

**Brasilia, March 20, 2024**

Chartered Institute of Public Finance and Accountancy (CIPFA)  
77 Mansell Street  
London E1 8AN  
United Kingdom

**RE: Exposure Draft CIPFA/ED/2023/2 International Non-Profit Accounting Guidance**

**Dear Sirs,**

The Group of Latin American Accounting Standard Setters (GLASS)<sup>1</sup> – appreciates the opportunity to participate in the process for the Exposure Draft CIPFA/ED/2023/2 *International Non-Profit Accounting Guidance* (the Exposure Draft).

**Due Process**

The discussions regarding the Exposure Draft took place within the Permanent Working Group (PWG) for Non-Profit Organisations (NPOs), which was created in January 2022. Each member country had the opportunity to nominate at least one representative.

All members of the PWG reviewed the document issued on September 26, 2023. This group focused on the twelve specific topics during various working sessions, engaging in thorough discussions and leading to important conclusions.

In the working sessions the different representatives shared their views and addressed each of the questions posed in the Exposure Draft.

Finally, the document prepared by the PWG was presented to and approved by the GLASS Board.

**General Comments**

We agree with the Exposure Draft proposed by IFR4NPO, as we believe it will provide a solid and coherent framework for non-profit organizations to improve their transparency, accountability and

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<sup>1</sup>The general objective of the Group of Latin American Accounting Standard Setters (GLASS) is to submit technical contributions in reference to all documents published by the IASB and the ISSB and other institutions linked to the profession of Public Accounting. GLASS therefore intends to present a regional opinion. GLASS is made up of the issuing bodies from: Argentina (Board), Bolivia, Brazil (President), Chile (Board), Colombia (Vice-President), Costa Rica (Board), Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Dominican Republic, Uruguay (Board) and Venezuela (Board).



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effectiveness in resource management. This guidance will help organizations adopt more consistent and comparable accounting and reporting practices, which in turn will improve the confidence of donors, beneficiaries and other stakeholders. We believe this initiative will significantly benefit the non-profit sector.

### **Specific Comments**

Attached you will find our responses to the specific questions included in the Exposure Draft.

### **Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,

A handwritten signature in black ink, appearing to read "José Luiz Ribeiro de Carvalho".

**José Luiz Ribeiro de Carvalho**  
*Chairman*

Group of Latin American Accounting Standard Setters (GLASS)

## Annex

### Responses to Exposure Draft CIPFA/ED/2023/2 International Non-Profit Accounting Guidance

#### Question 1: Financial instruments

- a) Do you agree that there are no significant alignment changes required to Section 11, other than those that have already been made? If not, set out the alignment changes you believe are required.

*GLASS agrees that no significant alignment changes are required in Section 11.*

#### Question 2: Inventories

- a) Do you agree with the expansion of Section 13 Inventories to specifically include inventory held for use internally, for fundraising or for distribution? If not, why not?

*GLASS agrees with the principles for the recognition and measurement of inventories based on the use given to them by NPOs.*

- b) Do you agree with the permitted exceptions that allow for certain donated inventories and work in-progress that comprises services to be provided for no or nominal consideration to not be recognised as inventory? If not, what would you propose instead?

*GLASS agrees with what is stated on the Exposure Draft.*

- c) Do you agree that fair value should be used to value donated inventory? If not, what would you propose instead?

*GLASS agrees with the Exposure Draft, considering measurement methods will be evaluated in section 12 (Fair Value Measurement) of ED3, at which time GLASS will be able to determine the applicability of the methodology to NPOs.*

- d) Do you agree that inventories that are held for distribution at no or nominal consideration or for use by the NPO in meeting its objectives shall be measured at the lower of cost adjusted for any loss of service potential, and replacement cost? If not, what would you propose instead?

*GLASS agrees with the Exposure Draft that inventories held for distribution are measured at the lower of cost, adjusted for any potential loss of service potential, and replacement cost.*

- e) Do you agree with the proposed disclosure requirements, particularly regarding the use of permitted exceptions and where donated inventories are not recognised because they cannot be reliably measured? If not, what would you propose instead?

*GLASS agrees with the disclosure requirements established in the Exposure Draft when the donated inventory is not recognized for accounting purposes, because in various situations NPOs cannot reliably measure inventory, and their disclosure achieves transparency.*

### **Question 3: Provisions and contingencies**

- a) Do you agree that an illustrative example on warranties is removed from the Implementation Guidance, and a new example on onerous contracts is added? If not, why not??

*GLASS agrees with the Exposure Draft regarding the deletion of the illustrative example on warranties and the addition of a new example on onerous contracts that is more suited to the operations carried out by NPOs.*

### **Question 4: Revenue**

- a) Section 23 Part I and Section 24 Part 1 introduce new terminology relating to grant arrangements<sup>1</sup>. Do you agree with the terms enforceable grant arrangement and enforceable grant obligations and their definitions? If not, what alternative terms would you propose to achieve the same meaning? What are the practical or other considerations arising from these definitions, if any?

*GLASS agrees with the terms enforceable grant arrangement and enforceable grant obligation and their definitions in the Exposure Draft.*

- b) Do you agree with the structure of Section 23, with Part I focused on grants and donations, Part II focused on contracts with customers and a preface that brings together the key principles and information about how to navigate the guidance? If not, what changes would you make and why?

*GLASS agrees with the Exposure Draft, and we suggest some form changes in this section as follows:*

- i. From G23.24 onwards, the concept of Enforceable Grant Arrangement (EGA) is further elaborated. We recommend adding a subtitle for enhanced clarity for the reader.*
- ii. It could be useful to explicitly include in the Guidance a terminology for “Enforceable Grant Arrangement (EGA) asset” and “Enforceable Grant Arrangement (EGA) liability, for purely*

*educational purposes, similar to how “contract asset” and “contract liability” are presented in IFRS 15. This would facilitate understanding among professionals.*

- c) Do you agree that revenue is only deferred where the grant recipient has a present obligation in relation to the revenue received? If not, in what other circumstances could revenue be deferred and what is the conceptual basis for this proposal?

*GLASS agrees with the Exposure Draft that revenue is only deferred where the grant recipient has a present obligation in relation to the revenue received.*

- d) The revenue recognition model for enforceable grant arrangements requires that revenue is allocated where there is more than one enforceable grant obligation. Do you agree with the allocation methods identified? If not, what methods would you propose? What are the practical considerations?

*GLASS agrees with the Exposure Draft that the revenue recognition model for enforceable grant arrangements requires that revenue be allocated where there is more than one enforceable grant obligation. GLASS agrees with the allocation methods identified.*

- e) Do you agree with the permitted exceptions that allow the recognition of some gifts in-kind, either when sold, used, or distributed, and that these permitted exceptions cannot be used where donations are received as part of an enforceable grant arrangement? If not, what would you propose instead and what is the rationale?

*GLASS agrees with the Exposure Draft about exceptions. We seek clarification as to why they are only applicable to Other Funding Arrangements (OFA) and not to Enforceable Grant Arrangements (EGA).*

- f) Do you agree that services in-kind are not required to be recognised unless they are mission critical? If not, on what basis should services in-kind be recognised and what is the rationale?

*GLASS agrees with the Exposure Draft that services in-kind are not required to be recognised unless they are mission critical. Some NPOs depend on these services in-kind, so their recognition is important.*

- g) Do you agree that donations in-kind (both gifts in-kind and services in-kind) should be measured at fair value? If not, what would you propose instead?

*Given that measurement methods will be assessed in section 12 (Fair Value Measurement) of ED3, at which time GLASS will have the capacity to determine the applicability of the methodology*

*to NPOs, GLASS agrees with the Exposure Draft that donations in-kind should be measured at fair value.*

- h) Do you agree that administrative tasks are generally not separate individually enforceable obligations, but a means to identify or report on resources in an enforceable grant arrangement? If not, provide examples of where administrative tasks are an enforceable obligation.

*GLASS agrees with the Exposure Draft on the treatment of administrative tasks because these tasks do not usually create an Enforceable Grant Obligation (EGO).*

- i) Do the proposals for disclosure of grant revenue provide an appropriate level of transparency? If not, what would you propose and what is the rationale for your proposal?

*GLASS agrees with the Exposure Draft on revenue disclosures, because they provide users of financial reports with sufficient information to understand their nature, amount and uncertainty. Also, they consider which of those disclosures may be sensitive and consider the safety of the collaborators-volunteers of the NPOs.*

- j) Part I is written for simpler grant arrangements and Part II includes a paragraph for simpler contracts with customers. For more complex grant arrangements, additional guidance is provided about how to apply Part II in the NPO context. Do these proposals successfully remove duplication, help understandability and the ability to implement? If not, what would you change and why?

*GLASS agrees with the simplification in the Exposure Draft and with separating Part I on grant-donation related revenue for simpler grant arrangements and Part II on revenue from customer contracts for more complex grant arrangements.*

- k) Do you have any other comments on the proposals in Section 23, including whether the full content of the IFRS for SMEs section on revenue from contracts with customers in Part II is necessary for NPOs? If so, provide the rationale for the comment and cross reference to the relevant paragraphs.

*GLASS agrees with the proposals in the Exposure Draft.*

#### **Question 5: Expenses on grants and donations**

- a) Section 24 Part I and Section 23 Part 1 introduce new terminology relating to grant arrangements<sup>2</sup>. Do you agree with the terms enforceable grant arrangement and enforceable grant obligations and their definitions? If not, what alternative terms would you propose to achieve the same meaning? What are the practical or other considerations arising from these definitions, if any?

*GLASS agrees with the Exposure Draft on the inclusion of new terminology related to grant arrangements.*

*In addition, GLASS agrees that all grant and donation expenses can be classified as an enforceable grant arrangement, since legal rights may not be exercised in practice. However, arrangements may be enforceable due to possible regulatory intervention in some jurisdictions.*

- b) Do you agree that all expenses on grants and donations can be classified as an enforceable grant arrangement or as another funding arrangement? If not, provide examples of which expenses on grants or donations would not fit in either of these classes, and why not?

*GLASS agrees with the Exposure Draft on the treatment of grant and donation expenses because enforceable grant arrangements confer rights and obligations that are enforceable through legal or equivalent means for both parties of the grant. NPOs should realistically consider resource transfers, for the recording of liabilities and expenses.*

- c) Enforceable grant arrangements are required to be enforceable through legal or equivalent means. Do you agree that regulatory oversight and customary practices can be sufficient to create an enforceable grant arrangement? If not, why not? What weight should be applied to these mechanisms?

*GLASS agrees with the Exposure Draft that regulatory oversight and customary practices can be sufficient to create an enforceable grant arrangement and considers that mechanisms will be in place in each jurisdiction to make grant arrangements enforceable.*

- d) Do you agree that the full amount of the grant (including where it covers multiple years) should be recognised as an expense if the grant-provider has no realistic means to avoid the expense? If not, under what circumstances should a grant provider not recognise the full expense and what is the rationale?

*GLASS agrees with the Exposure Draft that the full amount of the grant should be recognized as an expense if the grant-provider has no realistic means to avoid the expense.*

- e) Do you agree that grants for capital purposes are expensed by the grantor using the same principles as other grants? If not, why not? What would you propose instead?

*GLASS agrees with the Exposure Draft on the recognition of grants, considering the existence of the right and control over non-current assets.*

- f) Do the proposals for disclosure of grant expenses, which include a sensitive information exemption, provide an appropriate level of transparency? If not, what would you propose and what is the rationale for your proposal??

*GLASS agrees with the Exposure Draft on grants' expense disclosures, as they provide users of financial reports with sufficient information to understand the nature, amount and uncertainty derived from grant expenses. They also consider which of those disclosures may be sensitive based on the safety of the collaborators-volunteers of the NPOs.*

- g) Do you agree that a grant-providing NPO with an OFA can only recognise an asset at the point that a grant recipient has not complied with a constraint on the use of funds provided? If not, what would you propose instead?

*GLASS agrees with the Exposure Draft on the recognition of grants and considers the existence of the right and control over assets.*

- h) Do you have any other comments on the proposals in Section 24, including that administrative tasks in an enforceable grant arrangement are generally not an enforceable grant obligation but a means to identify or report on resources? If so, provide the rationale for any comments and cross reference to the relevant paragraph.

*Regarding the interpretation of paragraphs G24.8, G24.23 and G24.24, GLASS believes it should be clarified that a provision is only established when there is an obligation, stipulated by a clause or condition of the enforceable grant to return the funds received. However, it is not necessary to create a provision given when there is merely a single sanction or fine that relates to NPOs not being selected to receive a grant.*

#### **Question 6: Borrowing costs.**

- a) Do you agree that there are no significant alignment changes required to Section 25, other than the terminology changes that have been made? If not, set out the alignment changes you believe are required.

*GLASS agrees with the Exposure Draft that there are no significant alignment changes required to Section 25 in relation to the IFRS Accounting Standard for SMEs.*

#### **Question 7: Share-based payments**

- a) Given the characteristics of NPOs, do you agree that guidance on share-based payments is not required? If not, provide examples of share-based payments and explain how they are used.



*GLASS agrees with the Exposure Draft that guidance on share-based payments is not required given the characteristics of NPOs and that the existence of a surplus is used to benefit the recipients of the services provided by the NPO. It is noteworthy that the guidance does not refer to any accounting framework in the event of a share-based payment situation.*

#### **Question 8: Employee benefits**

- a) Do you agree that profit sharing and share-based payments are removed from Section 28 Employee benefits to reflect that employees of NPOs are very unlikely to be incentivised by sharing in the surpluses made by an NPO? If not, provide examples of such arrangements used by NPOs.

*GLASS agrees with the proposals in this section as the probability of an NPO agreeing with its workers on benefit sharing and share-based payments in the Latin American region is low.*

- b) Do you agree that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses or Statement of Changes in Net Assets? If not, why not?

*GLASS agrees with the Exposure Draft that in-year changes to the value of post-employment benefits can be shown on either the Statement of Income and Expenses or Statement of Changes in Net Assets.*

#### **Question 9: Income tax**

- a) Are there any elements of Section 29 Income taxes that are not required by NPOs? If so, explain which elements are not needed and why.

*GLASS agrees with the inclusion of the section. The elements included are necessary for NPOs because some Latin American jurisdictions present specific situations related to tax obligations.*

#### **Question 10: Foreign currency translation**

- a) Do you agree that grants and donations should be considered when setting the functional currency? If not, why not?

*GLASS agrees with the Exposure Draft. However, we believe it is crucial to incorporate the examples presented in the explanatory videos of the Exposure Draft. This would equip those responsible for preparing financial information at NPOs with enhanced clarity on the grants and donations to consider when identifying their functional currency.*

- b) Do you agree with the principle that exchange gains and losses are shown as part of funds without restrictions unless they relate to a transaction that is to be shown as restricted? If not, why not?

*GLASS agrees with the Exposure Draft that the principle that exchange gains and losses are shown as part of funds without restrictions.*

- c) Do you agree with the proposal to require exchange gains and losses that contribute to a surplus or deficit on grant arrangements presented as funds with restrictions to be disclosed? If not, why not? What would you propose instead?

*GLASS agrees with what is stated on the Exposure Draft. A concern we point out is that changes in the exchange rate are related to the surplus or deficit of the NPOs.*

- d) Do you have any other comments on Section 30, including whether there are any NPO-specific recognition and measurement issues associated with foreign currency translation? If so, explain your comments and the NPO-specific recognition and measurement issues.

*GLASS considers it necessary to provide broad guidance to those who prepare the financial information at NPOs on the proper identification of their functional currency, based on the currency of the main economic environment in which the NPO operates, especially in cases where there are requirements that can be generated by international donors, regarding the submission of reports.*

#### **Question 11: Hyperinflation**

- a) Do you agree that there are no significant alignment changes required to Section 31, other than the terminology changes that have already been made? If not, describe any further alignment changes required.

*GLASS agrees with the Exposure Draft and deems it crucial for NPOs that apply this Section, in addition to those whose functional currency is that of a hyperinflationary economy, evaluate qualitative indicators and not only quantitative indicators when the economy is experiencing high inflation.*

#### **Question 12: Events after the end of the reporting period**

- a) Do you agree that there are no significant changes required to Section 32, other than those that have already been made for alignment purposes? If not, describe any further alignment changes required.



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*GLASS agrees with the Exposure Draft, as no significant changes are required in Section 32 with the IFRS Accounting Standard for SMEs.*