

Technical Advisory Group

Issue Paper

AGENDA ITEM: TAGFG07 - 04
25 March 2025 – Online

Section 37 Supplementary information – Final Guidance

Summary	This paper provides TAG Members with the amendments to the final guidance for Section 37 <i>Supplementary information</i> .
Purpose/objective of the paper	The paper provides the approach to the proposed amendments to Section 37, the Implementation Guidance and the Basis for Conclusions following TAG's advice at its December 2024 meeting. It seeks TAG members' views on the amendments required to finalise the guidance.
Other supporting items	TAGFG04-03
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Actions for this meeting	<p><u>Advise on:</u></p> <ul style="list-style-type: none"> i. The requirements for the application of Section 37. ii. The basis of reporting of supplementary information disclosures. iii. The benefits of producing a single whole of NPO Supplementary Statement iv. The treatment in Section 37 of the acquisition costs of inventory and capital items.

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Supplementary information - Final guidance

1. Introduction

- 1.1 This paper provides amendments to Section 37 *Supplementary information*, its Implementation Guidance and the Basis for Conclusions following TAG member's advice at its December 2024 meeting – see separate Annex (TAGFG07- 04 Annex);

2. Background

- 2.1 Section 37 *Supplementary information* of INPAS differs from other sections as it is not derived from the *IFRS for SMEs* Accounting Standard. It sets out the supplementary information that NPOs must disclose when preparing one or more Supplementary Statements in accordance with INPAS Practice Guide 1 – *Supplementary Statements* (INPAS Practice Guide 1). The title of this publication is now proposed to be INPAS Practice Guide 1 – *Supplementary statements for donor reporting*.
- 2.2 Supplementary Statements provide financial information on specific funds or activities, such as grants or projects, and are produced outside the general purpose financial statements. The supplementary information required under Section 37 may include additional details not otherwise disclosed in the general purpose financial statements. Supplementary information provided must include the classes of information in the prescribed format of the Supplementary Statement in INPAS Practice Guide 1.
- 2.3 An NPO may choose to apply Section 37, including publishing a whole-of-entity Supplementary Statement, regardless of whether it has produced other Supplementary Statements.
- 2.4 At its 3 December 2024 meeting, TAG members reviewed the feedback from responses to ED3 for Section 37. They deliberated on the report summarising the responses to the SMCs and discussed the approach to incorporating drafting suggestions into the Authoritative Guidance and Implementation Guidance.
- 2.5 This paper sets out the main changes now proposed to Section 37. Amendments to the draft final guidance are included in a separate Annex to this paper.

3. Application of Section 37

- 3.1 There was strong support from respondents to ED3 for limiting the applicability of Section 37 to NPOs that prepare Supplementary Statements in accordance with INPAS Practice Guide 1. Respondents highlighted that this exemption enhances flexibility, reduces unnecessary burdens on preparers, and ensures that the financial statements remain streamlined and relevant.
- 3.2 At its December 2024 meeting, TAG members raised concerns that the “trigger” for the application of the reporting requirements for Section 37 was not sufficiently clear. Specifically, there were concerns regarding whether compliance with Section 37 is required when Supplementary Statements are prepared but not published, and how terms such as “prepare,” “produce,” and “communicate” should be interpreted in determining its application.
- 3.3 The Secretariat has therefore clarified in paragraphs G37.1 and G37.2 that an NPO is only required to prepare supplementary information when it prepares Supplementary Statements in accordance with INPAS Practice Guide 1 and that these Supplementary Statements are used for accountability purposes. This is intended to address circumstances where an NPO might prepare the statements but does not use them ie they are not distributed to stakeholders. The amendments also reinforce that Section 37 operates only if Supplementary Statements are produced in accordance with INPAS Practice Guide 1.

Question 1: Do TAG Members agree with the approach to the clarification of the application requirements for Section 37?

4. Basis of reporting for the supplementary information disclosures

- 4.1 Comments from one of the respondents on the location of supplementary information raised a question about which financial information should be included in the Section 37 disclosures (for example should some components of net assets be included in the disclosures).
- 4.2 The Secretariat has therefore added a new part to Section 37 to clarify that the supplementary information must be consistent with the requirements of INPAS but explicitly requiring consistency with the Statement of Income and Expenses and the Statement of Net Assets. The new section confirms that this excludes components of net assets not reported in the movements in funds.
- 4.3 The new provisions confirm that on an exceptional basis if the supplementary information is not provided using the reporting boundary of the NPO or the recognition and measurement requirements specified by INPAS, it is required to provide a quantitative and qualitative explanation of the differences from following the requirements of the Standard.

- 4.4 Since the December TAG meeting the Secretariat has further considered the inventory and capital costs section where INPAS Practice Guide 1 allows but does not require an NPO to include the acquisition costs for inventory or capital items in its Supplementary Statement. This section of the Supplementary statement is intended for use by an NPO where its stakeholders are seeking accountability for the cash resources provided to purchase or create inventory or capital assets. As this is optional, not all NPO's might use this section of the statement.
- 4.5 The Secretariat has therefore proposed that Section 37 clarifies that this information is only required where an NPO is issuing Supplementary statements for the financial reporting period and one or more of its Supplementary statements in accordance INPAS Practice Guide 1 uses this option section. Where the Supplementary statement section has been used, as with other information, whole of entity disclosures are required.
- 4.6 The Secretariat would note that this means that the disclosures required by Section 37 if a single statement is used would mean reporting a mix of cash and accrued amounts in the same disclosure which is an unusual requirement for Standards. An alternative would be to not include the optional inventory and capital costs section in the Section 37 note, but this would break the 'bridge' to the Supplementary statements that this note is intended to create.
- 4.7 The Secretariat has not yet completed its work on the INPAS Practice Guide 1. It should be noted that the descriptions used in the prescribed format may be amended, particularly in the capital and inventory section to respond to stakeholder feedback. This will be considered at the 3 June TAG meeting alongside the ballot draft.

Question 2: Do TAG members agree with the approach to the reporting for the supplementary information disclosures?

Question 3: Do TAG members agree with the approach to capital and inventory costs? Do TAG members have any concerns about the inclusion of this optional section in Section 37?

5. Benefits of a Whole-of-NPO Supplementary Statement

- 5.1 Most respondents agreed that an NPO does not have to provide a whole-of-NPO Supplementary Statement if that information is provided elsewhere in the financial statements. However, some Donor Reporting Group members were strongly supportive of the disclosures being presented in a single note for reasons of accessibility and transparency. PAG members supported retaining the current approach which allows but does not require the disclosures to be presented as one note.

- 5.2 At its December 2024 meeting, TAG members advised that requiring users to assemble whole-of-NPO financial information from across the financial statements can be both burdensome and confusing. TAG members were of the view that a single Supplementary Statement, can enhance clarity, reduce the effort required from users, and ensure that financial data is presented in a more accessible and structured manner.
- 5.3 TAG members requested that the Implementation Guidance be used to demonstrate the benefits of a whole-of-NPO supplementary statement. The Secretariat has therefore expanded paragraph IG37.1 to highlight the advantages of having of a whole-of-NPO Supplementary Statement.

Question 4: Do TAG Members agree with the additional Implementation Guidance which highlights the advantages of producing a single supplementary statement?

6. Drafting Augmentations

- 6.1 The Secretariat has made several drafting augmentations to clarify and rationalise the disclosure requirements. It has:
- brought together the disclosures required when there are departures from the Standard.
 - reordered paragraphs on the disclosure of supplementary information and removed duplication between paragraphs.

7. Basis for Conclusions

- 7.1 The Basis for Conclusions has been updated to reflect the feedback from ED3, summarising the significant issues raised, and decisions taken in response to the SMCs in ED3. It has therefore been amended to include confirmation of the issues reported at TAG's December 2024 meeting and the Secretariat's subsequent proposals including:
- confirmation that preparation of supplementary statements is not sufficient to require application of Section 37 and that they must be used for accountability purposes;
 - the production of a whole-of-NPO Supplementary Statement if that information is provided elsewhere in the financial statements;
 - the rationale for the new part of section 37 which confirms the basis of reporting for the supplementary information disclosures and the disclosures required when an NPO departs from these; and
 - the requirement to provide whole of entity disclosures when an NPO has opted to use the section in the Supplementary Statement to provide the acquisition costs for inventory and capital items.

8. Next steps

- 8.1 Subject to the comments made by TAG members in response to this paper, the Secretariat intends to treat the drafts shared alongside this paper as final.
- 8.2 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 on 3 June 2025.

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