

Dear INPAG Team,

Thank you for publishing ED3 and addressing many long-standing challenges in NPO accounting. Below are some of my comments on the topics covered in the draft:

Fund Accounting:

G36.5, G36.7, AG36.3

Income and expenses can be tracked by fund. However, tracking assets and liabilities by fund would be a challenge. For example, the same vendor might provide services across two different funds, but most software systems do not allow accounts payable to be tracked by cost center or project (in this case, by fund). Additionally, it might be more useful for an user to look at asset and liability information cumulatively for an NPO rather than individually for each grant.

G36.9

Applying two criteria for fund categorization under restricted funding is more applicable to the sector and better reflects operational reality. This way it is acknowledged that external enforceability is not the sole criterion for determining whether the fund is restricted is not. Other factors, like commitments made ahead of fundraising campaigns, should also be considered.

G36.11–G36.12

When making a decision on whether to charge a cost to a specific fund or not, given that there are insufficient resources to cover it at a given moment, it can be proposed that an evaluation of the probability of the future recoverability of an expense is made.

G36.21–G36.23

Additional guidance on grouping funds for large NPOs would enhance the effective application of the standard. It would also be helpful if the standards clarified how to track or account for the flexible component of restricted funding. For example, indirect costs accrued as a fixed percentage of direct costs and reported to donors as a cost, but where the manner and timing of their spending are at the NPO's discretion.

Presentation of expenses, fundraising costs and related disclosures

G24.48–G24.49

It can be suggested that direct costs include all costs attributable to a specific activity. For example, if staff members split their time equally between two funds, dedicating half to one activity and half to another, these costs can still be considered to be direct. Shared costs, on the other hand, are those costs that cannot be clearly attributed to specific activities and have to be allocated based on an allocation key.

Since the terms "Support Cost" and "Shared Cost" are often used interchangeably, an alternative name for Support Costs could be considered. E.g. "General and Administrative Costs."

G24.64–G24.66

When providing services to generate profit, it can be challenging to separate fundraising costs from service delivery costs. Many large NPOs have profit-generating service contracts where shared costs are allocated using the same methodology as for grants. Splitting these costs between fundraising costs and salaries can be very cumbersome. It is suggested that fundraising costs be limited to those described in G24.60 (i).

G33.18 a)–G33.18 b)

It is important for users of the financial statements to understand the financial interdependence between the NPO and its governing body members, even when the transactions between the two are conducted at arm's length. Therefore any related party transactions or equivalent would be useful to be disclosed.

Supplementary statements

SS.25–SS.26

Publishing one supplementary statement out of many could be misleading as to the extent it is representative of whole NPO's operations. It can be considered that if an NPO chooses to publish the supplementary statements, they should be representative of the period covered in the financial statements.

Thanks and Regards,

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