**International Non-profit Accounting Guidance (INPAG)**

**Exposure Draft 1 Response template**

Exposure Draft 1 can be found here: [www.ifr4npo.org/ed1](http://www.ifr4npo.org/ed1). Please use this form to record your responses to the Specific Matters for Comment.

Comments are most helpful if they:

1. Address the question asked;
2. Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
3. Propose alternatives for consideration, where responses are not in agreement with the proposal made;
4. Specify the INPAG paragraphs to which any comments relate; and
5. Identify any wording in the proposals that might not be clear because of how they translate.

The text boxes will expand as required. There is no size limit. There are 12 question areas. You do not need to answer all questions and can choose to answer as many or as few as you wish.

Responses must be received by **31 March 2023 and must be in English**.

Please contact [info@ifr4npo.org](mailto:info@ifr4npo.org) if you have queries.

Responses can be submitted to [ifr4npo@cipfa.org](mailto:ifr4npo@cipfa.org) or through the website at [www.ifr4npo.org/](http://www.ifr4npo.org/)have-your-say

**Respondent information\*:**

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| **Position:** | Finance Manager | **Professional interest:** please choose from:   * preparer, * auditor, * standard setter, * professional accounting organisation, * regulator, * donor, * academic, * civil society, * user of NPO services, * other (please state) | * preparer, * standard setter, * professional accounting organisation, * regulator, * civil society, |

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| Please indicate whether you wish to receive further information about this project and consent to being contacted at the email address provided. | **Tick boxes**  Agree  Disagree |

This document has been designed purely to enable feedback to Exposure Draft 1.  Participation is undertaken on an entirely voluntary basis. The responses will be used to shape the development of INPAG and not for any other purpose.  We ask for your name and contact information to enable us to contact you if we should have any clarifications regarding your responses. Responses will be public, but personal contact information will not be disclosed.  Personal information will only be held for the purposes of developing INPAG.  You may withdraw your consent for us to hold any of your personal information at any time by contacting us at [ifr4npo@cipfa.org](mailto:IFR4NPO@cipfa.org)

**Specific Matters for Comment**

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| **Question 1: General comments** | The Guidance is split into Sections that mirror the structure of the *IFRS for SMEs* Accounting Standard. INPAG has 3 volumes; (i) authoritative guidance (G) and application guidance (AG), (ii) a basis for conclusion that explains the reasons for the approach taken (BC) and (iii) non-authoritative implementation guidance (IG). | |
|  | **References** | **Response** |
| 1. Is the structure of INPAG helpful? If not, how could it be improved? | GP22-GP24 | **Overall, the structure of INPAG is helpful as it provides a clear set of guidelines for non-profit organizations to follow in their financial reporting. However, there is always room for improvement, and some suggestions for enhancing the effectiveness of INPAG are:**  **Simplification: The INPAG structure can be simplified to make it more accessible to non-profit organizations of all sizes, including those with limited financial resources. The guidelines can be made more concise and presented in a manner that is easy to understand and implement.**  **Flexibility: The structure of INPAG could be made more flexible to accommodate the unique needs of different non-profit organizations. This could include providing alternative methods of financial reporting that are suitable for organizations with diverse operating models.**  **Up-to-date: The INPAG structure should be updated periodically to reflect changes in the accounting and auditing standards. This would ensure the continued relevance and effectiveness of the guidelines.**  **Global perspective: The INPAG structure should be designed to accommodate the unique requirements of non-profit organizations working in different countries, with different legal, regulatory, and cultural environments. This would make it possible for non-profit organizations to comply with local regulations while maintaining consistency with international standards.** |
| 1. Do you have any other comments (including regulatory, assurance or cost/benefit) relating to this INPAG Exposure Draft? If so, explain the rationale for any points you wish to make. |  | **In general, There are no further comments; however, I would like to draw your attention that:**  **Regulatory considerations include compliance with relevant laws and regulations, adherence to established accounting principles, and ensuring that the guidance is consistent with international best practices. Assurance considerations include ensuring that appropriate auditing and assurance procedures are in place for financial reporting by non-profit organizations to help ensure the accuracy of reported information.**  **Cost/benefit considerations are also important, particularly for non-profit organizations that may have limited financial resources. Our guidance developed should take into account the costs associated with implementing the guidance and ensure that the benefits of doing so outweigh those costs.** |

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| **Question 2: Description of NPOs and users of INPAG** | This Section sets out a broad characteristics approach to identifying those entities to whom INPAG might apply. This descriptive approach is used rather than a single definition, given the diversity of NPOs.  Although an entity might be described as an NPO for the purposes of INPAG based on these characteristics, INPAG is not intending to apply to very small NPOs, where cash-based financial information might be sufficient, or those NPOs that meet the definition of public accountability in IFRS-based standards. | |
|  | **References** | **Response** |
| 1. Do you agree with the description of the broad characteristics of NPOs? Does the term ‘providing a benefit to the public’ include all entities that might be NPOs? If not, what would you propose and why? | G1.2-G1.5 | **Generally, the description of the broad characteristics of non-profit organizations as having a public benefit objective, directing surpluses for the benefit of the public, and being distinct from government or public sector entities is generally accepted and recognized and provides a useful framework for understanding the unique features of non-profit organizations.** |
| 1. Does Section 1, together with the Preface, provide clear guidance on which NPOs are intended to benefit from the use of INPAG? If not, what would be more useful? |  | **It is accepted; however, as with any guidance, it should be reviewed and improved regularly.** |

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| **Question 3: Concepts and pervasive principles** | This Section sets out the concepts and principles that underpin the accounting requirements for NPO transactions and events. It describes a reporting entity for the purposes of INPAG and provides additional guidance about the sometimes complex structures used by NPOs to achieve their objectives. It identifies the primary users of financial statements and reports, their information needs and the characteristics of useful information. It also describes the elements of financial statements and how net assets are derived. It introduces the categorisation of accumulated funds into funds with restrictions and funds without restrictions.  This Section is most likely to be read by standard setters, auditors, technical accounting advisors and financial accountants. | |
|  | **References** | **Response** |
| 1. Do you agree with the range of primary users and the description of their needs? If not, what would you propose and why? | G2.3-G2.12 | **Non-profit organizations need guidance to ensure that their financial statements are accurate, transparent, and comply with relevant accounting standards. Stakeholders, such as donors, volunteers, and board members, rely on financial statements to assess the organization's financial health and performance. Funding agencies also use financial statements to evaluate an organization's eligibility for funding and to monitor the use of funds.** |
| 1. Do you agree with the qualitative characteristics of useful information? If not, what would you change and why? | G2.13-G2.32, AG2.1-AG2.3 | **Yes, it is accepted.** |
| 1. Do you agree with the components of net assets? If not, why not? | G2.73, Diagram 2.2 | **Yes, it is accepted.** |
| 1. Do you agree with the inclusion of equity as an element? If not, what would you propose and why? What type of equity might an NPO have? | G2.141, AG2.6-AG2.9 | **In terms of non-profit organizations (NPOs), equity may represent the accumulated funds or reserves that have been built up over time through donations, grants, or other sources. This equity can be used to support the organization's mission and programs, or to invest in future initiatives.**  **However, it is important to note that the concept of equity may not be as relevant for NPOs as it is for for-profit organizations. NPOs typically do not have shareholders, and their primary objective is not to generate profits for distribution to owners or investors. Instead, NPOs operate for public benefit or charitable purposes, and their financial statements may focus more on the organization's net assets or fund balances** |
| 1. Do you agree with the categorisation of funds between those with restrictions and those without restrictions in presenting accumulated surpluses and deficits? If not, what would you propose and why? | G2.74-G2.75, AG2.4-AG2.5 | **Yes, I agree with the categorization of funds between those with restrictions and those without restrictions in presenting accumulated surpluses and deficits.**  **This categorization is commonly used in non-profit organizations to distinguish between funds that have donor-imposed restrictions on how they can be used and funds that do not have any restrictions** |
| 1. Do you agree that funds set aside from accumulated surpluses for the holders of equity claims can be part of funds with restrictions and funds without restrictions and that they should be transferred to equity prior to distribution? If not, what would you propose and why? | G2.142, AG2.8-AG2.9 | **Funds set aside from accumulated surpluses for the holders of equity claims can be part of funds with restrictions or funds without restrictions, depending on the conditions attached to the funds.**  **If the funds are unrestricted and available for use at the organization's discretion, they would be classified as unrestricted funds. On the other hand, if the funds are subject to donor-imposed restrictions or specific conditions, they would be classified as restricted funds** |
| 1. Do you agree that ‘service potential’ should be introduced into Section 2? If not, why not? | G2.51, G2.54, G2.58, G2.67-G2.68, G2.103, G2.108-G2.110, G2.115-G2.117, G2.122 | **Yes, I agree** |
| 1. Do you agree that the provisions for ‘undue cost and effort’ used in the *IFRS for SMEs* Accounting Standard should be retained? If not, why not? | G2.33-G2.36 | **The provisions for "undue cost and effort" in the IFRS for SMEs Accounting Standard allow small and medium-sized entities (SMEs) to apply simplified accounting and reporting requirements when the costs of complying with a specific accounting standard would be excessive in relation to the entity's size or operations. This provision is intended to reduce the burden of compliance for SMEs and to ensure that accounting standards are proportionate to the needs and resources of these entities.**  **The retention of these provisions is a matter of ongoing debate among accounting professionals and regulators. Some argue that these provisions are necessary to ensure that SMEs are not unduly burdened by compliance costs, while others argue that they may result in reduced transparency and comparability in financial reporting.**  **Ultimately, the decision to retain or modify these provisions will depend on the specific needs and circumstances of SMEs in different jurisdictions. However, it is important to ensure that any provisions for "undue cost and effort" are balanced against the need for transparency and comparability in financial reporting, and that they do not undermine the integrity of accounting standards or the reliability of financial information** |
| 1. Is the NPO as a reporting entity clear? Does the process for identifying branches in the Application Guidance support the principles? If not, what would be more useful? | G2.43-G2.49, AG2.10-AG2.24. | **Yes, It is clear and the process of identifying branches supports the principles.** |

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| **Question 4: Principles to enable comparability of financial statements** | This Section provides the principles behind the development of financial statements, including consideration of whether an entity is a going concern. It looks at the ability to compare financial statements and sets out the principles of comparability and consistency. Comparatives are identified as being necessary for financial statements and narrative reports. This Section also looks at the ability to express compliance with INPAG. It also considers NPO-specific terminology. |

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|  | **References** | **Response** |
| 1. Do you agree with the proposed changes to terminology from the *IFRS for SMEs* Accounting Standard? If not, what would you propose and why? | Sections 3-10 | **The proposed changes to terminology from the IFRS for SMEs Accounting Standard aim to align the language used in the standard with the language used in the full IFRS Standards. This will help to improve consistency and clarity in financial reporting in NPO and reduce confusion among users of financial statements.**  **Some of the proposed changes to terminology include replacing the term "income statement" with "statement of profit or loss and other comprehensive income," and replacing the term "statement of changes in equity" with "statement of changes in equity and reserves." These changes are intended to bring the terminology used in the SMEs standard in line with that used in the full IFRS Standards.** |
| 1. Do you agree that comparatives should be shown on the face of the primary statements? In particular, do you agree with the proposed comparatives for the Statement of Income and Expenses? If not, what do you propose and why? | G3.14, G3.19, AG3.9-AG3.11, BC5.11 | **Yes, It should be shown on the face of the primary statements, Comparatives in financial statements are used to provide users with information about the financial performance and position of an entity over time. They allow users to identify trends and changes in an entity's financial performance and position, and to make informed decisions about the entity's future prospects.**  **The proposal to show comparatives on the face of the primary statements, including the Statement of Income and Expenses, is likely to improve the transparency and usefulness of financial statements for users. It will also make it easier for users to compare an entity's financial performance and position with that of other entities and with industry benchmarks.**  **The proposed comparatives for the Statement of Income and Expenses include showing the current reporting period's revenue and expenses alongside the corresponding figures from the previous reporting period. This will allow users to see the changes in revenue and expenses over time and to identify any significant trends or shifts in the entity's operations.** |
| 1. Do the proposals for expressing compliance with INPAG create unintended consequences? If so, what are your key concerns? | G3.3-G3.7, AG3.3-AG3.5 | **The proposals for expressing compliance with international non-profit accounting guidance aim to improve the transparency and comparability of financial reporting for non-profit organizations. These proposals include the use of a new independent review engagement, which would provide a higher level of assurance than a compilation engagement, but a lower level of assurance than an audit engagement.**  **One potential unintended consequence of these proposals is that smaller non-profit organizations may face increased compliance costs in order to meet the requirements of the new independent review engagement. This could create a burden for smaller non-profits that may not have the resources or expertise to comply with the new requirements.**  **Another concern is that the new independent review engagement may not provide sufficient assurance for stakeholders, such as donors and grantors, who rely on financial statements to make decisions about funding or support. This could reduce the confidence of stakeholders in the financial information provided by non-profit organizations, and reduce the effectiveness of the sector as a whole.** |

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| **Question 5: Scope and presentation of the Statement of Financial Position** | The Statement of Financial Position has proposals that the aggregate of the fund balances for funds with restrictions and funds without restriction and has associated disclosures. This statement mirrors those used in other international standards, including how assets and liabilities are classified, but has NPO-specific terminology. | |
|  | **References** | **Response** |
| 1. Do you agree that all asset and liability balances should be split between current and non-current amounts (except where a liquidity-based presentation has been adopted)? If not, why not? | G4.5-G4.9, AG4.4 | **Yes, I completely agree.** |
| 1. Do you agree with the proposal that not all categories of asset and liability balances should be split between those with and those without restrictions? If not, which categories of asset and/or liability should be split? | G4.13-G4.14, AG4.5-AG4.7 | **Yes, however in some cases depends on various factors such as the organization's accounting policies, regulatory requirements, and financial reporting needs. It's best to consult with accounting professionals and review the organization’s specific circumstances before making a decision.** |

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| **Question 6: Scope and presentation of the Statement of Income and Expenses** | This Section is retitled from the equivalent Section in the *IFRS for SMEs* Accounting Standard to be more relevant for NPOs. References to ‘profit and loss’ are replaced with ‘surplus and deficit’. A key element of the presentation of this statement is that revenue and related expenses are split between those that have been received with restrictions and those that haven’t.  Some income and expenses are proposed to be part of the Statement of Changes in Net Assets (see question 7). | |
|  | **References** | **Response** |
| 1. Do you agree with the name of the primary statement being ‘Statement of Income and Expenses’? If not, why not? | BC5.1-BC5.5 | **I prefer the name of the statement to be “ revenues and expenses statement” or “ Grants and Expenses statement. “** |
| 1. Do you agree that the terms surplus and deficit should be used instead of profit or loss? If not, why not? | G5.5, BC5.6 | **Yes. I agree** |
| 1. Do you agree that amounts on each line of revenue and expenses should be split between those with and those without restrictions on the face of the primary statement? If not, what alternative approach would you propose and why? | G5.3, AG5.4-AG5.6, BC5.9-BC5.12 | **Yes, I agree.** |
| 1. Do you agree that NPOs should be able to choose whether to present either income items or expense items first to get to a surplus or deficit? If not, what alternative approach would you propose and why? | Implementation guidance | **Yes, I agree.** |

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| **Question 7: Scope and presentation of the Statement of Changes in Net Assets** | This statement is derived from the Statement of Changes in Net Equity included in the *IFRS for SMEs* Accounting Standard. It includes a number of transactions that under the *IFRS for SMEs* Accounting Standard would be part of Other Comprehensive income. | |
|  | **References** | **Responses** |
| 1. Do you agree with the proposal that there is no Other Comprehensive Income (OCI), and that an expanded Statement of Changes in Net Assets would allow an equivalent to the OCI being produced. If not, why not? | G6.2, BC5.13-BC5.16, BC6.1-BC6.5 | **Yes, In my opinion, the proposal to eliminate Other Comprehensive Income (OCI) and use an expanded Statement of Changes in Net Assets instead can be a viable alternative. The expanded statement would provide a clear and comprehensive view of the changes in net assets, including those that would have been classified as OCI. It would also simplify financial reporting by eliminating the need to separately present OCI.** |
| 1. Do you agree that funds are split between those with and those without restrictions on the face of the primary statement? If not, what alternative approach would you propose and why? | G6.4 | **Yes, I agree** |

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| **Question 8: Scope and presentation of the Statement of Cash Flows** | This Section includes disclosures to highlight NPO specific transactions, such as revenue to fund the purchase of property, plant and equipment. There are no changes to the fundamentals of the cash flow from the *IFRS for SMEs* Accounting Standard, with both the direct and indirect methods of producing a Statement of cash flows permitted. | |
|  | **References** | **Responses** |
| 1. Do you agree with the separate presentation of cash donations and grants on the face of the statement? If not, what alternative approach would you propose and why? | G7.4 a) | **I Agree, furtherermore, the separate presentation of cash donations and grants on the face of the statement can be useful for financial reporting purposes. It provides transparency and clarity in the organization's financial statements by distinguishing between two major sources of income. This information is important for stakeholders, including donors, creditors, and investors, as it helps them understand the organization's financial position and performance. Additionally, separate presentation of cash donations and grants may be required by regulatory bodies and accounting standards depending on the nature and purpose of the grants received. It's best to consult with accounting professionals and review the specific circumstances of the organization before making a decision** |
| 1. Do you agree that donations or grants received for the purchase or creation of property, plant and equipment should be treated as investing activities? If not, what alternative would you propose and why? | G7.5 b) | **Yes, donations or grants received for the purchase or creation of property, plant, and equipment should be treated as investing activities. This is in accordance with the International Financial Reporting Standards (IFRS), which requires that all cash flows related to the acquisition or disposal of property, plant, and equipment be classified as investing activities. Such donations or grants are essentially funding for capital expenditures, which are investments in long-term assets. Therefore, it's appropriate to classify them as investing activities in the statement of cash flows.** |
| 1. Do you agree that both the direct method and indirect methods for the cash flow statement should be permitted? If not, why not? | G7.7-G7.9 | **Yes, I agree. However, the indirect method is more commonly used in practice because of its simplicity and lower cost of implementation. The indirect method starts with the net income or loss and adjusts it for non-cash items, such as depreciation, amortization, and deferred taxes, to arrive at the net cash flow from operating activities.** |

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| **Question 9: Principles underpinning the notes to the financial statements** | This Section sets out the general requirements for disclosures and the notes to the primary financial statements. There are no known NPO specific issues for this Section and modifications made to align with other Sections. | |
|  | **References** | **Responses** |
| 1. Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why? |  | **Yes, I agree.** |

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| **Question 10: Approach to consolidated and separate financial statements** | This Section sets out the principles to identify control and provides additional guidance about how control applies to NPOs. It also includes a simplification for control in a number of defined circumstances (a rebuttable presumption). It provides guidance on less common situations when consolidation might not be appropriate. The Section uses NPO-specific terminology. | |
|  | References | **Response** |
| 1. Is the Application Guidance to apply the control principles sufficient? If not, what changes or additions would you propose and why? | AG9.1-AG9.14 | **Yes, Initially, it seems good.** |
| 1. Do you agree that a rebuttable presumption relating to control should be retained? Is the current drafting sufficient? If not, what would you propose and why? | G9.17 | **The retaining a rebuttable presumption relating to control can be useful for nonprofit organizations as it provides a practical and efficient way to determine whether an entity has control over another entity. This is especially relevant for consolidation accounting, where the nonprofit organization needs to determine whether it should consolidate the financial statements of another entity that it controls.** |
| 1. Is the Application Guidance sufficient to apply the fundamental characteristics of faithful representation and relevance to consolidation? If not, what additions would you propose and why? | G9.21-G9.22, AG9.17-AG9.19 | **Yes, it is accepted.** |
| 1. Do you agree with the use of the terms ‘controlling NPO’, ‘controlled entity’ and ‘beneficial interest’ instead of ‘parent’, ‘subsidiary’ and ‘investment’? If not, what would you propose and why? | G9.7, G9.24 | **Yes, i believe it is appropriate for non profit organizations.** |

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| **Question 11: Approach to accounting policies, construction of estimates and accounting for errors** | This Section sets out the requirements for disclosure and approach to accounting policies, estimates and errors. There are no known NPO specific issues for this Section with modifications made to align with other Sections. | |
|  | **References** | **Responses** |
| 1. Do you agree with the updates to Section 10 and that there are no additional NPO specific considerations that need to be addressed in this Section? If not, what changes or additions would you propose and why? |  | **Yes, I agree.** |

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| **Question 12: Scope and content of narrative reporting** | This is a new Section that has been written specifically for NPOs. It sets out the principles for narrative reporting, including the qualitative characteristics of the information to be included in the reports. It mandates the requirement for financial analysis and performance information to be included in general purpose financial reports. It leaves as optional any additional information that an NPO may wish to report on, such as sustainability reporting. It includes an exception, where information might be prejudicial to the operation of the NPO and the safety of its staff and volunteers. | |
|  | **References** | **Responses** |
| 1. Do you agree with the principles proposed to underpin narrative reporting? If not, what would you propose to change and why? | G35.3-G35.7 | **Yes, I agree, it is useful for nonprofit organizations.** |
| 1. Do you agree with the scope of the minimum mandatory requirement, with additional information, such as sustainability reporting to be optional? If not, what changes should be made and why? | G35.8-G35.19, G35.30, AG35.2-AG35.13 | **Yes, the minimum mandatory requirement provides a baseline of information that all nonprofit organizations should disclose, including their objectives, activities, governance, and financial performance. This information is essential for stakeholders to understand the organization's operations and financial position.** |
| 1. Do you agree with the proposals that sensitive information can be excluded from narrative reports? If not, what alternative would you propose and why? | G35.7 | **Yes, The proposals that sensitive information can be excluded from narrative reports recognize that nonprofit organizations may have legitimate reasons for not disclosing certain information, such as confidential or commercially sensitive information. Sensitive information can include details on the organization's operations, financial position, or relationships with other entities that, if disclosed, could put the organization at a competitive disadvantage or compromise its privacy.**  **Excluding sensitive information from narrative reports can also help protect the privacy and safety of individuals or groups associated with the organization, such as vulnerable beneficiaries or staff members. For example, a nonprofit organization working in a conflict zone may need to withhold information on the location and activities of its staff members to ensure their safety** |
| 1. Should a two-year transition period for narrative reporting be permitted to assist in overcoming any implementation challenges? If not, what alternative would you propose and why? |  | **I agree.**  **Allowing a two-year transition period for narrative reporting can be helpful in overcoming any implementation challenges that nonprofit organizations may face. The transition period can provide adequate time for organizations to adapt to the new reporting requirements, prepare for any additional disclosures, and ensure that their reporting systems are in place** |