

September 10, 2024

Technical Advisory Group  
International Financial Reporting for Non-Profit Organizations  
Chartered Institute of Public Finance and Accountancy  
77 Mansell Street  
London E1 8AN

RE: Exposure Draft, CIPFA/ED/2024/3 – International Non-Profit Accounting Guidance Part 3

Via email: [ifr4npo@cipfa.org](mailto:ifr4npo@cipfa.org)

Dear Technical Advisory Group Members:

The North Carolina Association of Certified Public Accountants (NCACPA), representing more than 12,000 members in public practice, industry, government, and education, welcomes the opportunity to respond to the request for comment referenced above. This response represents the views of the NCACPA Accounting & Attestation Resource Group (“Resource Group”) with input from the Not-for-Profit Resource Group and NCACPA staff.

### **Proposed Revised Guidance, “Related Party Disclosures” (Section 33.18a-b)**

The Resource Group disagrees with the guidance regarding the non-disclosure of arm’s length transactions with a governing body member, even though the transaction(s) have not amended the Non-Profit Organizations (NPO) normal activities or service(s) were made in accordance with the NPO’s primary purpose.

We believe this guidance creates a loophole that NPO management and/or governing bodies can use to manipulate true deficit/surplus balances, thereby not accurately presenting the financial position to intended users of NPO financial statements.

We suggest striking Section G33.18 from the guidance and revise Section G33.17 to read as follows (in accordance with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)):

- G33.17(b) “donations and grants”
- G33.17(d) “(including services made in accordance with the NPO’s primary purpose, where the services are provided on the same terms as other eligible service recipients).”

### **Proposed Revised Guidance, “Fund Accounting” (Section 36)**

The Resource Group agrees with the proposed guidance to this section, with limited proposed changes as follows:

- Include more detailed disclosure requirements for restricted and unrestricted funds. This could involve specifying the nature and purpose of restrictions and any conditions attached to the funds.
- Separately disclose, on either the face of the financial statements or in the notes, Funds without Restrictions and Funds without Restrictions - Board Designated. Include details of this distinction on the Decision Tree (Figure AG36.1).

The Resource Group believes that the benefit of tracking income, expenses, assets, and liabilities for each fund is the fair presentation of accurate and detailed financial reporting. We do, however, believe that this will cause an increased financial and administrative burden for NPOs of a larger size and complexity. As a result, we suggest that additional training and resources be made available to NPOs.

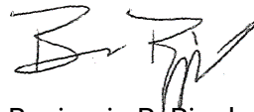
Full details of our comments, proposed changes, and basis for comments can be found in the attached Appendices.

Thank you for the opportunity to submit these comments. Please direct any questions or concerns to NCACPA Director of Advocacy Robert Broome, CAE, at [rbroome@ncacpa.org](mailto:rbroome@ncacpa.org) or (919) 481-5160.

Sincerely,



Melisa F. Galasso, CPA  
Co-Chair  
Accounting & Attestation Resource Group



Benjamin R. Ripple, CPA  
Co-Chair  
Accounting & Attestation Resource Group

Enclosures

cc: NCACPA Board of Directors  
Mark Sotichack, CPA, CGMA, NCACPA CEO

## Appendix – Section 33 Related Party Disclosures

	Question	Ref.	✓ Agree ✗ Disagree	Proposed Changes	Basis for Comment
2(d)	Do you agree with the expense disclosure requirements? If not, what would you change and why?	G33.7-11; G28.38A	✓	N/A	Consistent with GAAP and IFRS which require disclosure of compensation to ensure consistency and transparency in financial reporting. <b>FASB ASC 958-10, FASB ASC 50, and IAS 24</b>
2(i)	Do you agree that grants or donations made in arm's-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as a related party transaction? If not, why not?	G33.18 (a-b)	✗	Eliminate G33.18, Add grants to G33.17(b) to read donations and grants. Add to end of G33.17(d) (including services made in accordance with the NPO's primary purpose, where the services are provided on the same terms as other eligible service recipients).	Consistent with GAAP and IFRS, related party transactions must be disclosed regardless of whether they are conducted at arm's length or not. The nature of the relationship and the terms of the transaction should be clearly explained. Full disclosure is necessary to ensure transparency and avoid conflicts of interest. This information helps stakeholders determine the potential impact of the related party transaction on the NPO's financial position. <b>FASB ASC 850 and IAS 24</b>

**Appendix – Section 36 Fund Accounting**

	<b>Question</b>	<b>Ref.</b>	✓ Agree ✗ Disagree	<b>Proposed Changes</b>	<b>Basis for Comment</b>
1(b)	Do you agree that the guidance in Section 36 will ensure that material funds can be identified? If not, what changes would you propose? Is there a risk that funds are not identified?	G36.3-4, Figure AG36.1	✓	Include more detailed disclosure requirements for restricted and unrestricted funds. This could involve specifying the nature and purpose of restrictions and any conditions attached to the funds.	Guidance adequately ensures that material funds can be identified. There is some risk that immaterial funds will not be identified but that risk is mitigated by the disclosure requirement to specifically identify amounts of income, expenses, transfers, and fund balances of any aggregation of immaterial funds.

	Question	Ref.	<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	Proposed Changes	Basis for Comment
1(c)	<p>Do you agree that income, expenses, assets, and liabilities are tracked for each fund? What are the costs and benefits? What, if anything, would you change and why? What are the practical considerations?</p>	G36.5, G36.7, AG36.3	<input checked="" type="checkbox"/>	<p>Due to the increased financial and administrative burden, provide additional training and resources for non-profit organizations to help them implement the guidance effectively. Allow adoption date(s) of guidance be later for NPOs of a larger size and complexity.</p>	<p>Detailed tracking helps in managing and allocating resources more effectively, ensuring that funds are spent in alignment with the NPOs objectives and strategic goals. This type of tracking facilitates accurate and detailed financial reporting, which is important for internal decision-making, external reporting to stakeholders, and grantors. We agree that this tracking is imperative in the event any cash or other assets are required to be returned to the grantor or becomes available for other purposes at the end of a grant arrangement.</p>

	Question	Ref.	<input checked="" type="checkbox"/> Agree <input checked="" type="checkbox"/> Disagree	Proposed Changes	Basis for Comment
1(d)	Do you agree with the two criteria for a fund to be a fund with restrictions? If not, what would you change and why?	G36.8, G36.9(a-b), G36.16, AG36.5, AG36.16	<input checked="" type="checkbox"/>	Separately disclose, on either the face of the financial statements or in the notes, Funds without Restrictions and Funds without Restrictions - Board Designated. Include details of this distinction on the Decision Tree (Figure AG36.1).	Fully distinguishing detailed information about net assets that are restricted for a certain purpose determined by the Board of Directors provides clarity on how funds are allocated and used. Donors and stakeholders can see how the board has chosen to allocate resources even if those funds are technically unrestricted.
1(e)	In order to provide transparency about the finances of an individual fund, do you agree that all the expenses should be charged against a fund with restrictions even if there	G36.11-12	<input checked="" type="checkbox"/>	N/A	By charging the restricted fund, NPOs can better assess the shortfall and make informed decisions on how to address the deficit. It also ensures that expenses are properly attributed to the fund for which they were intended. This provides for proper accountability and allocation of expenses, ensuring that expenses are charged to the appropriate restricted fund based on the purpose or condition stipulated by the donor or funding agreement.

Question		Ref.	<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	Proposed Changes	Basis for Comment
1(f)	Do you agree with the NPO fund disclosures requirements? If not, what would you change and why?	G36.21-23	<input checked="" type="checkbox"/>	N/A	Fund Disclosure requirements - as proposed - are adequate.
1(g)	Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?	Figure AG36.1	<input checked="" type="checkbox"/>	Add the stipulations of Funds Without Restrictions - Board Designated to the Decision Tree.	Illustrative examples adequately help NPOs identify funds with restrictions.