



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

16 July 2024

TAGED19



TAG meeting 16 July 2024

Attendees	Apologies
Ian Carruthers (Chair)	Catherine Asmiete
Jenny Carter	Bee Leng Tan
Bill Biese	Tamba Momoh
Iheanyi Anyahara	Bernhard Schatz
Jeff Mechanick	Jianqiao Lu
Katherine Knowlton	Michelle Sansom
Mohammad Anwarul Karim	
Fridrich Housa	
Daniel Sarmiento Pavas	Staff
Observers	Karen Sanderson
Jeff Gabello	Nandita Hume
Tim Boyes-Watson	Sarah Sheen
Samantha Musoke	
George Mahembe	



Session outline

- Grant model – way forward
- Structure of INPAG – way forward
- Narrative reporting – final draft
- Financial statements – way forward



Agenda item 1 – Grant model – way forward

1.1 Advice

- a) A change to the unit of account that focuses on the prerequisite to entitlement would help to simplify understanding.
- b) Potential use of the term performance obligation is of concern because performance is not always a pre-requisite to entitlement.
- c) There needs to be clarity about the defining characteristics between a present obligation and other obligations if this is the unit of account. Using an approach that a requirement is both distinct and transferable may not be easy to apply.
- d) Enforceability as a distinguishing factor in identifying present obligations is helpful and it will need to be tested in the context of other requirements with restrictions.



Agenda item 1 – Grant model – way forward

1.1 Advice

- e) There is no need to change the model as exposed but there is a need to clarify the relationship between terms as there is confusion about the new terminology. It will be useful to explain the differences between INPAG and IFRS15 and its terminology.
- f) People are confused about the terminology, which may lead to resistance in the short term, but this will settle over time.
- g) Definition of an asset is controversial in some organisations. The IFRS definition is difficult to understand and needs to be reviewed and adjusted for NPOs.
- h) The recognition of an asset for grantors based on their rights may have practical considerations including additional procedures for impairment.



Agenda item 1 – Grant model – way forward

1.1 Advice

- i) The definition of an asset for grantor's rights is conceptually sound and if the majority of respondents did not disagree with the definition it should not be reopened.
- j) If an arrangement is complex then the accounting is complex. INPAG will drive better practice.
- k) As INPAG is principles based, which is needed to covers a wide range of entities, it will require judgement. National standard setters can be more targeted in who needs to apply INPAG.
- l) Some grants will not be enforceable by both parties and the focus should be on enforceability by the grantor. The crossover with restrictions needs to be considered.

Agenda item 1 – Grant model – way forward

1.2 Requests

- a) Re-look at the unit of account and associated terminology. Pick up the further thinking from the development of ED3 in order to clarify linkages.
- b) Look further at examples of generic grant type transactions to assist application.
- c) Examine the updated definition of an asset and present obligation used in the IPSASB conceptual framework and consider in the NPO context.
- d) Ensure that the terms selected are capable of picking up the nuances when translated.



Agenda item 2 – Structure of INPAG – way forward

2.1 Advice

- a) Combining the authoritative guidance into one volume is strongly supported and will lead to an overall reduction in the length of the document.
- b) A consistent approach to the location of application guidance is preferred. Longer sections can draw attention to their importance and so the length of a section should not be a driver for the separation of application guidance.
- c) Only provide separate application guidance if the content is likely to be used infrequently or if the section hasn't been reviewed in detail.
- d) Non-authoritative guidance should be separate from authoritative guidance. Non-authoritative guidance should be differentiated from educational materials



Agenda item 2 – Structure of INPAG – way forward

2.1 Advice

- e) Separating the application guidance from the core text in each section allows amplification of the core principles to support understanding. It is important that application guidance is part of the authoritative guidance.
- f) The purpose of each of the INPAG documents including further educational materials needs to be clear.
- g) INPAG should be renumbered and include a table of concordance with the *IFRS for SMEs* Accounting Standard. Renumbering may prevent those familiar with the *IFRS for SMEs* Accounting Standard from making assumptions about the content of INPAG.
- h) Reordering sections within INPAG may create an impression that all content has been reviewed. Use of alpha characters could allow new material to be located earlier in INPAG.



Agenda item 2 – Structure of INPAG – way forward

2.1 Advice

- i) It is not important to keep a logical order as content evolves over time and is chronological. Keeping the relationship to the *IFRS for SMEs* Accounting Standard is useful.
- j) Related parties and supplementary statements should be in the bottom section of the topic groups. Section 10 Accounting Policies, Estimates and Errors should be in the top section.
- k) Consider the positioning of income tax and borrowing costs in the topic groups as they can be assets.
- l) The term non-profit should be retained as it is inclusive of a wide range of organisations.

Agenda item 2 – Structure of INPAG – way forward

2.2 Requests

- a) Seek further input from focus group members on the options for structuring INPAG.
- b) Explain the rationale for use of the term 'non-profit' for the entities intended to use INPAG.



Agenda item 3 – Narrative reporting – final draft

3.1 Advice

- a) INPAG should be framed in the context of what NPOs believe will be useful to users rather than user's needs to avoid overburdening NPOs. This could be explained in the Basis for Conclusions.
- b) Review the use of "should" and "shall" to make sure that the requirements are clear.
- c) INPAG should acknowledge that some NPOs are directly involved in ESG and that as a consequence sustainability reporting will be part of their performance reporting. Recognition is needed of potential overlaps between sustainability reporting, management commentary and service performance reporting
- d) Be careful about referring out from non-authoritative guidance to guidance on a website. The approach to guidance outside of INPAG could be explained in the Basis for Conclusions.



Agenda item 3 – Narrative reporting – final draft

3.1 Advice

- e) The proposals to address conflicts with jurisdictional requirements should be changed from 'equivalent authority' to 'similar authority'.
- f) Addressing conflicts with jurisdictional requirements in INPAG may create an issue with the ability to express compliance with INPAG.
- g) The requirement to consider the broader longer-term effects, which was made to clarify the scope of narrative reporting is not clear as currently drafted.
- h) The text added to the implementation guidance to support some of the requirements may not be necessary and where appropriate, should be considered for inclusion in the core guidance.
- i) The amount of additional guidance on sensitive information risks it becoming rules based.



Agenda item 3 – Narrative reporting – final draft

3.2 Requests

- a) Explain the approach to describing user needs in the Basis for Conclusions, drawing out the difference between primary users and other users.
- b) Examine the implications for INPAG compliance arising from the proposals to address conflicts with jurisdiction narrative reporting requirements.

Agenda item 4 – Financial statements – way forward

4.1 Advice

- a) The same format of the financial statements may not be appropriate for all NPOs and therefore is it necessary to provide different presentation options..
- b) Surplus and deficit are commonly used and understood across sectors and there is no need to change it. Surplus and deficit should be retained to show the result for the period.
- c) There is no reason to remove the option for the ordering of the presentation of income and expenses, noting that in most cases income is likely to be presented first.
- d) Per previous advice, OCI should continue to be a separate part of the income statement.

Agenda item 4 – Financial statements – way forward

4.1 Advice

- e) There should be an option to not present the Statement of Changes in Net Assets if there are no movements.
- f) The purpose for requiring the disclosure of grants and donations compared to other revenue sources as part of the cashflow statement is not clear
- g) Mixing the need for direct method information on grants when using the indirect method may be problematic.
- h) It may be better to have the illustration of prior year adjustments separate to the main illustrative financial statements.

Acronyms

Acronym	Full name	Description
ED	Exposure Draft	A document published by the INPAG Secretariat to solicit public comment on proposed reporting guidance
IFRS	International Financial Reporting Standards	A set of accounting standards developed by the International Accounting Standards Board (IASB) for use by profit making private sector organisations internationally
INPAG	International Non-profit Accounting Guidance	High quality, trusted, internationally recognised financial reporting guidance for NPOs being developed as part of IFR4NPO.
NPO	Non-profit Organisation	For the purposes of INPAG, these are organisations that have the primary objective of providing a benefit to the public, direct surpluses for benefit of the public, and are not government or public sector entities.
SMC	Specific matter for comment	A question raised in a consultation document, including the Exposure Drafts on which specific feedback is sought