this meeting	**<u>Provide feedback on any matters of principle.</u>**

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Drafting changes following TAG FG03 - TAGFG06 (part 3)

1. Introduction

1.1 Updated drafts of the following sections have been provided to TAG meetings between September 2024 and February 2025:

- Section 1 *NPOs*
- Section 2 *Concepts and pervasive principles*
- Section 9 *Consolidated and separate financial statements*
- Sections 11-34

1.2 There were a number of discussion points for consideration, which have either now been addressed or are in the process of being addressed. Annex A sets out the remaining matters that have been addressed since the last TAG meeting.

2. Changes to the guidance

2.1 In this paper, changes are proposed to either the core text, Implementation Guidance or the Basis for Conclusions, as a consequence of the feedback from the TAG at its September 2024, December 2024, January 2025 and February 2025 meetings. The sections that have not been prioritised for review, may also have Application Guidance to assist in the understanding of the application of the core text for NPOs. Specific Implementation Guidance has not been developed for any of these sections, but where it exists in the *IFRS for SMEs* Accounting Standard, it has been updated as appropriate to align with other content in INPAG.

2.2 The paragraphs below set out any key points that the TAG should be aware of in the updates to the drafting. These are provided on an exceptional basis only.

Section 9 Consolidated and separate financial statements

2.3 As agreed at the September 2024 TAG meeting, Application Guidance that was merged with the core text has been separated again. This has included the reinstatements of some sentences required to provide context for the guidance that was not considered necessary when the text followed directly from the core text.

2.4 The published version of the Third Edition of the *IFRS for SMEs* Accounting Standard included some minor restructuring. This has been reflected in the INPAG wording as it enhances the flow of the text. In one case, some redrafting was required to reflect the new location of the text, and one additional paragraph was included under the "Separate financial statements" heading. Some text included in ED 1 has been deleted as it was based on text in the Second Edition of the IFRS for SMEs Accounting

Standard that has not been included in the Third Edition. These deletions were not known about at the time ED 1 was issued.

2.5 As agreed at the September 2024 TAG meeting, the definition of a controlling entity has been removed as this was not considered necessary given the term appears in a single paragraph and is readily understood from the context.

2.6 As agreed at the September 2024 TAG meeting, the text of the rebuttable presumption has been updated to reflect the revised wording in the Third Edition of the IFRS for SMEs Accounting Standard. A second rebuttable presumption has been included for where an NPO owns less than 50% of the voting rights but has power over those rights in other ways.

Section 13 Inventories

2.7 As agreed at the February 2025 meeting, the paragraph referencing materiality in the context of low value donated items has been deleted. Section 23 includes Implementation Guidance on applying materiality in this context, and further guidance in this section is not required.

Section 23 Revenue

2.8 As part of the exercise to reduce duplication, some text (mainly from Implementation Guidance) relating to legal or equivalent means has been relocated to Section 36. Minor changes to terminology have also been made (both in the authoritative text and the Implementation Guidance) to make the text applicable to both grantors and grant recipients. This is to allow the guidance to be included once in Section 23, while the guidance in Section 24 is replaced with a cross reference to this guidance.

2.9 An additional paragraph has been added to the Basis for Conclusions, and Illustrative Example 9 redrafted, to provide the link between accounting for grants with match funding conditions and the recognition criteria for an asset.

Section 24 Part I Grant Expenses

2.10 At its February 2025 the TAG requested that the Secretariat amend the decision tree to refer to 'grantor' rather than 'NPO' to avoid confusion as NPO is used in two different ways. The revised decision tree is presented in Annex B.

2.11 The TAG requested that the Secretariat review use of the term 'extinguish'. It requested that there be explicit recognition in the Implementation Guidance that a grant agreement may come to an end for reasons other than satisfying the delivery obligation. The Secretariat has reviewed the approach in Section 24 Part I *Grant Expenses* and is of the view that it is consistent with the approach with in IPSAS 48 *Transfer Expenses* but has added a minor augmentation to paragraph G24.5 to clarify the position by indicating that satisfying the delivery obligation is an example. The Secretariat is of the view that the recognition that grant agreements can end for reasons other than satisfying the delivery obligation was an explanation of the circumstances rather than guidance and has therefore included in this in the Basis for Conclusions (see paragraph BC24.26 in Annex A).

2.12 In response to the Secretariat's question in TAGFG06-03 about the usefulness of Figure IG24.1 *Identification of grant expenses transactions with and without fulfilment rights* TAG members were not convinced that it remained useful following the introduction of the decision tree in the core text and requested it be removed from the Implementation Guidance. This will be deleted together with its preceding paragraph IG24. 11.

2.13 TAG members also requested that the Basis for Conclusions for sensitive information be updated to reflect the discussions on the impact that the new guidance might have on assurance arrangements. These discussions are not yet complete, and this will be picked up at the June 2025 meeting.

Section 24 Parts II Expenses classification and Part III Fundraising costs

2.14 At its February 2025 meeting the TAG requested that the Secretariat reframe the provisions on volunteer benefits to exclude benefits provided to a volunteer on the same terms as other employees (eg meals at training events or receipted expenses) the Secretariat has therefore included this clarification at paragraph G24.57 and removed paragraph G24.58. It has included new examples in the Implementation Guidance to demonstrate this treatment.

2.15 The TAG requested that the Secretariat review Section 24 Parts II and III to consider how the terms attribute, allocate and apportion translate differently are used in IFRS standards.

2.16 IFRS 18 *Presentation and Disclosure in Financial Statements* refers to cost allocation in terms of the assignment of costs to functions. The Secretariat considers that the approach in Section 24 Parts I and II to allocation is consistent with this.

2.17 The term apportionment is used in IFRS 9 *Financial Instruments* where reclassified hedging instruments' gains or losses are apportioned to the line items affected by the hedged items ie apportionment is used when costs cannot be directly allocated or attributed. The Secretariat is of the view that the approach in Section 24 is consistent with this and that the terms have been appropriately differentiated but will consider further in the review of sweep issues.

2.18 The term attributable is also used in IFRS 18 to reflect a direct link with an item and again the Secretariat is of the view that the text in Section 24 Parts I and II are consistent with the approach in that Standard. Consequently, the Secretariat does not propose to change the approach to terms used in the Standard. The Secretariat will add an explanation of the use of the terms in the Basis for Conclusions, highlighting the consistency of use with IFRS and that the terms differ as a result of the processes being applied.

2.19 At its December meeting TAG members also requested that the Secretariat update the Basis for Conclusions to reflect the discussion on the separation of classes of fundraising costs. The Secretariat has therefore amended paragraph BC24.96.

3. Next steps

3.1 TAG members are encouraged to raise any matters of principle for discussion with other TAG members. Detailed feedback on the drafting is to be provided separately to the Secretariat and will be used to produce a final draft of each Section.

3.2 TAG members will next see the updated paragraphs in the full draft of the document that is planned to be circulated in April 2025. This draft will be used to collect final feedback ahead of the version that will be put forward for approval around the end of May, beginning of June 2025.

March 2025

Annex A - Amendments drafted

Nature of amendment	Previous drafting	Updated drafting
Section 9 – Separate the application guidance from the core guidance.	*See Annex*	*See Annex*
Section 9 – Reorder the text to follow the restructuring of the *IFRS for SMEs* Accounting Standard	*See Annex for relocation of text; one paragraph was redrafted following its inclusion under the "Power" heading:* G9.19 When assessing control, an NPO considers its potential voting rights, as well as potential voting rights held by other parties, to determine whether it has power. Potential voting rights are usually currently exercisable rights to obtain voting rights of an entity, such as those arising from convertible instruments or options, including forward contracts. Those potential voting rights are considered only if the holder of the right has the practical ability to exercise that right.	*See Annex for relocation of text; one paragraph was redrafted following its inclusion under the "Power" heading:* G9.19 When determining whether it has power, an NPO considers its potential voting rights as well as potential voting rights held by other parties. Potential voting rights are rights to obtain voting rights of an entity, such as those arising from convertible instruments or options, including forward contracts. Those potential voting rights are considered only if the holder of the right has the practical ability to exercise that right. Usually, for the holder of the right to have the practical ability to exercise that right, the right needs to be currently exercisable. *One additional paragraph was included under the "Separate financial statements" heading:* G9.46 A controlling NPO that is exempt in accordance with paragraph G9.3 from preparing consolidated financial statements is permitted

		to present separate financial statements as its only financial statements.
Section 9 – Delete text not included in the Third Edition of the *IFRS for SMEs* Accounting Standard)minor deletions not listed).	The income and expenses of a controlled entity are included in the consolidated financial statements from the acquisition date until the date on which the controlling NPO loses control of the controlled entity. When a controlling NPO ceases to control a controlled entity, the difference between the proceeds from the disposal of the controlled entity and its carrying amount at the date that control is lost is recognised in surplus or deficit in the consolidated Statement of Income and Expenses as the gain or loss on the disposal of the controlled entity. The cumulative amount of any exchange differences that relate to a foreign controlled entity recognised in the Statement of Income and Expenses in accordance with Section 30 – Foreign Currency Translation is not reclassified to surplus or deficit on disposal of the controlled entity.	G9.32 The income and expenses of a controlled entity are included in the consolidated financial statements from the acquisition date until the date on which the controlling NPO loses control of the controlled entity. ~~When a controlling NPO ceases to control a controlled entity, the difference between the proceeds from the disposal of the controlled entity and its carrying amount at the date that control is lost is recognised in surplus or deficit in the consolidated Statement of Income and Expenses as the gain or loss on the disposal of the controlled entity. The cumulative amount of any exchange differences that relate to a foreign controlled entity recognised in the Statement of Income and Expenses in accordance with Section 30 – Foreign Currency Translation is not reclassified to surplus or deficit on disposal of the controlled entity.~~
Section 9 – Update the rebuttable presumption once the text of the *IFRS for SMEs* Accounting Standard has been finalised. A second rebuttable presumption has	G9.18 Control is presumed to exist when the NPO owns, directly or indirectly through controlled entities, the majority of the voting rights of an entity. That presumption may be overcome if it can be clearly demonstrated that the NPO does not have one or more of the elements of control listed in paragraph	G9.12 Control is presumed to exist when the NPO ~~owns~~ <u>holds</u>, directly or indirectly through controlled entities, the majority of the voting rights of an entity. <u>An NPO that holds, directly or indirectly through controlled entities, a majority of the voting rights of an entity is not required to assess whether it has the elements of control listed in paragraph G9.10</u>. ~~That presumption may be overcome if it can be clearly demonstrated that~~

been included for where an NPO owns less than 50% of the voting rights but has power over those rights in other ways (paragraphs G9.12 – G9.14). Use the term "holds" instead of "owns".	G9.5. Control will exist if voting rights are held, not as a result of ownership, but because of a governance arrangement established to deliver an NPO's objectives or purposes. Control also exists when the NPO holds half or less of the voting power of an entity but it has: a) power over more than half of the voting rights by virtue of an agreement with other investors; b) power to govern the financial and operating policies of the entity under a statute, as a consequence of a contract or other agreement; c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body where control of the entity is exercised by that board or body; or d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.	~~the NPO does not have one or more of the elements of control listed in paragraph G9.105.~~ G9.13 Control will exist if voting rights are held, not as a result of ownership, but because of a governance arrangement established to deliver an NPO's objectives or purposes. Control is also presumed to exist when the NPO holds half or less of the voting power of an entity but it has: (a) power over more than half of the voting rights by virtue of an agreement with other investors; (b) power to govern the financial and operating policies of the entity under a statute, as a consequence of a **contract** or other agreement; (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body where control of the entity is exercised by that board or body; or (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body. G19.14 However, the presumptions in paragraphs G9.12 and G9.13 can be rebutted if it can be clearly demonstrated that the NPO does not have one or more of the elements of control listed in paragraph G9.10 – for example, if the

		NPO holds or has power over a majority of the voting rights of an entity, but another entity has existing rights that give that other entity the current ability to direct the **relevant activities** through contractual arrangements.
Section 9 – Remove the definition of controlling entity.	Definition: Controlling entity: The entity that has control of the reporting NPO as a result of the application of the principles of control.	[Deleted]
Section 9 – Situations where consolidation is required (restructuring of *IFRS for SMEs* Accounting Standard)	G9.16 A controlled entity is not excluded from consolidation because its operating activities are dissimilar to those of the other entities within the consolidation. Relevant information can be provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different operating activities of controlled entities. G9.19 A controlled entity is not excluded from consolidation because it operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.	G9.7 A controlled entity is not excluded from consolidation because: (a) its operating activities are dissimilar to those of the other entities within the consolidation. Relevant information can be provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different operating activities of controlled entities. (b) it operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.
Section 13 – deletion of paragraph referencing assessment of low	An NPO shall apply materiality in determining whether donated items are of low value.	[Deleted]

value based on materiality		
Section 13 – explain the approach to materiality in the Basis for Conclusions	Consequently, TAG members agreed that guidance on low value items should be based on materiality. While TAG members accepted this might result in additional work for some NPOs, they considered that this approach would provide the most useful information. TAG members also noted that, after the initial assessment, annual updates to the materiality assessment would likely require less time. To support the application of materiality to this issue, additional guidance was developed.	Consequently, TAG members agreed that guidance on low value items should be based on materiality. While TAG members accepted this might result in additional work for some NPOs, they considered that this approach would provide the most useful information. TAG members also noted that, after the initial assessment, annual updates to the materiality assessment would likely require less time. To support the application of materiality to this issue, additional guidance was developed. TAG members agreed that there was no need to specifically refer to materiality in the authoritative text, but that guidance on applying materiality when determining which items are of low value would be helpful to NPOs and should therefore be included in the Implementation Guidance.
Section 23 BC – match funding	[None]	The Secretariat noted that NPOs may enter into grant agreements that require them to raise a specified level of match funding before they will be eligible for the grant. The Secretariat noted that the requirement to raise match funding is not a delivery obligation, and considered whether specific requirements were needed. The Secretariat noted that paragraph G2.63 states that an NPO will control a resource where it has the present ability to direct the use of the economic resource and obtain the economic benefits or service potential that may flow from it. An NPO will not have the present ability to direct the use of grant funds that are subject to a match funding requirement until the match funding has been obtained. Consequently, the

		Secretariat concluded that no specific requirements were needed, but agreed to include an Illustrative Example to assist NPOs.
Section 23 IG– ensure the text on grant renegotiation is neutral on prior period error vs new information and that enforceability is only one factor	It may be common practice with some grant providers to renegotiate the deliverables in a grant arrangement, frequently because of changes in the local environment that has meant that the original deliverables cannot be met. Where grant providers re-purpose funds and in practice do not withhold funds if the original deliverable cannot be met, the NPO will need to consider if the substance of the agreement is that it is not enforceable. In this case the NPO would consider that the deliverables in the grant agreement are not delivery obligations. If the NPO concludes that the grant agreement is not enforceable at the commencement of the agreement, it should account for the agreement as a grant agreement without delivery obligations. If, however, it has previously accounted for the grant as a grant agreement with delivery obligations, it should reclassify the grant agreement as a grant agreement without delivery obligations, and apply paragraphs G10.16–G10.27 to determine whether to account for the reclassification as a change in accounting estimates or the correction of a prior period error.	It may be common practice with some grant providers to renegotiate the deliverables in a grant arrangement, ~~frequently~~ for example because of changes in the local environment that has meant that the original deliverables cannot be met. Where grant providers re-purpose funds and, for example, ~~in practice~~ do not withhold funds if the original deliverable cannot be met, the NPO will need to consider if the substance of the agreement is that it is not enforceable. In this case the NPO would consider that the deliverables in the grant agreement are not delivery obligations. If the NPO concludes that the grant agreement is not enforceable at the commencement of the agreement, it should account for the agreement as a grant agreement without delivery obligations. If, however, it has previously accounted for the grant as a grant agreement with delivery obligations, it should reclassify the grant agreement as a grant agreement without delivery obligations, and apply paragraphs G10.16–G10.27 to determine whether to account for the reclassification as a change in accounting estimates (which will usually be the case) or the correction of a prior period error.
Section 23 IE – match funding	NPO J has concluded that the obligation to raise match funding is not itself a delivery obligation as without the match funding NPO J is not entitled to any grant	NPO J has concluded that the obligation to raise match funding is not itself a delivery obligation as without the match funding NPO J is not entitled to any grant

	revenue. Therefore, an NPO only recognises revenue from a grant agreement with a delivery obligation if it is probable that it will collect the grant amount to which it will be entitled for satisfying its delivery obligations. Prior to NPO J receiving the match funding, NPO J will only recognise revenue if it is probable that it will receive the match funding (see paragraph G23.122(e)).	revenue. Therefore, an NPO only recognises revenue from a grant agreement with a delivery obligation if it <u>has a present ability to direct the use of the economic resource and obtain the economic benefits or service potential that may flow from it (see paragraph G2.63). Prior to NPO J receiving the match funding, NPO J will not recognise revenue</u>. ~~probable that it will collect the grant amount to which it will be entitled for satisfying its delivery obligations. Prior to NPO J receiving the match funding, NPO J will only recognise revenue if it is probable that it will receive the match funding (see paragraph G23.122(e)).~~
Section 24 Part I– Amend the decision tree to refer to 'grantor' rather than 'NPO'	NA	NA – See separate Annex B.
Section 24 Part I– Review use of the term extinguish and explain further in the Basis for Conclusions	G24.5 Fulfilment rights are a grantor's enforceable right to have the grant recipient satisfy its delivery obligation in a manner specified in the grant agreement, or be required to address the consequences specified in the agreement. This section uses the term extinguish when (or as) a grantor no longer has enforceable rights in a grant transaction or agreement because the grant recipient has satisfied its delivery obligation.	G24.5 Fulfilment rights are a grantor's enforceable right to have the grant recipient satisfy its delivery obligation in a manner specified in the grant agreement, or be required to address the consequences specified in the agreement. This section uses the term extinguish when (or as) a grantor no longer has enforceable rights in a grant transaction or agreement. <u>This might be</u> because the grant recipient has satisfied its delivery obligation.
Section 24 Part I– Review use of the	BC24.26 Following decisions on the grant model for both grant expenses and grant revenue	BC24.26 Following decisions on the grant model for both grant expenses and grant revenue

term extinguish and explain further in the Basis for Conclusions	Section 24 Part I has been updated for terminology relevant to grant expenses including grant expense transactions with and without fulfilment rights (to distinguish between the two different accounting outcomes) and the use of the term grantor to represent the grant-providing NPO (the term used in ED2) and the reporting NPO. The term extinguish is also used to describe where from the grantor's perspective when (or as) it no longer has enforceable rights in a grant transaction or agreement.	Section 24 Part I has been updated for terminology relevant to grant expenses including grant expense transactions with and without fulfilment rights (to distinguish between the two different accounting outcomes) and the use of the term grantor to represent the grant-providing NPO (the term used in ED2) and the reporting NPO. The term extinguish is also used to describe where from the grantor's perspective when (or as) it no longer has enforceable rights in a grant transaction or agreement. This might be because the grant recipient has satisfied its delivery obligation. Enforceable rights might also be extinguished because grant agreements are discontinued due to other events or circumstances.

Section 24 Parts II and III addition –to the Basis of conclusions for the consistent use of terms allocation" and "attribution" and "apportionment'	NA	BC24.68 A respondent noted that there was inconsistency with the terms "allocation" and "attribution" and "apportionment'. They suggested that the Secretariat review the various terms, to rationalise and ensure consistency in usage. Section 24 Parts II and III have been reviewed for consistency with IFRS (and particularly IFRS 18 *Presentation and Disclosure in Financial Statements)*. Section 24 uses the term attribution where direct costs are attributed to functions. Allocation is used where costs are assigned to functions. Apportionment is used in INPAG when costs cannot be directly allocated or attributed. BC24.69The Secretariat has reviewed the approach across Section 24 Parts II and III including the Implementation Guidance and has made any relevant updates. These terms reflect the different processes to be applied to transactions and circumstances relevant to an NPO's expenses.

Section 24 Part II – update the requirements for volunteer benefits, including additional implementation guidance.	G24.57 Where volunteers receive benefits (volunteer benefits) such as free or subsidised services or goods, these shall be disclosed separately from employee benefit disclosures required by Section 28 *Employee benefits*. G24.58 Volunteer benefits will include other forms of expenses and compensation incurred by an NPO on behalf of volunteers, for example, reimbursement for travel or other forms of subsistence. Compensation includes all employee benefits (as defined in Section 28).	G24.57 When volunteers receive benefits (volunteer benefits) such as free or subsidised services or goods, these shall be disclosed separately from employee benefit disclosures required by Section 28 *Employee benefits*. Where volunteer benefits are incurred on the same basis as an NPO's employees then they are not volunteer benefits, unless they have been made instead of remuneration. ~~G24.58 Volunteer benefits will include other forms of expenses and compensation incurred by an NPO on behalf of volunteers, for example, reimbursement for travel or other forms of subsistence. Compensation includes all employee benefits (as defined in Section 28).~~
Section 24 Part II – update the requirements for volunteer benefits, including additional implementation guidance.	IG24.12 Volunteer benefits are free or subsidised goods received by volunteers from an NPO. Such benefits include free meals while volunteering for the NPO or small gifts from the commercial trading arm as a token or reward for the volunteer for providing their support or services. Alternatively, volunteers might benefit from some of the services provided by the NPO, for example, this might be support or guidance provided to other service recipients (though if it is provided on the same basis as other service recipients then it is not considered to be a volunteer benefit).	IG24.12 Volunteer benefits are free or subsidised goods received by volunteers from an NPO not provided on the same terms as the employees of the NPO. Such benefits include, ~~free meals while volunteering for the NPO or small gifts from the commercial trading arm as a~~ for example, specialist training given to volunteer medical staff or gifts from a commercial trading arm as a token or reward for the volunteer for providing their support or services. Alternatively, volunteers might benefit from some of the services provided by the NPO, for example, this might be support or guidance provided to other service recipients

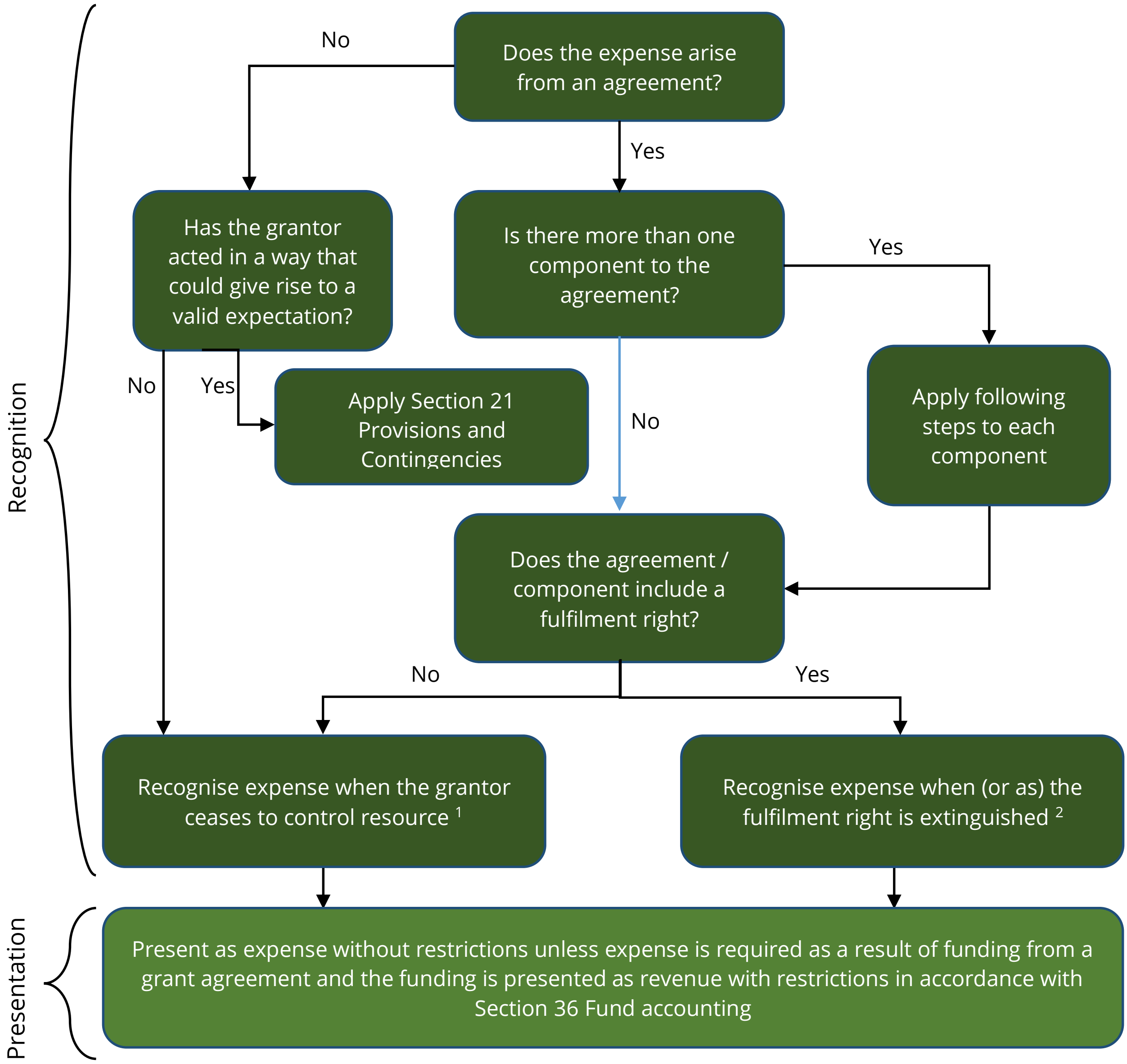
	IG24.13 Where volunteers work for NPOs it is likely that NPOs will incur costs to support those volunteers in their work. This might be costs for travel expenses and subsistence, or it may be the costs of training individual volunteers to support service recipients.	(though if it is provided on the same basis as other service recipients then it is not considered to be a volunteer benefit). IG24.13 ~~Where volunteers work for NPOs it is likely that~~ NPOs ~~will~~ may incur costs to support ~~those~~ volunteers in their work. This might be costs for travel expenses and subsistence, or it may be the costs of training individual volunteers to support service recipients. Where such costs are reimbursed or paid on the same terms as the employees of the NPO they are not likely to be volunteer benefits. However, if employees are, for example, paid an allowance that substantially exceed the costs actually incurred this might be considered a form of remuneration. Generally, receipted expenses are not volunteer benefits.
Section 24 Part III – update the Basis for Conclusions to reflect the discussion on the separation of fundraising costs.	BC24.96 The Secretariat was of the view that treasury management costs that arise from donated financial assets would form part of fundraising activity costs and would probably be activities such as either portfolio management or administration costs and are therefore within the scope. However, the treasury management activities of the NPO to maintain its "own" cash flows and possibly other forms of treasury management activities are not or might not be fundraising costs. The Secretariat provided	BC24.98 The Secretariat was of the view that treasury management costs that arise from donated financial assets would form part of fundraising activity costs and would probably be activities such as either portfolio management or administration costs and are therefore within the scope. However, the treasury management activities of the NPO to maintain its "own" cash flows and possibly other forms of treasury management activities are not or might not be fundraising costs. The Secretariat provided

	clarification in Section 24 Part III. Where treasury management costs cannot be separated from fundraising costs without undue cost or effort as a multipurpose activity, they can be reported in accordance provisions in Section 24 Part III that includes an exemption for undue cost or effort.	clarification in Section 24 Part III. The separation of investment management costs from treasury management costs should be treated in the same way as expenses that have been incurred for more than one purpose the expenses shall be split between those related to fundraising activities and those that are not related to fundraising using the cost allocation and apportionment principles in Section 24 Part II. Where treasury management costs cannot be separated from fundraising costs without undue cost or effort as a multipurpose activity, they can be reported in accordance provisions in Section 24 Part III that includes an exemption for undue cost or effort.
Section 24 Part III – maintain separation of the fundraising categories for users that only consider traditional forms to be fundraising costs.	BC24.92 There was substantial support from respondents for the proposal 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. However, a small number of respondents were of the view that only fundraising activities in the traditional sense should be included with other activities being reported relating to the revenues generated.	BC24.92 There was substantial support from respondents for the proposal 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. However, a small number of respondents were of the view that only fundraising activities in the traditional sense should be included with other activities being reported relating to the revenues generated. TAG members were of the view that each of the fundraising categories should be separately reported to ensure transparency and so that each category can be clearly

		identified by users particularly those users that only consider traditional forms to be fundraising costs.

Annex B

Figure G24.1 Decision tree illustrating the recognition, measurement and presentation of grant expenses



Footnotes:

1 A grantor shall consider whether the substance of any transactions (for example, a match funding requirement) affect the point at which it loses control of a resource.

2 A grantor shall consider whether the substance of any grant agreement terms (for example, a requirement to obtain regulatory approval) affect the timing of when the grantor's right is extinguished or its obligation to transfer a resource arises.