

Technical Advisory Group Issue Paper

AGENDA ITEM: TAGFG07-03

25 March 2025 – Online

Illustrative financial statements

Summary	This paper sets out the proposed amendments to the illustrative financial statements to take account of the responses to Exposure Draft (ED) 3.
Purpose/Objective of the paper	This paper seeks TAG members views on the updated financial statements, in particular whether there are areas where additional disclosures are required.
Other supporting items	Agenda Item TAGFG06-04 Illustrative financial statements
Prepared by	Paul Mason
Actions for this meeting	TAG members are asked to: <ul style="list-style-type: none">• Provide any comments they have on the updated illustrative financial statements; and• Identify any areas where they consider additional disclosures are required.

Technical Advisory Group

Illustrative financial statements

1. Introduction

- 1.1 At its February 2025 meeting, the TAG considered stakeholders' comments on the illustrative financial statements presented as part of Exposure Draft (ED) 3, and the Secretariat's proposed responses to the comments.
- 1.2 This paper sets out the proposed amendments to the illustrative financial statements to reflect the discussions at the February 2025 meeting.

2. Revisions to illustrative financial statements

- 2.1 At its February 2025 meeting, the TAG agreed to include additional or amended disclosures in the illustrative financial statements. In addition, additional or amended disclosure requirements have been included to reflect amendments made to the various sections of INPAS since the three EDs were issued. The additional or amended disclosures included in the illustrative financial statements are as follows:
 - Total assets and total liabilities lines have been added to the Statement of financial position.
 - A tax expense has been included in the Statement of Income and Expenses for 20X1 (the year in which a surplus is recorded). Consequential amendments to other statements reflect a change in fund balances, a payable as at 31 December 20X1 and the cash payment in 20X2. In addition, a change to the accounting policies has been made to reflect to possibility of a tax expense.
 - An impairment of equipment has been included in the Statement of Income and Expenses for 20X2, with consequential amendments to the Statement of Financial Position, Statement of Cash Flows (indirect method) and the non-current assets note amongst others.
 - A new disclosure analyses the netbook value of non-current assets between restricted and unrestricted assets in the non-current assets note.
 - A note showing revenue from grants and donations has been added. This analyses grants with and without delivery obligations into grants paid in cash, gifts in-kind and services in-kind.
 - An explanation of the NPO's assessment of going concern has been included as part of the accounting policies note.
- 2.2 As agreed at the TAG's February 2025 meeting, an additional column is being included in the illustrative financial statements to provide a cross reference to the relevant requirement in INPAS. Cross references will also be added to the

notes, either in a heading or against individual lines depending on the nature of the note.

2.3 Further amendments have been made to the illustrative financial statements to address inconsistencies identified by stakeholders. These amendments are as follows:

- A heading has been added to each page of the illustrative financial statements. This heading identifies the financial statements that are being presented.
- INPAS only requires the reconciliation of the opening and closing balances of non-current assets to be presented for the current period. The reconciliation for the comparison period has been retained, but a footnote added to clarify that this is not required by INPAS.
- Some respondents commented that grant receipts for the purchase of property, plant and equipment should be included as part of operating activities in the statement of cash flows. The TAG considered this question at its July 2024 meeting, and agreed that INPAS should be silent on this issue. For the purposes of the illustrative financial statements, the grant has been included as part of operating activities, and a footnote noting that INPAS is silent on the location of this item has been added.
- Respondents also noted that the line descriptions for investing activities within the statement of cash flows differed between the direct method and indirect method. Consistent terms have been used to address this issue.
- Respondents commented that, in the analysis of costs between mission, fundraising and support costs, the ratio of support costs to the total was too low, and could reinforce ideas of support costs not being a core part of an NPO's mission. Staff costs have been adjusted between mission and support activities (without changing the overall total) to bring support costs into a more realistic range (between 20% and 25% of the total). This affects the operating expenses note.
- Terminology has been amended in line with various sections of INPAS, (for example, references to EGA have been replaced by references to grants with delivery obligations).

2.4 Minor amendments have been made to some items to avoid the confusion some respondents identified with the illustrative financial statements in ED 3. For example, some respondents assumed the amortisation of intangible assets in 20X2 related to new acquisitions, as no amortisation was charged in 20X1. An amortisation charge has now been included for 20X1, and the narrative regarding the addition amended to clarify that no amortisation has been charged on the new acquisition.

2.5 The update of the illustrative financial statements included in the Annex is a work in progress. For example, the supplementary information note that links to the supplementary statements prepared under Practice Guide 1 has not yet been revised, and cross-referencing to the INPAS requirements is not complete. The

illustrative financial statements will be finalised prior to the pre-ballot draft being circulated to TAG members in April.

Question 1: Do TAG members support the revisions to the Illustrative Financial Statements?

March 2025

Annex A – Illustrative financial statements

NPO A – Single entity financial statements

Year ended 31 December 20X2

These financial statements have been prepared to illustrate common INPAG requirements for the primary financial statements and accompanying notes.

They do not illustrate all of the requirements of INPAG and do not cover all transactions or all types of NPO.

They should not be used as a checklist but as reference material to understand how the requirements of INPAG might be presented.

Statement of Income and Expenses

INPAS
Reference

	Note	Year ended 31 December 20X2 CU000s	Year ended 31 December 20X1 CU000s	G3.23 (d),(e)
Income				
<i>Revenue from grants and donations</i>				
Grants with delivery obligations	4,5	124	0	
Grants without delivery obligations, with restrictions	4,6	380	300	
Grants without delivery obligations or restrictions	6	990	1,385	
Donations in-kind	7	142	225	
		<u>1,636</u>	<u>1,910</u>	
<i>Revenue from goods and services</i>				
Respite care	8	392	500	
Educational activities	8	150	80	
		<u>542</u>	<u>580</u>	
<i>Other income</i>				
Interest income		10	15	
		<u>2,188</u>	<u>2,505</u>	
Total income				
Expenses				
<i>Operating expenses</i>				
Staff costs	9	1,216	1,103	
Value of services provided by volunteers	7	80	75	
Rent, rates and utilities		165	131	
Medical supplies	13	315	335	
Research and development		96	25	
Depreciation and amortisation	12	77	45	
Impairment of property, plant and equipment	12	15	-	
Impairment of inventories	13	-	5	
Other expenses		179	178	
		<u>2,143</u>	<u>1,897</u>	
<i>Expenses on grants and donations</i>				
Grants expenses	10	100	200	
<i>Other expenses</i>				
Interest expense	16,17,18	13	16	
Tax expense		0	20	
		<u>2,256</u>	<u>2,133</u>	
Total Expenses	11	2,256	2,133	
Operating surplus/(deficit)		(68)	372	
Gain/(loss) on disposal of property, plant and equipment	12	(4)	2	
Foreign exchange gain/(loss)	5	5	-	
Total surplus/(deficit)		(67)	374	

Statement of Financial Position

	Note	As At 31 December 20X2 CU000s	As At 31 December 20X1 CU000s	INPAS Reference G3.23 (d),(e)
Non-current assets				
Property, plant and equipment	12	1,013	1,080	G4.2 (e)
Intangible assets	12	50	45	G4.2 (h)
		<u>1,063</u>	<u>1,125</u>	
Current assets				
Inventory	13	57	50	G4.2 (d)
Work in progress – grants with delivery obligations	5	150	–	G23.113
Prepayment – grants with delivery obligations	10	50	–	G24.62
Other receivables	14	64	32	G4.2 (b)
Cash	15	337	729	G4.2 (a)
		<u>658</u>	<u>811</u>	
Total assets		<u>1,721</u>	<u>1,936</u>	
Current liabilities				
Liabilities – grants with delivery obligations	5	18	70	G23.113
Receipts in advance	8	48	–	G4.2 (n)
Other liabilities	16,17	86	243	G4.2 (m), (n)
		<u>152</u>	<u>313</u>	
Non-current liabilities				
Members' shares	18	45	40	G4.2 (s)
Long-term loan	18	250	250	G4.2 (n)
		<u>295</u>	<u>290</u>	
Total liabilities		<u>447</u>	<u>603</u>	
Net assets		<u>1,274</u>	<u>1,333</u>	
Funds				
Unrestricted funds	4	652	948	G4.2 (u)
Restricted funds	4	614	385	G4.2 (t)
Revaluation reserve		8	–	
Net assets		<u>1,274</u>	<u>1,333</u>	

Statement of Changes in Net Assets

	Note	Unrestricted funds	Restricted funds	Total restricted and unrestricted funds	Revaluation reserve	Total Net Assets	INPAS Reference
		CU000s	CU000s	CU000s	CU000s	CU000s	
Opening balance at 1 January 20X1	4	874	85	959	-	959	
Total surplus/(deficit) in the year	4	74	300	374	-	374	
Closing balance at 31 December 20X1	4	948	385	1,333	-	1,333	
Opening balance at 1 January 20X2	4	948	385	1,333	-	1,333	
Total surplus/(deficit) in the year	4	(301)	234	(67)	-	(67)	
Revaluation gains and (losses)	12	-	-	-	8	8	
Movements from all income and expenses		(301)	234	(67)	8	(59)	
Movement between funds	4	5	(5)	-	-	-	
Closing balance at 31 December 20X2	4	652	614	1,266	8	1,274	

There were no transfers between funds in 20X1.

Statement of Cash Flows

Direct method (option)	Note	Year ended 31 December 20X2 CU000s	Year ended 31 December 20X1 CU000s	INPAS Reference
Operating activities				
Receipts from grants and donations	5,6	1,442	1,605	
Receipt of grants for PPE ¹	6	–	150	
Receipts from goods and services	8	558	560	
Interest receipts		10	15	
Staff costs	9	(1,323)	(1,055)	
Rent, rates and utilities		(170)	(101)	
Medical supplies		(272)	(230)	
Research and development		(96)	(25)	
Grants made	10	(150)	(200)	
Interest payments	16	(16)	(16)	
Tax payments		(20)	–	
Other payments		(236)	(171)	
Net cash inflow/(outflow) from operating activities		(273)	532	
Investing activities				
Payments for property, plant and equipment (PPE)	12	(65)	(235)	
Payments for intangible assets	12	(10)	–	
Receipt of grants for PPE	6	–	150	
Receipts from disposals	12	46	52	
Net cash outflow from investing activities		(29)	(183)	
Financing activities				
Repayment of borrowings	16,17	(100)	–	
Member shares redeemed	18	–	(5)	
Member shares issued	18	5	15	
Net cash inflow/(outflow) from financing activities		(95)	10	
Movement in cash				
Opening cash and cash equivalents		729	370	
Movement if cash and cash equivalent		(397)	359	
Foreign exchange differences		5	–	
Closing cash and cash equivalents	15	337	729	

¹ INPAS does not specify the location of this item; NPOs may choose to present this item as part of operating activities or investing activities

Statement of Cash Flows

Indirect method option		Year ended 31 December 20X2 CU000s	Year ended 31 December 20X1 CU000s	INPAS Reference
	Note			
Operating activities				
Total surplus/(deficit)		(67)	374	
<i>Non-cash income and expenses</i>				
Depreciation and amortisation		92	45	
(Gain)/loss on foreign exchange		(5)	-	
Donations of property, plant and equipment (PPE)		(12)	(80)	
<i>Cash flows included in investing activities</i>				
Gain/(loss) on disposal of PPE		4	(2)	
Capital grant		-	(150)	
<i>Changes in operating assets and liabilities</i>				
(Increase)/decrease in inventories		(7)	40	
(Increase)/decrease in WIP		(150)	32	
(Increase)/decrease in other current assets		(82)	(32)	
Increase/(decrease) in other current liabilities		(4)	50	
Increase/(decrease) in operational creditors		(32)	57	
Increase/(decrease) in accruals		(10)	48	
Net cash inflow/(outflow) from operating activities		(273)	532	
Investing activities				
Payments for property, plant and equipment (PPE)	12	(65)	(235)	
Payments for intangible assets	12	(10)	-	
Receipt of grants for PPE	6	-	150	
Receipts from disposals	12	46	52	
Net cash outflow from investing activities		(29)	(183)	
Financing activities				
Repayment of borrowings	16,17	(100)	-	
Member shares redeemed	18	-	(5)	
Member shares issued	18	5	15	
Net cash inflow/(outflow) from financing activities		(95)	10	
Movement in cash				
		(397)	359	
Opening cash and cash equivalents		729	370	
Movement if cash and cash equivalent		(397)	359	
Foreign exchange differences		5	-	
Closing cash and cash equivalents	15	337	729	

Notes to the financial statements

Note 1: General Information

NPO A is established to carry out research into respiratory diseases and to support individuals and families who suffer from these diseases. Most of its activities are carried out in Country Z but it also has operations in Country Y and Country X. Its registered office is at 100 Main Street, Capital City, Country Z. It has been established in accordance with the legal requirements in Country Z.

The financial reporting year is from 1 January to 31 December.

Note 2: Material accounting policy information

Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the International Non-Profit Accounting [Guidance Standard](#) (INPASG) as directed by Country Z's regulator. They are presented in the currency units (CU) of Country Z.

All amounts are rounded to the nearest one hundred thousand CU. Use of a '0' represents amounts rounded down to zero. Use of '-' represents nil amounts. Tables may not add in all instances due to rounding.

Going concern

The financial statements are prepared on a going concern basis. The governing body has considered the possible effects of recent changes in donor behaviour and has concluded that it has sufficient certainty that sufficient funding will continue to be received for the foreseeable future such that the going concern basis is appropriate.

Revenue recognition

Revenue from grants and donations is recognised in accordance with the nature of the grant or donation. Where revenue can only be recognised after satisfying the obligations imposed by the grant agreement, revenue is recognised as each obligation is satisfied, which may be over time or at a point in time. Amounts received prior to the obligations being satisfied are reported as a liability until each obligation is satisfied. Costs incurred in satisfying each obligation prior to amounts being received are reported as work in progress, and recognised as an expense when the revenue is recognised.

Revenue from grants that do not have such obligations is recognised when the amounts are received.

Revenue from the sale of goods is recognised when the goods are passed to the purchaser. Revenue from the sale of services is recognised when the services are delivered. Revenue is measured at the fair value of the consideration received or receivable.

Services received from volunteers

Services are received from volunteers to run the telephone counselling service. These services are critical to our mission. Mission critical services are recognised as revenue and an expense at the point they are received. The volunteer's time is valued at its fair value by reference to the market salary of a junior counsellor.

Where voluntary services are received that are not critical to our mission, these are not recognised as revenue and an expense, but are disclosed in the notes to financial statements.

Grant expense recognition

Grant expenses are recognised in accordance with the nature of the grant provided. Grants made where the recipient has to satisfy obligations imposed in the grant agreement are recognised as each obligation is satisfied, which may be over time or at a point in time. Amounts paid prior to the obligation being satisfied are reported as a prepayment until each obligation is satisfied. A liability is recognised for obligations that have been satisfied, in whole or in part, prior to payment being made.

Grants made where the grantee does not have to satisfy specific obligations before being entitled to the grant are recognised when the amounts are paid.

Taxation

NPOs registered with the regulator in Country Z are ~~not~~ subject to income tax **on the surplus generated in the financial year**. **Deficits in previous years are not carried forward and do not reduce the tax liability**. Where a surplus is recorded for the year, a tax expense and a payable are recognised, and the tax is paid three months after the end of the reporting period in accordance with the relevant legislation.

Borrowing costs

All borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

Property, plant and equipment

All items of property, plant and equipment except vacant land are measured at cost less accumulated depreciation and any accumulated impairment losses. Vacant land is revalued **every** annually by a professional property valuer.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Assets are depreciated over the following periods:

Buildings: 40–60 years
Vehicles: 1–10 years
Equipment: 3–6 years.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Intangible assets

Intangible assets are comprised of specialised software and are recognised at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful life where they have a finite life using the straight-line method, or assessed for impairment where they have an indefinite life. The useful life of intangible assets is 3–10 years.

Impairment of long-life assets

At each reporting date, property, plant and equipment and intangible assets are reviewed for indications that those assets have suffered an impairment loss. If any such indication exists, the value in use of any affected asset is estimated and compared with its carrying amount. This takes account of the service potential of the asset. If the estimated value in use is lower than the current carrying amount, it is reduced to its estimated value in use amount and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its value in use. However, the carrying amount is not increased in excess of the

amount had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

Inventories

Inventories are measured at the lower of cost and selling price less costs to complete and sell (or cost, adjusted for any loss of service potential (adjusted cost) where they are held for distribution to service recipients at no or nominal consideration). Cost is calculated using the first-in, first-out (FIFO) method.

Inventories of medical supplies can be received through donations. These donations often have a short shelf life and may not be used before expiry. Consequently, these items are only recognised as revenue and an expense when they are distributed to service recipients, or otherwise used. Inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and/or sell or adjusted costs for inventory held for distribution at no or nominal consideration. If an item of inventory is impaired, its carrying amount is reduced, and an impairment loss is recognised immediately in surplus or deficit.

Receivables

Receivables are measured at cost (ie the amount invoiced or due to be invoiced), except when the amounts are not expected to be received within one year. In such instances, receivables are measured at amortised cost using the effective interest method.

Bank loans

Interest expense is recognised on the basis of the effective interest method.

Internally designated funds

The governing body may limit the use of otherwise unrestricted funds, by designating them for a specific purpose. While these funds are allocated, the governing body may reverse its decisions at any point and transfer funds back to the general fund. They are therefore included within funds without restrictions.

Note 3: Key sources of estimation uncertainty and critical judgements

In applying our accounting policies, the governing body is required to make judgements other than those regarding estimates that have a significant impact on the amounts recognised in the financial statements. The governing body is also required to make estimates concerning future events, impacting the NPO's accounting policies and the reported amounts of assets, liabilities, income and expenses that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may deviate from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to estimates are recognised prospectively.

Information about judgements and estimates made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Notes 5 and 10: Revenue from ~~enforceable grant arrangements~~ grants with delivery obligations – grants (both received and paid) may impose obligations on the recipient, with revenue or expenses only being recognised when or as the obligations are satisfied. The governing body has made a detailed assessment and an examination of the obligations and made judgements for grant recognition including when grants are recognised over time or at a point of time. For grants that are recognised over time, estimates have been made for the percentage of the obligation that has been satisfied. This has required careful estimation based on output measures such as achieving an objective.

Note 12: Non-current assets – as the governing body has yet to determine how the vacant land which has been donated to the NPO will be used, it has decided to present the economic benefits in the asset and to measure it at fair value. In measuring the fair value of the asset as discussed in note 12 the valuer uses inputs other than quoted prices that are observable either directly or indirectly ie using level 2 inputs.

Note 4: Movement in funds

	Opening balance at 1 January 20X2 CU000s	Income CU000s	Expenses CU000s	Other changes CU000s	Transfers CU000s	Closing balance at 31 December 20X2 CU000s
Funds with restrictions						
<i>Grants with delivery obligations</i>						
Longitudinal study – Pandemic	-	54	(80)	-	-	(26)
Research database	-	70	(75)	5	-	-
<i>Grants without delivery obligations</i>						
Asthma research	-	100	(50)	-	-	50
COPD campaign	-	230	(30)	-	-	200
IT development	-	50	-	-	-	50
Bronchitis research	100	-	(10)	-	-	90
Emphysema research	50	-	(10)	-	-	40
Equipment	150	-	(30)	-	-	120
Other	85	12	(2)	-	(5)	90
Total funds with restrictions	385	516	(287)	5	(5)	614
Funds without restrictions						
<i>Designated funds</i>						
Capital improvement works	250	-	-	-	-	250
IT development	-	-	-	-	100	100
<i>General fund</i>	698	1,672	(1,969)	(4)	(95)	302
Total funds without restrictions	948	1,672	(1,969)	(4)	5	652
Total funds with and without restrictions	1,333	2,188	(2,256)	1	-	1,266

The balance on the grant agreement for the longitudinal study is expected to be recovered. Any irrecoverable amount will be funded from funds without restrictions.

The transfer between restricted and unrestricted funds relates to a vehicle where the use restriction has expired.

NPO: Single entity financial statements for the reporting period ending December 31 20X2 [G3.23 (a) – (c)]

	Opening balance at 1 January 20X1	Income	Expenses	Other changes	Transfers	Closing balance at 31 December 20X1
	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s
Funds with restrictions						
<i>Other funding arrangements</i>						
Bronchitis research	-	100	-	-	-	100
Emphysema research	-	50	-	-	-	50
Equipment	-	150	-	-	-	150
Other	85	-	-	-	-	85
Total funds with restrictions	85	300	-	-	-	385
Funds without restrictions						
<i>Designated funds</i>						
Capital improvement works	250	-	-	-	-	250
<i>General fund</i>	624	2,205	(2,133)	2	-	698
Total funds without restrictions	874	2,205	(2,133)	2	-	948
Total funds with and without restrictions	959	2,505	(2,133)	2	-	1,333

Note 5: Revenue from grants with delivery obligations

Revenue recognised in the year

	20X2 CU000s	20X1 CU000s
Longitudinal study – Pandemic	54	-
Research database	70	-
Total revenue from grants with delivery obligations	124	-

On 1 April 20X2 a grant of CU1,000,000 was awarded by the government for a ten-year longitudinal study to examine the longer-term outcomes of the global pandemic. CU72,000 is payable on 1 April of each year to cover staff costs. The balance will be paid when the final report is accepted by the government. Revenue of CU54,000 (9/12 of the year) is recognised over time as it relates to staff employment.

A grant of CX50,000 was received on 1 December 20X1 from County X (CX being Country X's currency) for the development of a research database. The database was completed on 30 June 20X2. A change in the exchange rate between receipt and the date of completing the delivery obligation resulted in a foreign exchange gain of CU5,000.

Delivery obligation liabilities

	Research database CU000s	Longitudinal study CU000s
Balance 1 January 20X1	-	-
Amounts received in advance of obligations being met	70	-
Balance 31 December 20X1	70	-
Amounts received in advance of obligations being met	-	72
Revenue recognised when obligations have been met	(70)	(54)
Balance 31 December 20X2	-	18

Work in progress

	CU000s
Balance 1 January 20X2	-
Expenses incurred on obligations not yet complete	150
Balance 31 December 20X2	150

A government grant of CU300,000 was awarded in 20X2 to research the short-term impact of high pollution levels. This grant is payable once the report has been accepted by the government. At the end of the reporting period researchers estimated that the work was 75% complete. The report is expected to be accepted by December 20X3. Costs of CU150,000 have been incurred and these have been included as ~~an EGA~~ a delivery obligation asset (work in progress). Work in progress is reviewed each year for impairment.

Note 6: Revenue from grants and donations without delivery obligations

Grants and donations with restrictions

	20X2 CU000s	20X1 CU000s
Asthma research	100	-
Bronchitis research	-	100
Emphysema research	-	50
Equipment	-	150
COPD campaign	230	-
IT development	50	-
Total grants and donations with restrictions	380	300

Funding for asthma research, bronchitis research and website development has been provided through restricted grants. The grant funding, and associated expenses, are reported in separate funds (see note 4).

The fundraising campaign for research associated with chronic obstructive pulmonary disease (COPD) was launched in September 20X2. As part of the campaign, we committed to only using the funding raised for research on COPD. As a consequence the funds raised and the associated expenses are shown in a separate fund (see note 4).

In 20X1, a donor provided funding to be used to purchase equipment to be used in medical research. The grant was used to fund the purchase of equipment in 20X1 (note 12).

Grants and donations without restrictions

	20X2 CU000s	20X1 CU000s
Government grants	315	1,135
Public donations	675	250
Total grants and donations without restrictions	990	1,385

Government grants have been provided to support our recurring expenditure. [Government grants also include the effects of the interest free loan \(see note 18\)](#). An additional grant of CU900,000 was provided in 20X1 as a consequence of the pandemic.

Public donations have been received through various means outside campaigns for specific purposes. The donations may be used for any part of our mission.

Note 7: Grants and donations in cash and in-kind [INPAS reference G23.109]

	20X2 With delivery obligations CU000s	20X2 Without delivery obligations CU000s	20X1 With delivery obligations CU000s	20X1 Without delivery obligations CU000s
Grants and donations:				
In cash	124	1,370	-	1,685
Gifts in-kind	-	62	-	150
Services in-kind	-	80	-	75
Total grants and donations	124	1,512	-	1,910

Donations in-kind

	20X2 Income CU000s	20X2 Expenses CU000s	20X1 Income CU000s	20X1 Expenses CU000s
Vacant land	-	-	80	-
Asthma medication	50	50	70	70
Counsellors	80	80	75	75
Minibus	12	2	0	0
Total donations in-kind	142	132	225	145

Vacant land	A piece of land was donated in 20X1 to be used on any missional objective. There are no restrictions over how this land may be used and no decision has yet been made on whether the land will be used or sold.
Asthma medication	10,000 units of asthma medication were donated in 20X2 (20X1: 20,000 units). 8,000 units of medication were used and valued with reference to the market price, which reduces as the expiry date gets closer. Expenses are reported as part of medical supplies. Further details are provided in Note 13 (Inventories).
Counsellors	Fifteen (20X1: 15) volunteers provide the counselling service. These volunteers operate on a rota overseen by a member of staff. Their services are critical to the provision of counselling to those suffering with respiratory diseases. As a consequence, the time donated by volunteers is recognised in the financial statements.
Minibus	A minibus with a value of CU12,000 was donated to transport members to and from respite care. It is included in a fund with other grant funded assets that have restrictions in funds with restrictions. Depreciation of CU2,000 has been recognised as an expense in 20X2.

Amounts not recognised in the financial statements: [INPAS reference G23.110]

An overseas researcher provided voluntary services for three months during 20X2. These are not reported in the financial statements as the services supported our work rather than being critical to our mission. We estimate that if this time had been provided by a local researcher the cost would have been approximately CU7,000.

Note 8: Revenue from goods and services

<i>Revenue recognised in year</i>	20X2 CU000s	20X1 CU000s
Respite care	392	500
Education services	150	80
Total revenue from goods and services	542	580

Respite care is provided at a subsidised rate to members. Respite care is charged on a day rate. Some contracts for long-established clients are invoiced in arrears. Where contracts are invoiced in arrears, a contract asset (work in progress) is recognised for a proportion of the costs (based on the level of subsidy), with the remaining costs expensed as they are incurred. Once a period of respite care is complete, work in progress is recognised as a receivable.

Education courses and other education services related to our mission are also provided. While contracts are negotiated individually, all are charged on an agreed day rate, which are paid in advance of the services being provided.

Contract liabilities

	Respite care CU000s	Education services CU000s
Balance 1 January 20X1	20	-
Amounts received	280	80
Amounts recognised as revenue	(300)	(80)
Balance 31 December 20X1	-	-
Amounts received	220	150
Amounts recognised as revenue	(172)	(150)
Balance 31 December 20X2	48	-

Note 9: Staff costs

	20X2 CU000s	20X1 CU000s
Salaries and wages	875	750
Taxes	263	265
Pension costs	70	60
Other employee benefits	8	28
Total staff costs	1,216	1,103

Other employee benefits are for one-off bonuses made to members of staff for excellence. Bonuses in 20X1 were higher reflecting the exceptional performance during the global pandemic.

Note 10: Grant expenses

	20X2	20X1
	CU000s	CU000s
Grants made		
Residential adjustment grants	50	200
Pollution research	50	–
Total grants made	100	200

Grants of CU50,000 (20X1: CU200,000) were made to qualifying individuals to purchase equipment to assist with residential adjustments for their ongoing wellbeing.

Grant fulfilment assets

	Pollution research: Country Y CU000s	Pollution research: Country X CU000s
Balance 1 January 20X2	–	–
Payments made	50	50
Amounts recognised as expense (purpose met)	(50)	–
Balance 31 December 20X2	–	50

We entered into a grant agreement in 20X2 with NPO B in Country X and NPO C in Country Y to carry out research into the short-term impacts of pollution in individuals with pre-existing respiratory diseases in Country X each for CU50,000. Payment of the grants was made when the agreements were signed. NPO B’s grant requirements have not yet been satisfied and no expense has been recognised. The report by NPO C had been accepted and the expense has been recognised in full.

Note 11: Operating expenses

The Statement of Income and Expenses provides an analysis of expenses by nature.

Fundraising costs

Fundraising costs include CU30,000 (20X1: CU40,000) for the costs of the public campaign to raise funds for research into long Covid. These costs covered a social media campaign and a limited print media campaign with an advertorial in local newspapers and a limited TV advertising campaign in off-peak times. These costs have been funded from the donations received from the campaign. The costs comprise CU16,000 (20X1: CU29,600) of direct costs and CU8,000 (20X1: CU2,400) of shared staff costs based on time sheet recording, and CU6,000 (20X1: CU8,000) of support costs which were allocated based on budgeted amounts.

Fundraising costs also include CU5,000 (20X1: CU22,000) for the cost of preparing applications for grants. During the year, six (20X1: ten) applications for grants were made, four (20X1: three) of which were successful. In none of these cases could the application costs be charged against the grant awarded. The costs include all shared staff costs based on time sheet recording and support costs which were allocated based on budgeted fundraising costs.

All fundraising costs related to activities to raise donations, gifts, grants and similar transfers. There were no fundraising activities related to commercial trading or investment management and hence no costs. All fundraising costs were for the purpose of raising funds, but there were incidental benefits in terms of awareness raising. These cannot be quantified without undue cost or effort.

Losses, write offs and special payments

During 20X2 a non-contractual payment was made to a former employee. The employee has raised a grievance, which was subject to mediation processes. This was not successful. The governing body decided to settle the grievance without going through the full legal process based on the likely costs and the uncertainty of the outcome. No legal liability was accepted and a payment of CU10,000 was made.

Additional expense analysis²

	20X2 CU000s	20X1 CU000s
Missional activities	1,693	1,603
Fundraising costs	35	62
Support costs	528	468
Total expenses	2,241	2,108

Missional activities are those activities that directly benefit those that use the services provided or activities that develop the understanding of respiratory diseases and their impact on individuals and their families. The main activities in 20X2 were as follows:

	20X2 CU000s	20X1 CU000s
Respite care programme	413	575
Education and counselling services	150	80
Research into respiratory diseases	843	748
Research related to pandemic	205	-
Other	82	200
Total missional activities	1,693	1,603

Support costs include the costs of the finance, HR, facilities and IT teams as well as senior management. Support costs only include those costs that cannot be allocated to a missional activity or fundraising costs and are costs that support the entire operation of the NPO.

² This additional expense analysis is optional. It is an example of additional expense information that can be provided. This type of information is helpful to understand the cost of services on respite care and education services that have been subject to external charges.

NPO: Single entity financial statements for the reporting period ending December 31 20X2 [G3.23 (a) – (c)]

Note 12: Non-current assets

	Land	Land (vacant)	Buildings	Vehicles	Plant and equipment	Total property, plant and equipment	Intangible assets
	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s
<i>Cost or value</i>							
As at 1 January 20X2	250	80	600	100	500	1,530	60
Additions	-	-	-	12	50	62	10
Revaluation gains/(losses)	-	8	-	-	-	8	-
Disposals	-	-	-	-	(100)	(100)	-
As at 31 December 20X2	250	88	600	112	450	1,500	70
<i>Accumulated depreciation/amortisation</i>							
As at 1 January 20X2	-	-	(100)	(50)	(300)	(450)	(15)
Charge for the year	-	-	(10)	(10)	(67)	(87)	(5)
Disposals	-	-	-	-	50	50	-
Closing balance 31 December 20X2	-	-	(110)	(60)	(317)	(487)	(20)
<i>Net book values</i>							
Brought forward at 1 January 20X2	250	80	500	50	200	1,080	45
Carried forward at 31 December 20X2	250	88	490	52	133	1,013	50
Analysis of carrying amounts:							
Unrestricted	250	88	490	42	13	883	40
Restricted	-	-	-	10	120	130	10

NPO: Single entity financial statements for the reporting period ending December 31 20X2 [G3.23 (a) – (c)]

	Land	Land (vacant)	Buildings	Vehicles	Plant and equipment	Total property, plant and equipment	Intangible assets
	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s
<i>Cost or value</i>							
As at 1 January 20X1	250	–	510	90	450	1,300	60
Additions	–	80	90	10	150	330	–
Disposals	–	–	–	–	(100)	(100)	–
As at 31 December 20X1	250	80	600	100	500	1,530	60
<i>Accumulated depreciation/amortisation</i>							
As at 1 January 20X1	–	–	(90)	(42)	(328)	(460)	(10)
Charge for the year	–	–	(10)	(8)	(22)	(40)	(5)
Disposals	–	–	–	–	50	50	–
Closing balance 31 December 20X1	–	–	(100)	(50)	(300)	(450)	(15)
<i>Net book values</i>							
Brought forward at 1 January 20X1	250	–	420	48	122	840	50
Carried forward at 31 December 20X1³	250	80	500	50	200	1,080	45
Analysis of carrying amounts:							
Unrestricted	250	80	500	45	50	925	45
Restricted	–	–	–	5	150	155	0

³ INPAS does not require this reconciliation to be presented for comparative periods (see paragraphs x.xx (property, plant and equipment) and x.xx (inventories)). It is included here as this information might be useful to some users.

NPO: Single entity financial statements for the reporting period ending December 31 20X2 [G3.23 (a) – (c)]

Vacant land was measured at fair value on recognition (1 September 20X1) and on 1 December 20X2 using professional property valuers ABC Valuers, Capital City, Country Z. There has been no significant change in land values between 1 December 20X2 and 31 December 20X2.

The fair value of land (vacant) uses inputs other than quoted prices that are observable either directly or indirectly and have therefore been categorised as using level 2 inputs.

	Level 1 CU000s	Level 2 CU000s	Level 3 CU000s	Total CU000s
As at 31 December 20X2				
Land (vacant)	-	88	-	88
As at 31 December 20X1	-	80	-	80

Vehicles include a minibus donated in 20X2 for the transport of members to and from respite care. This vehicle is limited to those purposes until it cannot economically function. The estimated value of the minibus when it was donated was CU12,000 and it has a net book value of CU10,000 at 31 December 20X2. The use restriction on another vehicle expired in 20X2. The net book value (CU5,000) of the vehicle has been moved from a fund with restrictions to a fund without restrictions.

Additions to intangible assets in 20X2 were funded by a donation by a corporate donor for the purposes of developing a new IT application as part of systems development. This is shown as a separate fund in Note 4 to the financial statements. [The application is expected to become operational in 20X3, and consequently no amortisation has been charged in 20X2.](#)

Additions to equipment in 20X2 CU50,000 (20X1: CU50,000) for specialised medical equipment was funded by a specific grant. These are shown as a separate fund in Note 4. Cumulative depreciation/amortisation of these assets is CU11,000 (20X1: CU5,000).

In 20X2, assets with a net book value of CU50,000 were disposed of. Sales proceeds were CU46,000. In 20X1 the equivalent amounts were CU50,000 (net book value) and CU52,000 (proceeds).

~~In 20X1 the remaining useful lives of intangible assets was reviewed, with an extension of the lives previously used. The amortisation charge for 20X1 was less than CU1,000 and has been rounded to 0.~~

~~One piece of equipment was damaged in transit in 20X2, and an impairment loss of CU15,000 was recognised. We currently have no plans to replace the equipment, which was nearing the end of its useful life.~~

Note 13: Inventories

	Medical supplies CU000s	Consumables CU000s	Total CU000s
As at 1 January 20X2	40	10	50
Purchases	257	25	282
Donations	50	-	50
Utilised	(300)	(25)	(325)
As at 31 December 20X2	47	10	57
As at 1 January 20X1	75	15	90
Purchases	215	30	245
Donations	70	-	70
Utilised	(320)	(30)	(350)
Impairment	-	(5)	(5)
As at 31 December 20X1	40	10	50

Inventories are held solely for consumption in the provision of services.

2,000 units (20X1: 1,000 units) of donated inventory were approaching their expiry date and it is not certain they can be used. Consistent with the accounting policy they are not recognised until and unless they are used and are therefore not included within donated inventory in the year.

Note 14: Other receivables

	31-Dec-X2 CU000s	31-Dec-X1 CU000s
Receivables from customers	64	32
Total other receivables	64	32

Note 15: Cash

	31-Dec-X2 CU000s	31-Dec-X1 CU000s
Cash in foreign bank accounts	-	70
Cash at bank	337	659
Total cash	337	729

Note 16: Reconciliation of liabilities arising from financing activities			
	Short-term loan	Long-term loan	Total borrowing
	<i>CU000s</i>	<i>CU000s</i>	<i>CU000s</i>
Balance at 1 January 20X1	103	250	353
Cash payments	(6)	(10)	(16)
Interest	6	10	16
Balance at 31 December 20X1	103	250	353
Cash payments	(106)	(10)	(116)
Interest	3	10	13
Balance at 31 December 20X2	-	250	250

Note 17: Other current liabilities

	31-Dec-X2 CU000s	31-Dec-X1 CU000s
Borrowings	-	103
Payables	45	92
Accruals	41	48
Total other current liabilities	86	243

Note 18: Non-current liabilities

Long-term borrowings

	31-Dec-X2 CU000s	31-Dec-X1 CU000s
Balance 1 January	250	250
Interest expense	10	10
Interest paid	(10)	(10)
Balance 31 December	250	250

A ten-year bank loan of CU250,000 was taken out in 20X0 at a fixed rate of 4%. The loan is repayable in 20Y0.

Members shares

	31-Dec-X2 CU000s	31-Dec-X1 CU000s
Members shares at 1 January	40	30
New shares	5	15
Refunds	-	(5)
Members shares at 31 December	45	40

Members shares provide the holder of those shares with the ability to access respite care and educational services and the right to appoint members to the governance board. Members shares do not give holders any rights to the net assets of the organisation. The value of the share is refunded when the holder leaves the respite scheme.

Note 19: Supplementary information

The whole of the entity supplementary information is set out below:[to be updated]

	Note	20X2	20X1
		CU000s	CU000s
Income			
Grants and donations	4,5,6	1,636	1,910
Other income – sales of goods and services	8	542	580
Other income – interest income		10	15
Total income		2,188	2,505
Expenses			
Direct expenses			
Employment		1,216	1,103
Travel and subsistence		25	22
Supplies and materials		340	360
Running costs, external services and other		274	144
Services in-kind and gifts in-kind	7	132	145
Grants payable	9	100	200
Support costs	10	154	134
Total expenses		2,241	2,108
Foreign currency translation gains/losses	5	5	-
Other financial movements	11	4	2
Change in fund balances		(44)	399
Opening balance		1,358	959
Closing balance		1,314	1,358
Inventory and capital costs (optional)			
Total expenses		2,241	2,108
Less: inventory expenses		-	-
Less: depreciation or amortisation charged		(11)	(5)
Add: inventory costs incurred		-	

Add: capital costs incurred		60	50
Expenses, inventory and capital costs		2,290	2,153
Opening balance including inventory and capital costs		1,313	959
Closing balance including inventory and capital costs		1,220	1,313

Supplementary statements that have been produced in accordance with INPAG Practice Guide 1 – Supplementary statements are published separately.

Note 20: Contingent liabilities

During 20X2, a service recipient initiated proceedings following an adverse reaction to medication provided during respite care. The claim is for CU20,000.

Legal advice is that the claim has no merit and it is being contested. No provision has been recognised in these financial statements as management has not deemed it probable that a loss will arise.

Note 21: Events after the reporting date

On 25 January 20X3 there was a flood in respite care building storage area. The cost of refurbishment is expected to be CU36,000. The reimbursements from insurance are estimated to be CU16,000.

Note 22: Related party transactions

The total remuneration of key management personnel in 20X2 (including salaries and benefits) was CU105,000 (20X1: CU98,000).

Governing body members were not remunerated and had no out of pocket expenses in 20X2 or 20X1.

Note 23: Approval of financial statements⁴

These financial statements were approved by the Board and authorised for issue on 10 March 20X3.

⁴ This information may be presented as a separate note, as here, or in some other way, for example by a declaration and signature on the statement of financial performance.

