



# International Financial Reporting for Non Profit Organizations

## Consultation Paper Part 1 and other updates – Accompanying Slide Deck



# Content

Slide	Content
3	Introduction
4-5	General Update
6-7	Practitioner Advisory Group
8-9	Communications and Outreach
10-12	Structure of the Consultation Paper
13	Consultation Paper Part 2
14-23	Consultation Paper Part 1
24	Next Steps

# Introduction

- This slide deck has also been primarily prepared to assist with your review of Part 1 of the Consultation Paper. It incorporates a number of questions we would like you to consider as part of your review and feedback.
- A general update on the overall project including developments since the last meeting is also included in this slide deck. Updates are provided on all parts of the Consultation Paper and actions taken to increase engagement.
- Questions and comments are welcome on all aspects of the updates and papers.

# General Update (1)

- The concept of two parts of the Consultation Paper has not changed since it was last discussed by the TAG, but the proposed structure within each part has evolved, with the emphasis on being better able to tell the story as to why there is an issue and why action is needed.
- Work is now almost complete in developing the draft text for the specific issues papers. These have been developed on a bottom up basis and whilst broadly consistent with each other they have evolved. Each paper will be reviewed against Part 1 of the Consultation Paper once this is sufficiently stable.
- To differentiate the questions in the two parts of the Consultation Paper, Part 1 will raise General Matters for Comment and Part 2 will raise Specific Matters for Comment

## General Update (2)

- In response to feedback from the PAG and TAG a separate specific issue topic is being developed on inventory measurement.
- An update was held with the IASB on the project in January 2020. The IASB remain supportive of the work on the project.
- A product is being considered for the analysis of consultation responses. Further work needs to take place to consider how responses might be codified and the information we would like to obtain from respondents.
- The dedicated project website is planned to be launched on 27 April. The quotes provided by TAG members will be used as part of a social media campaign to raise awareness of the new website. It is important that people sign up to the new website for data protection reasons.

# Practitioner Advisory Group

- The PAG met for the first time on 5-6 December in Nairobi (feedback was shared with TAG in January)
- A further call for nominations to the PAG was launched in January. Four further members have been appointed coming from Brazil, Japan, India and Jordan.
- The PAG held a virtual meeting on 11 March. The PAG provided feedback on the definition of NPOs and the explanation of donor reporting issues that are outlined in the Consultation Paper. They also received an update on the work of the TAG and the trio of projects. The feedback has been incorporated into the current draft of Part 1 of the Consultation Paper.



# Practitioner Advisory Group

## As at the end of December 2019

- 10 of 25 members so far appointed.
- Nationalities: UK, US, India, Zimbabwe, Switzerland, Russia, Indonesia, New Zealand, South Africa, Kenya
- Based in: UK, US, Switzerland, Indonesia, South Africa, Kenya, Uganda, Vietnam
- Stakeholder groups: NPOs, Funders, Auditors, Regulator, Consultant, Academic, GFGP
- [humentum.org/ifr4npo/practitioner-advisory-group](http://humentum.org/ifr4npo/practitioner-advisory-group)



# Communications and Outreach

- AS at 17 March, Country Champions have been signed up in 3 countries and work is in hand in a further 6 countries. Whilst leads are being pursued in a further 9 countries there are 3 countries where potential country champions haven't yet been identified. TAG assistance may be requested. We also have some additional volunteer countries.
- Awareness sessions are being developed and are planned to be rolled out over the next couple of months, with country champions delivering the content with support from the project team.
- Planning has commenced on regional round tables to provide feedback on the Consultation Paper. Regional round tables are currently planned for Nigeria, South Africa, Kenya, Malaysia, Australia, Brazil, US (Washington), Belgium (Brussels) and Dubai/UAE.
- We are looking to identify a delivery partner to work with us for the round tables. We would appreciate support from TAG members to help where practicable. These will take place a couple of months after the CP launch.



# Communications and Outreach - Regions and Target Countries



International Financial Reporting  
for Non Profit Organizations

## COUNTRY CHAMPIONS

Regional & Country roundtable meetings



Region	Countries
East Africa	Kenya Uganda
West Africa	Nigeria, Sierra Leone
Central & Southern Africa	SA, Zimbabwe, DRC, Mozambique
Middle East & North Africa	Egypt, Jordan Sudan
South East Europe & Central Asia	Turkey, Ukraine, Afghanistan
South & South East Asia	Malaysia, Viet Nam, India, Bangladesh, Indonesia
Asia Pacific	Australia, Papua New Guinea, Fiji
Europe	Belgium United Kingdom
Latin America & Caribbean	Brazil Colombia
North America	USA (Washington DC)

# Structure of the Consultation Paper - Recap

- To recap, the aim of the CP phase is to raise awareness of the project, to introduce stakeholders to the objectives and planned development approach for the Guidance as well as proposed issues for discussion.
- The CP is intended to frame the challenges for the sector and introduce the topics proposed for inclusion in the initial version of the Guidance with the aim of encouraging debate about possible options.
- The comments received on the Consultation Paper will guide the plans for the development of the Exposure Draft and ultimately the final Guidance.

# Structure of the Consultation Paper – content

- The Consultation Paper will comprise a preface, Part 1 and Part 2 and will be accompanied by additional documents as required.
- The preface will set out the objectives of the project, advise readers how to navigate the Consultation Paper and how to respond.
- A document with the project background and history will accompany the Consultation Paper.
- A single glossary will be produced as a separate document that covers the terms used in both Part 1 and Part 2 of the Consultation Paper.

# Structure of the Consultation Paper - headings

Content	Coverage
Preface	Objectives, 'about this paper', how to respond to the Consultation Paper
Part 1	NPO General Accountability landscape
Part 2	NPO specific issues
Glossary of terms	List of main terms used
Project History and background	Summary of relevant context for the project

# Consultation Paper Part 2

- The final topic papers will be released for comment after Easter.
- Feedback from TAG members on papers already shared is being incorporated into the specific topic papers.
- Papers are being reviewed to ensure they are consistent and have a similar look and feel. Each topic paper is currently slightly different as the approach has evolved as we have learned through the development phase.
- Acknowledging that the content for the specific topic papers has been developed on a bottom up basis, a review of all CP Part 2 papers will also be carried out to ensure that they are consistent with CP Part 1.
- The TAG will have an opportunity to review Part 2 papers once these reviews have been completed.

# Consultation Paper Part 1 - developments

- Part 1 of the Consultation Paper is being drafted to provide a landscape view of financial reporting for NPOs and general accountability arrangements. It doesn't address NPO specific issues, which are in Part 2 of the Consultation Paper.
- A first draft of Part 1 was developed in February that incorporated the input and feedback from the first TAG and PAG meetings. This was structured in accordance with the section headings previously shared with the TAG (Definition of NPOs, Role of Public Accountability, Users of General Purpose Financial Reports, Guidance Development options and Narrative Reporting).
- The first draft had much of the right content but needed to be reorganised to better explain the general accountability landscape and build understanding.
- The current draft has 6 sections, which are intended to build understanding of the financial reporting issues and considerations for the sector.

# Consultation Paper Part 1 – overview (1)

The 6 sections of Part 1 are:

- What are non-profit organisations?
- Who are NPOs accountable to and what are they accountable for?
- What are the problems with the current accountability arrangements for NPOs?
- How do we strengthen NPO financial management and accountability?
- How can international financial reporting regimes assist NPOs?
- How might we best meet the needs of the NPO sector?

# Consultation Paper Part 1 – overview (2)

Part 1 includes proposals on:

- The definition of NPOs and the intended beneficiaries of the Guidance
- Public accountability considerations
- The role of General Purpose Financial Reports
- The accounting frameworks on which the Guidance could be based

**Question: Does the revised structure work? How could it be improved? Is there any content that would work better in another section or a new section? If so which sections and why?**





# Consultation Paper Part 1 – Section 1

## **What are non-profit organisations?**

- This section defines non-profit organisations with regard to their key features and characteristics, which have been previously discussed by the TAG and the PAG, with feedback included.
- The main beneficiaries are expected to be small and medium size entities as the topic selection is intended to target their issues. Larger organisations may use the guidance.
- Micro organisations that are likely to be on a receipts and payments basis are not intended to be within scope.

Question: Is TAG content with the definition of NPOs? What are the TAG's views on how targeting of small and medium sized entities are addressed in the paper?

# Consultation Paper Part 1 – Section 2

## **Who are NPOs accountable to and what are they accountable for?**

- Who are the key stakeholders for NPOs and who is interested in holding them to account
- The potential role of accountability to society at large (public accountability)
- Defining key areas of accountability by NPOs, including for financial management

Question: What are the TAG's views on NPO public accountability? Have all stakeholders and their interests been identified? Are TAG members agreed that this section captures the general accountability landscape?



## Consultation Paper Part 1 – Section 3

# What are the problems with the current accountability arrangements for NPOs?

- A description of the issues currently facing NPOs in terms of diversity of requirements that come from a lack of international financial reporting guidance, issues arising from legal form, jurisdictional differences and requirements from large donors
- Experience of the private and public sectors and how that can help NPOs

Question: Does the TAG agree with the presentation of the key issues? Are there are other problems with the current accountability arrangements that should be included?



# Consultation Paper Part 1 – Section 4

## **How do we strengthen NPO financial management and accountability?**

- A summary of other financial management initiatives and the relationship to IFR4NPO
- Sets out the expected key features of IFR4NPO, being accrual based, international and encompassing narrative reporting
- Makes the case for accrual accounting
- Describes the role of General Purpose Financial Reports

Question: Does the TAG agree with how the other initiatives are presented and the role of IFR4NPO? What are the TAG's views on the argument for accrual accounting? Does the TAG agree with the positioning of narrative reporting?



# Consultation Paper Part 1 – Section 5

## **How can international financial reporting regimes assist NPOs?**

- Describes the criteria with which to assess whether an accounting framework is suitable for NPOs, being ability to provide guidance on NPO specific issues, ease of use and feasibility
- A factual description of each of the international frameworks
- Comparison of conceptual frameworks
- Provides a high level assessment of how the international accounting frameworks address the NPO specific issues in Part 2

Question: Does the TAG agree with the proposed criteria for assessing the suitability of accounting frameworks? Does the TAG agree that the descriptions accurately reflect the current international standards? Does the TAG agree with the assessment of how the international standards meet the criteria?



# Consultation Paper Part 1 – Section 6

## **How might we best meet the needs of the NPO sector?**

- Proposal to consider a hybrid approach as a way forward as it may provide an opportunity to better meets the needs of NPOs
- Describes a potential hybrid solution
- Comparative evaluation of a hybrid option and current international accounting standards against the criteria proposed in Section 5.

Question: Does the TAG agree with the concept of a hybrid solution? Does the TAG agree with the hybrid solution proposed? Does the TAG agree with the assessment of the hybrid and international frameworks against the criteria?

# Consultation Paper Part 1 – Design

- The draft includes some use of graphics to break up the text aimed at making the Consultation Paper more accessible.
- Boxes are used to house some of the more technical information to provide a more narrative flow in the main part of the document aimed at more general users, rather than finance professionals.
- Further work will be needed on the look and feel of the draft of Part 1 as part of further development of the Consultation Paper.

Question: What are the TAG's views on the design of Part 1? What are the TAG's views on the approach taken to date? How can additional graphics be introduced to improve accessibility to the content?

# Next Steps

- Feedback from the TAG on Part 1 Consultation Paper by Friday 17 April
- Scheduled meeting on Tuesday 5 May will be used to discuss the feedback on the Consultation Paper and the proposed way forward
- Two additional TAG virtual meetings will be created for Tuesday 19 May and Tuesday 16 June to address CP Part 1 feedback.
- TAG virtual meeting on 2 June will be used to review the remaining specific issue topics – Gifts in-kind, Measurement of inventory, Financial Statement Presentation and Narrative Reporting.