



International Non-profit Accounting Guidance (INPAG) Exposure Draft 1 Response template

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

Comments are most helpful if they:

- a) Address the question asked;
- b) Contain a clear explanation to support the response provided, whether this is agreeing or otherwise with any proposals made;
- c) Propose alternatives for consideration, where responses are not in agreement with the proposal made;
- d) Specify the INPAG paragraphs to which any comments relate; and
- e) 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 if you have queries.

Responses can be submitted to ifr4npo@cipfa.org or through the website at www.ifr4npo.org/have-your-say



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Respondent information*:

First name:	José Hernández Clondy García	Organisation: Federation of College of Public Accountants of Venezuela - FCCPV
Last name:	José Hernández Clondy García	Response: please choose from: <ul style="list-style-type: none">• on behalf of my organisation
Email:	jhernandez@redcontable.com cgarcia@redcontable.com	Country: Venezuela
Position:	Country Champion from Venezuela Deputy from Venezuela	Professional interest: please choose from: <ul style="list-style-type: none">• preparer,• auditor,• professional accounting organisation,• academic,

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
--------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------

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



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Specific Matters for Comment

Question 1: General comments	The Guidance is split into Sections that mirror the structure of the <i>IFRS for SMEs</i> 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
a) Is the structure of INPAG helpful? If not, how could it be improved?	GP22-GP24	Yes, we agree. We consider the INPAG structure useful. In this case, the INPAG structure clearly identifies the topic and the section according to it. As the INPAG is based on the IFRS for SMEs, the format of the paragraphs with the "Gxx.xx" model allows a quick location of any paragraph and a sequential order of the same. In addition, the Implementation Guide, with its examples and the basis for the conclusions, help to better understand the Application Guide, the general purpose of INPAG, its motivation and the scope it intends to achieve.
b) 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.		We propose the convenience that the regulatory entities of the NPOs and these themselves become involved in the process of prior review of the INPAG; according to each country and its local legislation. Likewise, that they document and report: on the regulatory framework, the accounting system, the expected operation of NPOs and, in general, and all its implications. We do this approach, based on the case of Venezuela, where there is very little general conceptualization of an NPO and many special laws to deal with some of them. For example: Cooperatives and Community Councils, which makes the treatment of these entities complex. Therefore, we draw attention to this point of prior review, to establish the necessary requirements, to adapt and be able to adhere to INPAG, benefiting among other things from the advantages of having a common accounting regulatory framework, to standardize and give uniformity to the financial processes of NPOs.
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.	



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	References	Response
a) 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	<p>We believe that the description of the general characteristics of NPOs should be more specific, among other things, because the characteristic related to "direct surplus for public benefit" can very likely become a determining factor for the distribution of surpluses among the members of a small community. This point of distribution of surpluses must be well defined, since, in practice, several NPOs may be left out of this denomination and should comply with the precepts of a private company for profit, thereby harming certain entities, which in essence and targets are NPOs. An example of this are the Savings Banks, which distribute surpluses among their members, to comply with different social benefit days only for their members and family nucleus. Therefore, this point must be well clarified, it can be with examples of real cases, which guide decision making, since there are NPOs that use this platform negatively, for purposes not aligned with its object.</p> <p>On the other hand, the term "providing a benefit to the public" does not, include by itself, all entities that might be NPOs. We deem it convenient to link the benefit with the service or good. We believe that this aspect should be clarified, because providing a benefit to the public is a very broad term, at the same time, very limited in practice, and must be precisely determined in all its facets.</p>
b) 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?		<p>In our judgment, Section 1, together with the Preface, does not by itself provide clear guidance as to which NPOs are intended to benefit from the use of INPAG. In the case of Venezuela, from the early 2010s to the present, NPOs have experienced great growth, fostering the development of a wide diversity of NPOs and the social actions they carry out, generating complexity in the environment, which difficult to recognize and treat. We reason that it would be useful to standardize more flexible and not so rigid criteria in the main characteristics that define and group NPOs. To characterize an NPO, the variables are very diverse depending on the internal conformation and registration structures; On the other hand, the laws and regulations that regulate them according to their locality are very</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		diverse, causing limitations or contraindications for the application of an accounting standard. For example, these limitations are observed in some of the sections or points in particular considered in the INPAG, without specifying which of these predominates also its justification in the application.
--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 categorization 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
a) 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	We agree with the variety of primary users and the description of their needs, as it is important to note that INPAG focuses on principles and not rules, so that it is aimed at a wide variety of primary users, as well as the description of your needs. In this way, the INPAG is applicable in a broader scope, including the international one. Although reporting the information needs of these primary users cannot be met solely through the presentation of financial information contained in general purpose financial statements, general purpose financial reports are necessary to provide users with a meaningful understanding of the nature, objectives, strategy, risks and performance of an NPO, for which reason financial and non-financial information must be included, for its better understanding, according to the content of paragraphs G2.3 to G2.12.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		Likewise, it is essential to take materiality into account and whether the information required by users for accountability and decision-making purposes are satisfied as a key consideration, highlighting relevance and faithful representation.
b) 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	<p>The objective of general-purpose financial reports is to provide financial information about the reporting NPO's assets, liabilities, equity, income, and expenses, as well as nonfinancial information that is useful to users for accountability and decision-making purposes. Decisions, including evaluation of the stewardship of NPO resources.</p> <p>To meet this objective, the use of qualitative characteristics is imperative. These represent attributes that make financial information useful to users, and add substantial value to the information contained in financial statements. There are several advantages and benefits of these qualitative characteristics, among which stand out:</p> <ul style="list-style-type: none"> a) They provide a coherent orientation to the financial information. b) They will help NPOs in the development of accounting policies c) Help stakeholders understand INPAG 4) They will allow similar transactions to be treated in the same way. 5) They are useful to users in making decisions about NPOs based on the information contained in their general-purpose financial reports. 6) The use of the same qualitative characteristics for financial and non-financial information simplifies the requirements. <p>All international financial reporting frameworks establish that, for financial and non-financial information to be useful, it must be relevant and faithfully represent what it purports to represent. These characteristics provide a coherent framework to determine: 1) The usefulness for decision-making of financial information. 2) Guidance on what to do when qualitative characteristics may be in conflict. 3) The general limitations of the cost-benefit ratio in reporting.</p> <p>In this sense, if we agree with the qualitative characteristics of the useful information.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>c) Do you agree with the components of net assets? If not, why not?</p>	<p>G2.73, Diagram 2.2</p>	<p>We agree with the proposed components of net assets, as they are defined elements of the financial statements. However, the concept of Social Capital is not expected to be common to NPOs, as it is unlikely for them that external third parties have a financial interest in the net assets of an equity issuing NPO, given the characteristics of an NPO (it is not common for them to issue shares). The NPO accounting refers to a unique system of records and reports that is applied in the commercial operations carried out by an NPO, without interest in the issuance of shares, much less in generating retribution to third parties.</p> <p>Net assets replace equity in the statement of financial position, since it is not common for investors to take an equity position in an NPO.</p>
<p>d) 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?</p>	<p>G2.141, AG2.6-AG2.9</p>	<p>We agree with the inclusion of the Social Capital element. Although it is understood that this element should not be common to the nature of the NPO, it will be necessary to include it when the NPO receives a contribution from donors who expect this possession of shares issued by the NPO.</p> <p>We share the idea that the Social Capital element exists to record the economic contribution of a third party, either to guarantee their contribution with specific remunerations or for potential service of the NPO.</p> <p>The foregoing includes the possibility of registering operations derived from the transfer of rights in the cases of:</p> <ol style="list-style-type: none"> 1. Distributions of economic benefits and liquidation of the NPO, and 2. in the case of sale or transfer of the NPO.
<p>e) 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?</p>	<p>G2.74-G2.75, AG2.4-AG2.5</p>	<p>We agree with the categorization of funds between those with restrictions and those without restrictions when presenting accumulated surpluses and deficits, since it allows presenting, in a transparent manner, contributing to the faithful representation of the NPO, its conditions and the true use and treatment of accumulated surpluses and deficits. In the case of observing restrictions, they must be spent, invested or retained by the non-profit entity for a specific purpose, and their non-compliance could lead to the return of those resources (both in the case of government or private subsidy), as well as possible sanctions by regulatory bodies for the incorrect use of these resources, according to G2.74.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>Regarding unrestricted funds, the NPO is free to internally designate the funds for a specific objective, since there are no established conditions of external financing or legal provisions that oblige the administration of the non-profit entity to operate in a certain way, according to G2.75.</p> <p>In the same way, we consider that the economic substance of the financing or other legal provision should also be taken into account, as indicated in AG2.4 (reality of the economic transaction on the legal form, as well as IFRS). Also when there are specific conditions attached to the resources provided with restrictions, these may be sufficient to require not only that the resources be recognized within restricted funds, but also the recognition of a liability instead of income, as indicated in AG2.5.</p>
f) 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	<p>Pursuant to the provisions of paragraph G2.142 regarding the classification of equity components and funds in net assets, in order to provide useful and transparent information, the option to separate funds with restrictions (funds for specific) or without restrictions is quite relevant in this INPAG project. Regarding the question raised regarding the transfer of these funds to equity holders, we are agree as it is the correct technical procedure to ensure that equity is not understated after distribution. Note that contributions from equity holders are not income and distributions to equity holders are not expenses.</p> <p>Regarding the wording of paragraph AG 2.8, it should be modified. Distributions to equity holders are an outflow of NPO resources, distributed to outside parties that return or reduce a financial interest in the NPO's net assets. Examples would include the repurchase of shares issued by the NPO by external parties or the payment of funds to members so that they are no longer entitled to a share in the net assets. Due to their nature, NPOs exceptionally issue shares, since this goes against their primary conceptualization; When issuing shares, the NPO is close to considering the need to be structured as an entity that pursues profit or economic benefits.</p>
g) 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,	Based on what is established in paragraph G2.54, the service potential term should be included in section 2. Considering the principle of simplicity and the basis on which INPAG is based (Paragraph GP.19) and (Paragraph BC2.30) this concept should be introduced as



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	<p>G2.108- G2.110, G2.115- G2.117, G2.122</p>	<p>presented in Paragraph 15 of IPSAS 2 Cash Flow. This defines "<i>Future Economic Benefits or Service Potential</i>" as follows:</p> <p><i>"Assets used to provide goods and services in accordance with the entity's objectives, but that do not directly generate cash inflows, are usually defined as having service potential. Assets used to generate cash inflows net cash are usually defined as having future economic benefits. In order to encompass all the purposes for which an asset may be used, this Standard uses the term future economic benefits or service potential, a term that describes the essential characteristic of the assets."</i> (Paragraph 15 IPSAS)</p> <p>The answer is also supported in Paragraph G1.3 insofar as the main objective of an NPO consists of "<i>Providing a service to the public, which involves the provision of services and/or goods to the public in general</i>". An additional reference to the same concept is made in paragraph 2.68. Likewise, it must be included in the section corresponding to section 17 property, plant and equipment.</p> <p>On the other hand, according to paragraph BC2.31, its application will be dealt with in the following projects 2 and 3 and not in this project, however we consider it important to include this observation as an advance for subsequent studies.</p>
<p>h) Do you agree that the provisions for 'undue cost and effort' used in the <i>IFRS for SMEs</i> Accounting Standard should be retained? If not, why not?</p>	<p>G2.33-G2.36</p>	<p>'Undue cost or effort' is a concept that is deliberately not defined in the IFRS for SMEs, because its application will depend on the specific circumstances of SMEs or management's professional judgment in assessing costs and benefits.</p> <p>The term disproportionate effort or cost in the International Standard is related to the principle of balance between cost and benefit, and this relationship responds to the fact that the cost incurred to disclose information should not be greater than the benefit received, since Generally, the benefits are not attributed directly to the entity, but rather to the external users that require this information, which are not precisely those that incur these costs.</p> <p>As in IFRS SMEs and IFRS Full, an exemption for disproportionate effort or cost is specified for some requirements in the INPAG. This exemption will not be used for other requirements</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>of this Guide. Whether obtaining or determining the information necessary to comply with a requirement would involve undue cost or effort will depend on the specific circumstances of the NPO and management's judgment of the costs and benefits of applying that requirement.</p> <p>This judgment requires consideration of how the economic and other decisions of those who are expected to use the financial reports might be affected by not having that information. Applying a requirement would imply undue cost or effort on the part of an NPO if the incremental cost (for example, appraisers' fees) or additional effort (for example, employee efforts) substantially exceeds the benefits to be claimed. Hopes that those who will use the financial report of the NPO would receive by having the information.</p> <p>However, the foregoing must be carefully evaluated, since it is necessary to have an adequate management of financial information and ensure that it is aligned with the principles mentioned in section 2, either for decision-making, to acquire credibility or to obtain financing.</p> <p>The assessment of whether a requirement would involve undue cost or effort on initial recognition in the financial statements, for example, at the transaction date, should be based on information about the costs and benefits of the requirement at initial recognition.</p> <p>If the undue cost or effort exemption also applies subsequent to initial recognition, for example, to a subsequent measurement of an item, a reassessment of undue cost or effort should be made at that later date based on information available in That date. Additionally, whenever an undue cost or effort exemption is used, you must disclose that fact and the reasons why the requirement would involve undue cost or effort.</p> <p>We agree that the 'undue cost and effort' provisions used in the IFRS for SMEs Accounting Standard should be retained. Similarly, application guides, decision trees, and objective parameters must be established so that these provisions, and specifically the exemption, are not deliberately applied.</p>
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>i) 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?</p>	<p>G2.43-G2.49, AG2.10-AG2.24.</p>	<p>Considering paragraph 2.43 and 2.49, where the obligation to prepare general-purpose financial information is conceptualized and regulated, the purpose of which is to satisfy the accountability needs of primary users (public that receives services and goods, resource providers, those who perform supervisory functions) of NPOs, is a matter of complexity. The reason for its complexity is that it goes beyond the conceptualization that INPAG could include, the most important being to have clarity in the essence over the form.</p> <p>The purpose of NPOs within its descriptive approach is to provide a benefit to the public, where the surplus that may exist must be reinvested in this public benefit and where the state has no interference.</p> <p>The subject of consolidation is a procedure for the presentation of financial information typical of entities that pursue profit (profits). By including this possibility to NPOs, the essence of the guide could be lost because they are rare, complex operations that would undermine the essence of NPOs. A combination of financial reports would be an option to address this issue.</p> <p>It is necessary to have defined the principles that are going to be applied for the consolidation of NPOs. The topic of subsidiaries in INPAG, from the point of view of an entity that generates profit, has a good definition. However, the conceptual basis of the financial information to be consolidated and its procedure must be expanded.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>Question 4: Principles to enable comparability of financial statements</p>	<p>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.</p>
--------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	References	Response
a) Do you agree with the proposed changes to terminology from the <i>IFRS for SMEs</i> Accounting Standard? If not, what would you propose and why?	Sections 3-10	<p>The changes in terminology are mainly based on the fact that INPAG refers to NPOs instead of "entities" as indicated in the IFRS Accounting standard for SMEs. In the same way, there is a change in the identification of the Statement of Income by Statement of Income and Expenses used to determine a Surplus or Deficit in the period. Additionally, the name of the Statement of Changes in Equity is changed to the Statement of Changes in Net Assets.</p> <p>We agree with the use of the terminology related to the use of NPOs as identification of the organizations to which the standard is directed, taking into account that in Section 1, paragraph G1.2 already defines the particular characteristics of this type of entities, and establishes their specific scope (paragraph G1.1). Given that the INPAG has been basically supported by the IFRS Accounting standard for SMEs, I consider the change in the term "entities" pertinent in order to expressly discriminate against the use of the INPAG towards NPOs.</p> <p>Regarding the change of the name of the Statement of Income for Statement of Income and Expenses, I must say that I agree with the change, because the primary objective of an NPO is to provide a benefit to the public and for this, it is consequent administration of financial resources. From there it derives that the result of such management can show a surplus or a deficit that represents more (as terminology) the product of the management of the resources that the entity has, instead of using terms such as profits or losses that are fundamentally close to companies with a clear economic objective, such as obtaining income.</p> <p>Finally, in changing the statement of Changes in Equity to the Statement of Changes in Net Assets, I do not entirely agree with the use of the terminology "Net Assets." Even though the standard defines in Section 2 what is an Asset (paragraph G2.53) and what is a Liability (paragraph G2.59), the former being a present economic resource controlled by the entity as a result of past events, and the second, a present obligation of the NPO to transfer an economic resource, the net position of both elements will not necessarily always be "active".</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>In changing economies, of great volatility and with macroeconomic variables that influence the internal economy of the entities, it may be the case that at the end of a period it has a passive situation, rather than an active one. Therefore, we would not be speaking, in these cases, of "Net Assets".</p> <p>Although it is true that this standard defines Net Assets in its paragraph G2.73 (Section 2), it also distinguishes that they are not a defined element in the financial statements. Therefore, they represent the subtraction between the assets and liabilities recognized therein. If coupled with this fact, we see that a large number of OSLFs are managed by people who do not necessarily have administrative, financial or accounting experience (Community Councils, Charities and similar organizations), and that, in addition, they may lack effective internal controls, it is are likely to have net liability positions. Perhaps, it is not the common denominator, but it is possible, especially in highly volatile economies such as Venezuela.</p> <p>In Venezuela, for example, we have a duality in the functional and transactional currency, where the entities can have funds in national currency (because that is how the income of the resources was made), but they acquire indexed obligations that will vary according to the exchange rate. , and that the loss due to the fluctuation of the agreed currency should be recognized as an actual financial loss.</p>
<p>b) 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?</p>	<p>G3.14, G3.19, AG3.9-AG3.11, BC5.11</p>	<p>If I agree because in G3. 14 mentions in order to interpret the financial statements they must be comparable one year with respect to another, which allows their users to make decisions, however the most important thing in the analysis must be the destination of the NPO's resources, due to the funds that they receive, such as subsidies and donations, normally have restrictions; and are assigned for a specific purpose, it is because of this that the primary financial statements must generate confidence, quality and comparability to the users of the information.</p> <p>On the other hand, G3.19 mentions that a complete set of financial statements must be presented with their explanatory notes, as well as GA 3.9 explains the difference between coherence and comparability, where comparability is not a quality of an individual element</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>of information but rather a quality of the relationship between two or more elements of information, both qualitatively rather than quantitatively, it is necessary to analyze why and what is the ultimate goal of the creation and operation of the NPO.</p> <p>As well as A63.11 states that the information on the statement of financial position, the statement of income and expenses, the statement of changes in net assets, the statement of cash flows, and the notes to the financial statements, they must contain the achievement of objectives, operational performance, compliance with relevant legislation or other regulations governing the obtaining and use of resources. It is important to mention that the financial information must be comparative, but in addition to this, the possibility of including a report with indicators must be evaluated, which measure the impact of the benefit generated by the implementation of said foundations to the communities that are directed, due to the fact that its purpose is purely social and its purpose is to provide benefits to the public instead of generating financial surpluses, which is why they must be constantly measured with indicators that allow NPO users; monitor the impact and benefit of the societies where the program and/or project is being carried out so that the purpose for which the NPO was created is not lost sight of, as well as the effect it had on the society that benefited from the donation or subsidies of executed resources.</p> <p>This additional information should be mandatory for those NPOs whose objective is to support the public function of benefiting the population in need.</p>
<p>c) Do the proposals for expressing compliance with INPAG create unintended consequences? If so, what are your key concerns?</p>	<p>G3.3-G3.7, AG3.3-AG3.5</p>	<p>The INPAG proposal represents a necessary initiative to promote the transparency and quality of the information generated by NPOs, since one of the main objectives of NPOs is to provide a benefit to the public, it can be to a whole group in general or to one more group reduced in members.</p> <p>On the other hand, it does not generate unwanted consequences since it would be a very positive proposal for the benefit of these non-profit organizations to help promote the development and performance of this type of organization. In paragraph, G3.5 The additional disclosures referred to in a) are required when compliance with the specific requirements of this guidance is insufficient to enable users to understand the effect of particular</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>transactions, other events and conditions on the financial situation and income and expenses of the NPO.</p> <p>Given the level of demand exposed, we consider that it would represent high costs that would be associated with such requirements, since for its compliance it would be necessary to incorporate human and technological resources that allow, in a systematic way, to integrate processes and information to effectively comply with such requirement, which which could be seen as a limitation to the fulfillment of its purposes.</p>
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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
a) 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	<p>We agree because presenting the assets and liabilities as current and non-current will allow the reader of the financial statements to have the temporality of their realization, helping him with the decision-making associated with time.</p> <p>Additionally, maintaining the same criteria of the other accounting standards (Full IFRS and IFRS SMEs) for this type of temporality, will give more consistency to accounting practices, since even though they are organizations with different types of activity or objectives, the issue of time It is a common element in any type of organization.</p>
b) 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	<p>We agree that not all categories of asset and liability balances should be divided into those with and without restrictions. This is because it is better to reveal in the notes, which have the restricted condition, since in most cases that are restricted, it requires a detailed explanation of the reason for this restriction.</p> <p>However, regarding the separation by columns between restricted and unrestricted, it is important to consider the fact that this separation could only be necessary when there are</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>several items that present this restriction, since it does not make sense to open an additional column in the presentation of financial statements for one (1) single item to be separated.</p> <p>Some of the analysts consider that the comparable presentation should not necessarily extend to the restriction issue. That is to say, that the previous year or years with which the financial statements are compared, can be presented without the division or separation between restricted and unrestricted, this because the restriction element in most cases has an incidence (or should be considered for decision making) in the present and not in the past tense.</p>
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>Question 6: Scope and presentation of the Statement of Income and Expenses</p>	<p>This Section is retitled from the equivalent Section in the <i>IFRS for SMEs</i> 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.</p> <p>Some income and expenses are proposed to be part of the Statement of Changes in Net Assets (see question 7).</p>	
	<p>References</p>	<p>Response</p>
<p>a) Do you agree with the name of the primary statement being 'Statement of Income and Expenses'? If not, why not?</p>	<p>BC5.1-BC5.5</p>	<p>The content of a statement of Income and Expenses, are the income from the profits obtained from the sale of the goods and/or services, while the expenses include the general costs of the operations to provide those goods and/or services, in a for-profit entity. For NPOs these two values continue to represent the same concepts, but income and expenses cover different aspects of business activity, for an NPO they are as follows:</p> <ol style="list-style-type: none"> 1- Income includes contributions from donors, member fees, fundraising events, grants, among others. 2- Expenses include costs related to program management, staff salaries, fundraising efforts, and others.



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>Although financial statements serve a slightly different purpose for NPOs, they are still valuable for board and donors, management analysis, and audits. By applying the principle of correlation of income and expenses, it establishes that the result of a financial year will be constituted by the income generated less the expenses incurred to obtain them. The correlation has served to rationalize the process of calculating the result, which requires differentiation between assets and expenses (and between liabilities and income).</p> <p>The income in each accounting period must be associated with the costs and expenses incurred to produce such income, making the simultaneous registration in the respective income statements. Costs and expenses must be associated, in most cases to specific income. Therefore, when determining the accounting result for the year, only the income and expenses accrued therein must be considered.</p> <p>In a first approximation, it could be commented that NPOs do not have such a correlation since this type of organization does not incur expenses to obtain income, since it is the opposite, income is received as subsidies, donations, membership fees among others. Others, which are used for the development of the organization's own activity. The principle of correlation of income and expenses together with the accrual and prudence, constitute the basic pillars for the configuration of the result of the exercise, since they dictate that the income and expenses make-up said result of the period, the configuration of the results is established with the corresponding income for the year and expenses have been necessary to obtain the expected benefit. In addition, this correlation will serve to discriminate the results according to the type of operation that is generated, from the operating result, financial results, ordinary results, extraordinary results and encompassing all the previous results of the year.</p>
<p>b) Do you agree that the terms surplus and deficit should be used instead of profit or loss? If not, why not?</p>	<p>G5.5, BC5.6</p>	<p>We agree. Although a non-profit organization can produce goods and services and make a profit from it, it can even invest its profits (in the stock market) with the aim of obtaining more contributions. However, all the contribution obtained must return to the organization; that is, they do not "share profits" among their members.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>For this reason, nonprofit organizations are not focused on profit. They may have profits that help them keep going, but making money is not the reason for their existence. Hence, the income they receive in most jurisdictions is not subject to income tax, as it is not intended to generate income for their owners but rather for the cause for which they were created.</p> <p>Hence, using the terms surplus or deficit removes the implication of profit or loss and focuses on the arithmetic difference between income and expenditure. Since the term surplus is a Latinism that refers to surpluses or surpluses when the amount of income exceeds expenses and the term deficit is a Latinism that refers to insufficiency or scarcity where the difference between income and expenses is negative.</p> <p>On the other hand, the use of the terms surplus or deficit is closer to the management of funds of a non-profit entity where the entity receives as income donations, contributions, inheritances, etc., with which it later makes some disbursements or expenses. that must be subtracted from your income to achieve your goals and objectives, that is, your social performance</p>
<p>c) 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?</p>	<p>G5.3, AG5.4-AG5.6, BC5.9-BC5.12</p>	<p>First, definitions are important. Unrestricted funds are funds that are freely available to be used by an NPO for any of its purposes or activities. An NPO may not have the freedom to internally allocate funds for a specific purpose or activity (including appointment by the NPO's board of directors). However, the absence of external funding or other legal arrangement means that they are not required to be used for this purpose or activity and are therefore not restricted funds.</p> <p>Restricted funds are funds allocated to the NPO that are required to be spent, invested, or withheld for a specific purpose or activity as a result of outside funding or other legal arrangements placed in the NPO by a resource provider.</p> <p>We agree that each line of income and expenses with and without restriction should be divided as long as it is mandatory, that is, when there are several items that have this condition.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>Since if there are one or two items that are restricted, we do not consider it necessary to open more columns for all items, if these are reduced to one or two items with restriction. In other words, it is recommended that there be a paragraph that allows the NPO to choose to present the statement of income and expenses separately between restricted and unrestricted or that the presentation of these restrictions be made in the disclosure notes of the financial statements.</p>
<p>d) 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?</p>	<p>Implementation guidance</p>	<p>We believe that the presentation of the statement should include income first, considering the correct classification of the item of income and expense, according to their relevance to be specified in the Statement of Income and Expenses.</p> <p>In this regard, taking into account the final comment, we prefer that the title of the financial statement be changed to Statement of performance.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

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 <i>IFRS for SMEs</i> Accounting Standard. It includes a number of transactions that under the <i>IFRS for SMEs</i> Accounting Standard would be part of Other Comprehensive income.	
	References	Responses
a) 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	We agree that the ORI should be shown in the equity for the presentation of the financial information of the NPOs, for the following: <ol style="list-style-type: none"> 1) The definition of ORI is aimed at transactions that affect equity and does not correspond to operations with the owners. In NPOs, we would be considering that the concept of owner does not have the same relevance as in a for-profit organization and especially due to the absence of dividends or distribution of profits. 2) Not considering an income statement to determine "comprehensive income", 3) The need to separate "unrealized financial effects" in a patrimony loses relevance because the distribution of income between owners is not being sought. Consequently, the need to reclassify ORI items to profit and loss also loses importance. On the other hand, the financial information of NPOs, as well as their economic facts, definitely reflects, at some point, revaluations of assets, changes in the fair value of financial instruments, among others; which, in the end, in the IFRS SMEs, IFRS and US GAAP, have been classified as those that make up the OCI, but which, in essence, correspond to "unrealized effects", for which an "Extended Statement of Changes in Net Assets", It allows the user of the financial information to be shown the amounts mentioned and even their availability, which must be complemented with a note to the financial statements to have the complete history of the ORI.
b) 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	It is agreed that the "Statement of Changes in Net Assets" of an NPO presents the funds divided into: "With Restrictions" and "Without Restrictions". Users of the financial information reported by an NPO are interested in knowing, among other things, if the entity has the capacity to: <ol style="list-style-type: none"> a) comply with the services it provides, b) its self-sustainability,



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>c) Execution of its budget) (see SFAC 4 FASB), for which one of the key aspects for management and users is to know both the funds and their assets and if these are available for their operations.</p> <p>On the other hand, we know that NPOs have as a source of financing for their programs, government subsidies, lines of contributions from private companies, which establish exhaustively towards which program and for what the resources they contribute should be used, even they use the funds in trusts to deposit the resources and make sure that they are destined for what corresponds.</p> <p>The information of the restriction should include a detail at the note level, with: Description of the restrictions, program for which it is assigned, financial institution where it is located, guarantee, date on which the supply of funds ends and amount of the funds and thus complying with the basic principle of sufficient disclosure, emphasis must be placed on the resources that are managed "with restrictions", and be clearly disclosed in all their substantial aspects, both in the financial statements and in the reporting notes, thus rendering a clear and precise report of the financial situation of the NPO.</p> <p>Likewise, to comply with this INPAG requirement, it is recommended that NPOs have cost centers (programs) to distribute funds with and without restrictions and thus better monitor and have control over them. Likewise, it is important for this to define the accounting criteria now in which the NPO recognizes in its accounting the resources it receives for a specific purpose, as either an income, a liability or a memorandum account.</p>
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>Question 8: Scope and presentation of the Statement of Cash Flows</p>	<p>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 <i>IFRS for SMEs</i> Accounting Standard, with both the direct and indirect methods of producing a Statement of cash flows permitted.</p>	
	<p>References</p>	<p>Responses</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>a) 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?</p>	<p>G7.4 a)</p>	<p>We agree as both donations and grants in NPOs are core items that should be shown separately on the statement of cash flows.</p> <p>This information is useful for users of NPO financial information and is in line with the classification of restricted and unrestricted funds and even helps confirm the "undone" that goes towards the ORI components. In addition, this information complements the information on the sources of financing of the programs executed by the ESAL, what has been executed and received. It is also important for the information and monitoring needs of the FATF and the anti-terrorism institutions of the countries where these ESALs operate, since it allows the origin of the funds to be seen, which is key to preventing money laundering or money laundering.</p>
<p>b) 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?</p>	<p>G7.5 b)</p>	<p>We agree that donations or subsidies received for the purchase or creation of property, plant and equipment should be treated as investing activities. This form of treatment is in line with IAS 20 and informs the user of the financial statements in which what was received was invested, including compliance with the initial restrictions on the funds provided, including dates and conditions. The option of presenting it as a financing and even operational activity depending on the type of NPO could also be discussed.</p>
<p>c) Do you agree that both the direct method and indirect methods for the cash flow statement should be permitted? If not, why not?</p>	<p>G7.7-G7.9</p>	<p>We agree that both the direct method and the indirect method are allowed for the cash flow statement for what is necessary to know the current situation and the inflow and outflow of funds managed by the organization. The issue to consider for NPOs is the description of aspects that are useful to the reader, such as information on operating activities, investment, and financing by type of social or environmental program.</p>

<p>Question 9: Principles underpinning the notes to the financial statements</p>	<p>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.</p>	
<p>a) Do you agree that there are no NPO specific considerations for this Section? If not, what changes would you propose and why?</p>	<p>References</p>	<p>Responses</p> <p>Considering what has been reviewed, we agree that there are no specific additional considerations, since what is necessarily related and adequate is found within the standard, but it is recommended to adapt this project to the updated standard, since there are changes</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>to the draft IFRS Accounting Standards for SMEs (under review) and IFRS Standards for SMEs (current).</p> <p>This recommendation is only in order for the NPO project to be unified, in form, to a single criterion already established, given that, for example, literal b) of paragraph G8.4, related to "material information on accounting policies" , would remain as the current standard without revision and not with the modification "material or material information".</p>
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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
a) 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	<p>The paragraphs provided are quite clear and specific about the principles of control in the context of non-profit organizations (NPOs). The paragraphs describe in detail how a parent NPO can have power over another entity and how control can be exercised.</p> <p>However, some improvements could be proposed, first; the incorporation of a procedure to consolidate NPOs over which there is control, but which have not issued equity instruments, a treatment similar to the combination of financial statements. In this scenario, it is suggested to mention the above idea in the combined financial statements section.</p> <p>Second, the incorporation of an addition to the paragraphs to explain how the control principles should be applied in situations where the parent NPO has an indirect or partial control relationship over another entity. For example, if the parent NPO controls another entity through a subsidiary, which in turn controls the actual operating entity, the principles should be explained and how they apply in this specific case, i.e. in more complex structures to ensure that the readers fully understand the concept of control.</p> <p>As can be seen in the image, when there are complex relationships it is difficult to identify who is the reporting NPO; In this same sense, when this is already solved, the parent NPO must ensure that the subsidiaries and operating entities under its control are operating</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>ethically and complying with the applicable legal and regulatory requirements. To achieve this, you can use various control mechanisms and establish an effective reporting and communication system (considering what has been explained, it is recommended to add complementary paragraphs or an appendix that includes these situations and procedures to follow).</p>
<p>b) 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?</p>	<p>G9.17</p>	<p>As the material reviewed indicates, it is possible to presume that you have control over an entity when you hold the majority of the voting rights or have the ability to direct the financial and operating policies, as well as appoint or remove the majority of the members. of a government body. However, this presumption can be rebutted in certain circumstances.</p> <p>In this sense, we agree that a rebuttable presumption regarding control must be maintained. In addition, the current wording is considered sufficient because it establishes the principle of control with the refutable presumption of its existence, considering a series of defined circumstances; among them: when it is a NPO that owns the majority of the voting rights of another entity, has power over half of the voting rights, governs the financial and operating policies, or can appoint or remove the majority of members of a governing body.</p> <p>In this context, it is understood that the purpose of controlling another entity is to provide goods and services, create a business entity, invest to support broader activities. Control also requires performance or benefits as well as power, which can be financial, such as the transfer of benefits, or non-financial, such as the fulfillment of other purposes that must be for social purposes.</p> <p>Additionally, it is relevant to mention that the reference indicated when question 10 literal (b) on the rebuttable presumption is posed is wrong, the correct paragraph where the approach is developed is G9.18, presented below:</p> <p>G9.18 Control is presumed to exist when the NPO owns, directly or indirectly through controlled entities, the majority of the voting rights of an entity. That presumption can be overcome if it can be clearly demonstrated that the NPO does not have one or more of the control elements listed in paragraph G9.5. Control will exist if you have voting rights, not as a result of ownership, but because of a government (p. 90).</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>In addition to the above, the reference incorporated in paragraph G. 9.18 that refers to the control elements is also incorrect, the wording indicates that said elements are found in paragraph G9. 5 and this information is found in paragraph G9.9.</p> <p>Based on the previous statements, it is recommended to correct the references and include G9.18 instead of G9.17 in the question template; and in paragraph G9.18, replace reference G9.5 with G9.9.</p>
<p>c) 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?</p>	<p>G9.21-G9.22, AG9.17-AG9.19</p>	<p>Non-profit organizations (NPOs) evidently required a guide that could highlight the most relevant aspects of the presentation of financial information, and subsequent corresponding analysis. IFRS Accounting Standards establish recognition, measurement, presentation and disclosure requirements related to transactions and events that are significant in general purpose financial statements.</p> <p>In accordance with the foregoing, the guide establishes that a controlled entity is not excluded from the consolidation because its operating activities are different from those of the other entities within the consolidation. In other words, relevant information can be provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements on the different operating activities of the controlled entities.</p> <p>The previous paragraph mentions specific characteristics of a controlled entity, however, we consider that there are some gaps for specific cases where the context is not so general. A controlling NPO should consider the fundamental characteristics of faithful representation and relevance. Relevance refers to that faithfully represented information that can influence users' useful decision-making, while faithful representation is a term that attempts to describe information that is reliable for users because it is free from material errors, is neutral and complete.</p> <p>In the same way, reference is made to the characteristic of faithful representation and relevance that an NPO must take into account, where the exclusion of an entity from the consolidation is allowed when it can provide the most relevant information available about a controlling NPO and its controlled entities. . Financial information will be relevant if it is capable of making a difference in the decisions that users make.</p> <p>Returning to the idea of one of the preceding paragraphs, we proceed to review the concept of fair presentation proposed:</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

	<p>Current Concept of Faithful Representation: Financial reports represent economic or other phenomena in words and numbers. To be useful, financial and non-financial information must not only represent relevant phenomena, but must also faithfully represent the substance of the phenomena it purports to represent. In many circumstances, the substance of an economic or other phenomenon and its legal form are the same. If they are not the same, providing information only on the legal form would not accurately represent the economic or other phenomenon.</p> <p>As can be seen in the paragraph, it is indicated that the financial statements represent economic phenomena, and this is a great onto-epistemological error, given that, in essence, the financial statements do not only represent economic phenomena qualitatively and quantitatively. On the other hand, the faithful representation according to Parra (2017) is a way to achieve the faithful image of the operations of an entity, that is, an approximation to the financial reality or what is considered true, in the most objective and exact. So, we must reflect:</p> <p>First, when talking about economic phenomena, these are many and diverse, in addition there are some that are impossible to quantify in financial information, for example: unemployment, migration and scarcity are economic phenomena and do not directly affect the preparation of the financial statements. For this reason, it cannot be generalized. According to Economipedia (2022) "an economic fact, also called an economic phenomenon, is the manifestation in reality of an event with an impact on the economy of a territory". For the reasons explained above, using this term in the definition of faithful representation is not considered relevant.</p> <p>Second, the financial statements represent the financial situation, the results, the cash flows and the movement of equity, that is, the numerical behavior of the accounting notions evaluated with their qualitative explanations, which provides a better understanding.</p> <p>Third, this numerical behavior reflects the monetary flow generated by the operations of an entity, which are affected by economic phenomena of a financial nature, among them: inflation, deterioration and fluctuations in market values.</p> <p>Due to the aforementioned, it is recommended to modify the paragraph (and the following suggestion is made).</p>
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		Modification suggestion: the financial statements represent through numbers and words the different processes (direct and indirect) of the operation of an entity; These processes may be affected by economic phenomena of a financial nature, which will in turn affect the monetary and financial flows that will give rise to income, costs, expenses, assets, liabilities, equity, and disclosure notes. For financial information to be useful, it must not only represent the relevant facts, it must also faithfully represent the essence of the economic and financial phenomena that affect the information to be represented. In many circumstances, the essence of accounting facts and economic-financial phenomena and their legal form are the same. If they are not, the provision of information only on the legal form would not faithfully represent the economic phenomenon.
d) 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	The group agrees to the use of the terms "parent NPO and parent entity"; but, the term "interest in participating in the benefits" or "participation of profits" is not agreed, since these terms would become an accounting account; and in the first case, it would be a very long denomination and in Spanish it denotes an intention, not an action; in the second name a result is denoted. In this order of ideas, it is proposed as a name in Spanish "benefit basis" whose meaning in English is "Benefit basis", a phrase that does denote an action and is appropriate for an account description.

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
a) 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?		Section 10 Accounting Policies, Estimates and Errors sets out the requirements for the disclosure and approach of accounting policies, estimates and errors. This Section is extracted from section 10 of the IFRS for SMEs Accounting Standard, with changes mainly in terminology and to align it with the disclosures required by the INPAG. In this sense, it is agreed with its update and no specific NPO problems are observed for this section. In addition, the approach to accounting policies, estimates and errors set out in section 10 of the IFRS for SMEs is consistent with the approach to matters in Full IFRS Accounting Standards and IPSASs. For such purposes, the requirements of the IFRS SMEs



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>have been maintained in the INPAG, with the exception of the text related to the use of accounting standards. (FC 10.3; F10.4; FC 10.5)</p> <p>It is then coherent to indicate that the hierarchical consultation matrix according to the INPAG Secretariat would be that when there are no specific requirements or guidelines in the IFRS Accounting Standard for SMEs or in the Complete IFRS Accounting Standards, NPOs may refer to IPSASs when developing an appropriate accounting policy. By virtue of this, this methodology would be promoting the objective of maximizing coherence with the concepts and principles established in section 2.</p>
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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
a) 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	<p>We agree.</p> <p>We believe that as a whole, it will provide relevant, fair and balanced information, taking care of confidentiality in sensitive aspects, all within the framework of the standard.</p>
b) 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	<p>We agree.</p> <p>We consider that as a whole, the nine (9) points established as requirements, ensure the issuance of narrative reports of performance and accountability according to the needs of the main users, and the objective proposed by INPAG.</p> <p>Regarding the issue of sustainability reports, they would apply optionally, considering the specific activity and geographic location of the NPO.</p>
c) 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	<p>We agree.</p> <p>Understanding that it is solely and exclusively confidential information, which if published can cause delicate and functional situations for the NPO. These situations are framed in the standard and application guides.</p>



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

<p>d) 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?</p>		<p>We agree.</p> <p>There is a track record in this matter. The database that can be located as references for the preparation of narrative reports on performance and accountability is extensive.</p> <p>Public Accountants have IASB statement 1, which has to do with Management Comments, which provides interesting points to reinforce and complement a narrative report.</p> <p>There are public sector standards related to the subject.</p> <p>Among other references, we can name:</p> <ul style="list-style-type: none">• Value Reporting Foundation: Integrated reporting framework• International Sustainability Standards Council• GRI Standards. <p>INPAG itself includes extensive information to assist in the implementation of these requirements through the implementation guide and implementation examples.</p> <p>It could be concluded that with so many references we are in a position to make the narrative report once and in a formal way. However, I consider that the request for two additional years of transition is valid, if it is the following:</p> <ol style="list-style-type: none">1) The greatest effort is focused on the transition from the cash-based accounting model to the accrual and accrual model.2) In the accounting transition (2026), it would be completely subjective and out of context, any performance and financial analysis, and the establishment of a correct comparability and presentation of the narrative report of performance and accountability. This situation would also be present in the period after the financial transition.3) If done:<ol style="list-style-type: none">a) It would include the general vision, objectives, and strategies.
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

		<p>b) It would not be necessary to establish the transition process and its effects, because they are already in the disclosure notes to the RUs, and of course, always taking care and pending sensitive and harmful information within the framework of those established in the guide in relation to to this topic.</p> <p>4) It should not be carried out, because any test at the end could be imprudent, and with the obligation to correct later within the framework of the standard.</p> <p>5) Internally, the NPOs would be obliged to establish the guidelines, policies and formalities for future presentation.</p>
--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------