

# Focus Group - 2

## Expenses and Fundraising Costs

Support costs and investment management

5 February 2025



INTERNATIONAL FINANCIAL REPORTING  
FOR NON PROFIT ORGANISATIONS



**International  
Non-Profit  
Accounting  
Guidance**

# INPAG



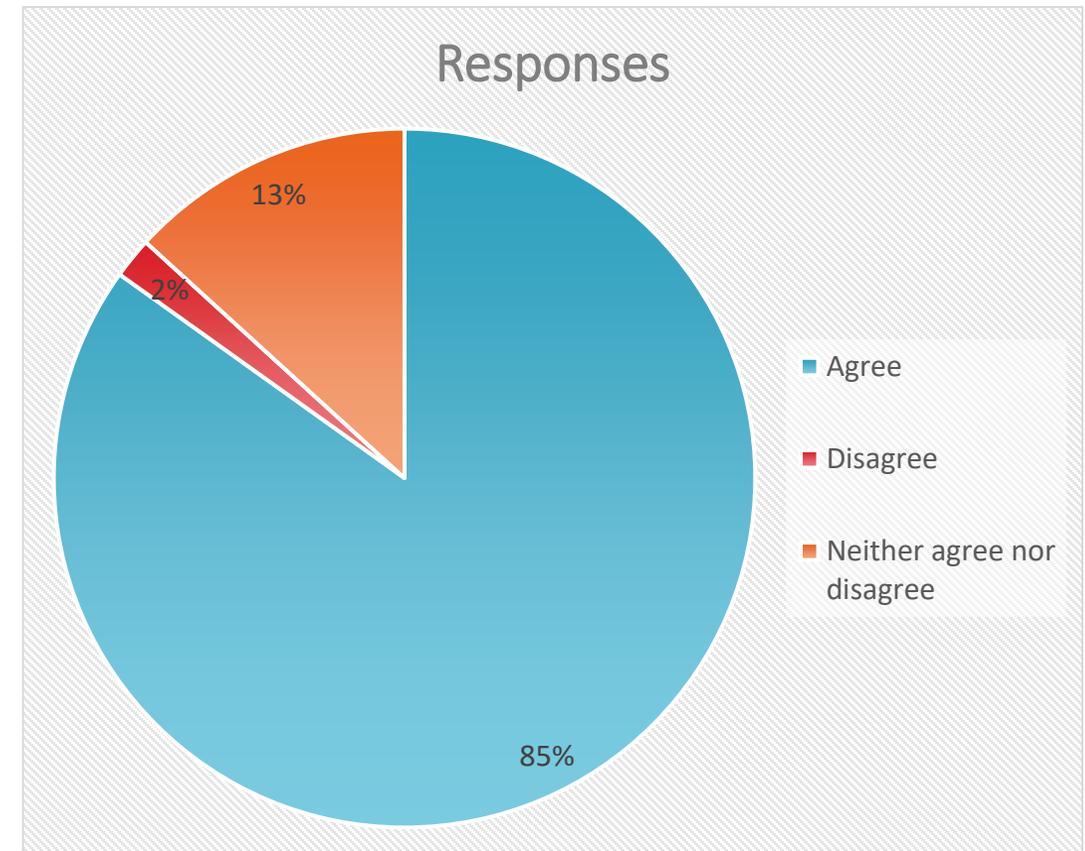
# Agenda

Topic	Time
Welcome	00.00 – 00.05
Support cost – feedback	00.05 – 00:15
Support cost – discussion	00.15 – 00:35
Investment management costs – feedback	00.35 – 00.45
Investment management costs – discussion	00.45 – 00.55
Summary and close	00.55 – 00.60



# Support Costs – Feedback from ED3

SMC 2(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?	Response	Number	% of those who responded
	Agree	45	85%
	Disagree	1	2%
	Neither agree nor disagree	7	13%
	No Response	10	-
		63	100%





# Support costs

## Direct costs

Cost associated with a single activity  
 eg salary costs  
 eg travel expenses

## Shared costs

Expenses that contribute directly to more than one activity.  
 eg staff time divided between two activities or travel expenses allocated based on kilometres travelled

## Support costs

Organisation wide expenses and not directly attributable  
 eg costs of governance, apportioned based on the budget for each activity



Activity



# Support costs and functional/mixed presentation analysis - feedback



Support service costs reported as a function - impact on the cost of other functions



Concerns about paragraph G24.49(c) ie support costs that are organisation wide shall be apportioned between the activities being supported (for example governance costs) or disclosed separately



Particular issue, for reporting fundraising costs is that a function are support costs included (they are)

# Poll 1 – Support Costs

**Q1.2 In a by function analysis how should support costs be treated?**

- **Apportioned to all other functions (activities/programmes)**
- **Held as a separate function and not apportioned to other functions**
- **Left as a decision for the NPO**
- **Not sure**

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# Poll 1 – Support Costs

## Q1.2 Should more guidance be included on support costs?

- Yes
- Yes but...
- No
- Not sure

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# Discussion – Support costs

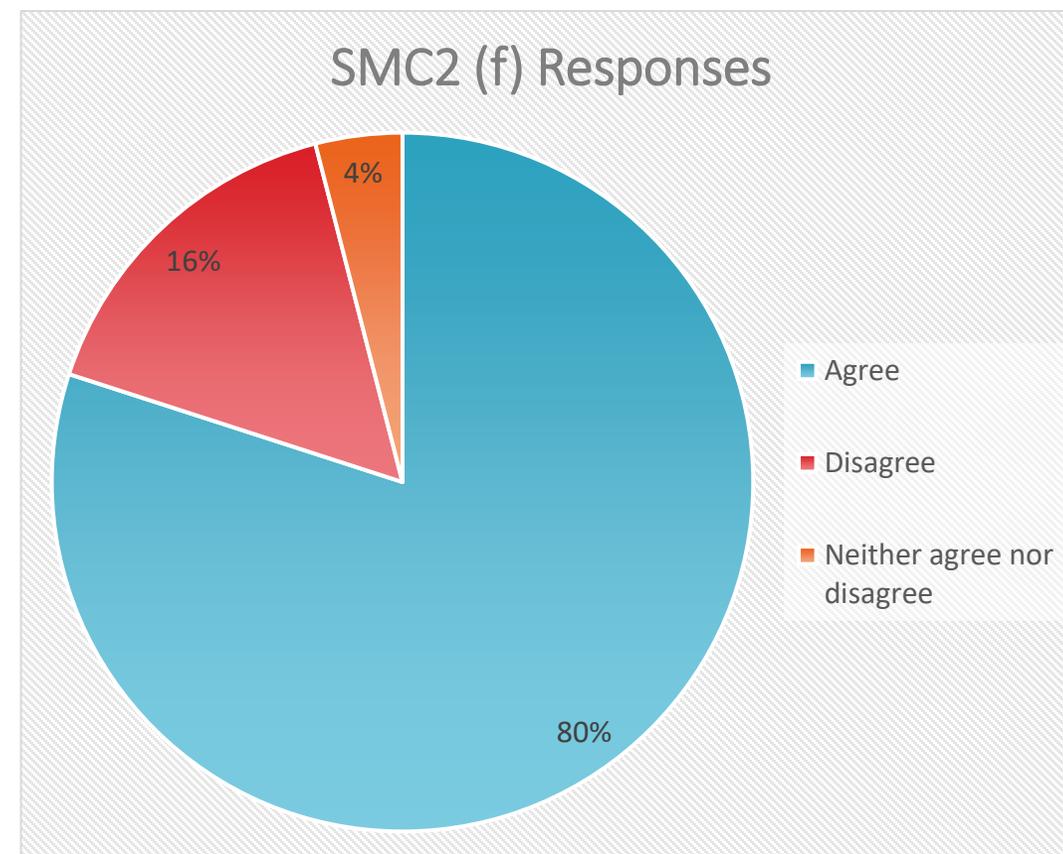
**Question 1:** What are your views on the approach to reporting support costs in a by function or mixed presentation analysis?

**Question 2:** Do you think more guidance is needed on support costs?



# Fundraising Costs - Feedback ED3

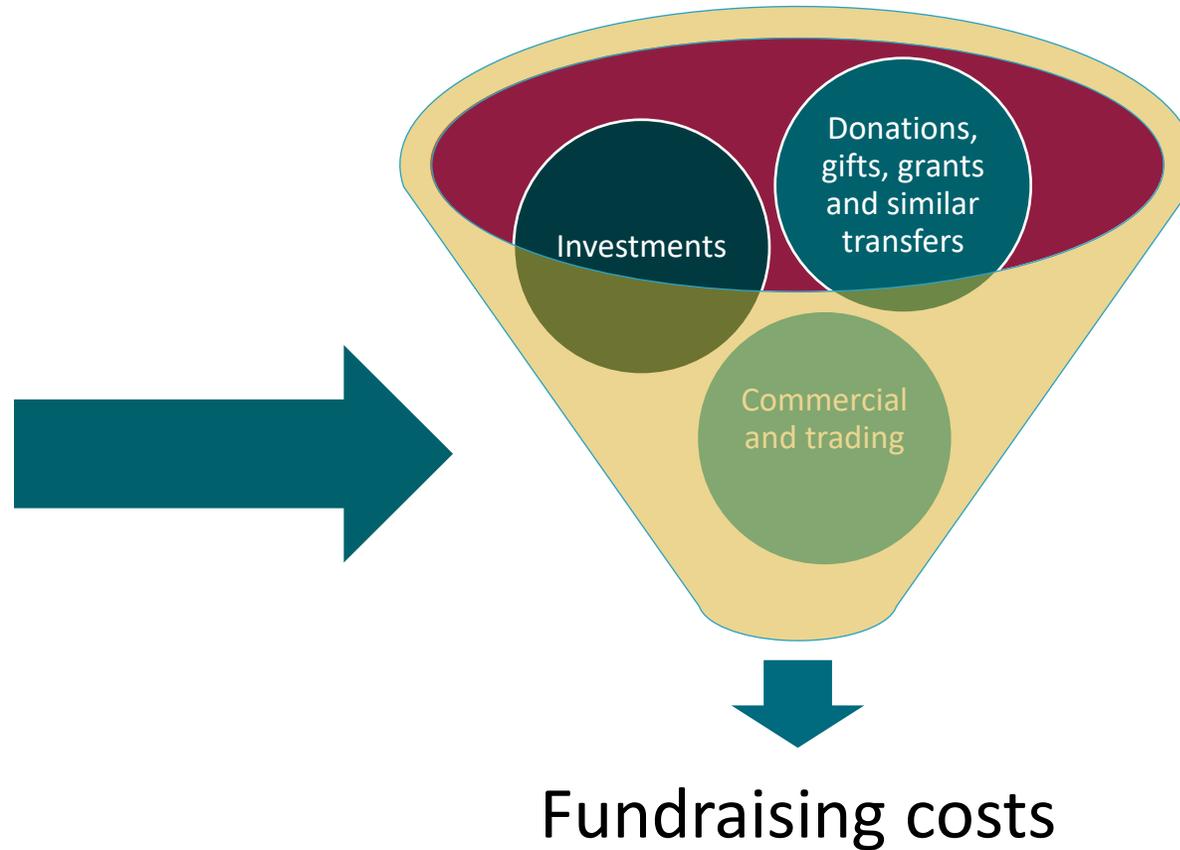
SMC 2(f) Do you agree that commercial and trading activities that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns are included as fundraising activities? If not, why not?	Response	Number	% of those who responded
	Agree	40	80%
	Disagree	8	16%
	Neither agree nor disagree	2	4%
	No Response	13	-
		63	100%





# Fundraising costs – section 24 Part III

Fundraising costs are reported separately, whichever expense classification used



NOT the cost of corporate documents which relate to the whole of an NPO

# Investment management

Management of investments where an NPO holds investments to generate returns to conduct its missional objectives



## Examples

- Portfolio management
- Obtaining investment advice
- Administration of the investments
- Costs of licensing intellectual property
- Rent collection, property repairs and maintenance charges



# Investment management costs - feedback

Does investment management include treasury management costs?

Where costs arise from donated financial assets, they are fundraising costs (for example, portfolio management)

But what about other treasury management costs – eg day to day treasury management?

# Poll 2 – Investment management costs

**Q2.1 Do investment management costs include treasury management costs?**

- Yes
- Yes but...
- No
- Not sure

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# Poll 2 – Investment management costs

**Q2.2 Can an NPO's "own" treasury management costs be separately identified from those included within fundraising costs?**

- Yes
- Yes but...
- No
- Not sure

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# Discussion – Investment management costs

**Question 3:** Are treasury management costs a part of fundraising costs?

**Question 4:** Are an NPO's own cash management functions able to be separately identified from investment management costs? Can they be reported separately?

# Collective investment schemes

A jurisdictional GAAP includes a practical exemption where entities are not expected to pro-rate investment management fees charged to a collective investment scheme to identify the notional cost attributable to its own holding in the scheme.

Do such schemes occur internationally?  
If so, would a practical exemption be useful?

# Poll 3 – Collective Investment Schemes

## Q3.1 Do NPOs operate collective investment schemes?

- Yes
- Yes but...
- No
- Not sure

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# Poll 3 – Collective Investment Schemes

**Q3.2 Should there be a pragmatic exemption to allow NPOs not to report (notional) investment management costs?**

- Yes
- Yes but...
- No
- Not sure

<https://forms.office.com/e/8ZeaSHYgtQ>

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