



# IFR4NPO Update

## AOSSG Working Group Meeting

**Kris Peach**

Chair Governance Group  
20 November 2023



International  
Non-Profit  
Accounting  
Guidance

INPAG

# Session overview

1. Recap on project background
2. Governance and due process for adoption of guidance by countries
3. ASOSSG input and involvement
4. ED 2 proposals
5. Future developments:
  - ED 3 and optional Supplementary Statements

# INPAG Background and Aims



INTERNATIONAL FINANCIAL REPORTING  
FOR NON PROFIT ORGANISATIONS

*Only a few countries benefit from their own national standards. Existing international standards do not meet the unique needs of NPOs.*

## Current Problems

- Lack of transparency over unrestricted funds, overheads and reserves
- Financial reporting focused on projects rather than entity
- Burden of compliance with multiple formats
- High costs of due diligence – funders and grantees
- Concern about double-funding

## INPAG (International Non-profit Accounting Guidance)

## Future Outcomes

- ✓ Funders and trustees better able to reliably assess financial health
- ✓ Lower financial reporting costs for grantees
- ✓ Quicker, more reliable grant making
- ✓ Local partners able to demonstrate their own capacity
- ✓ Simplified audit assurance
- ✓ IFR4NPO Community – global network of NPO stakeholders

**Efficiency  
Equity  
Accountability**

# Developing INPAG



Donor Reference Group

			USAID
	Hilton Foundation	FCDO (DfiD)	World Bank
	Global Fund	Gates Foundation	Oak Foundation
Children's Investment Fund Foundation	Ford Foundation	Open Society Foundations	Global Affairs Canada

# Engagement around the world



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# Primary audience

Tier 1 – Full IFRS or equivalent

Tier 2 - INPAG

Tier 3 – cash based likely to be sufficient



## Characteristics of NPOs

**Providing a benefit to the public**

**Direct surpluses for the benefit of the public**

**Not government or public sector entities**

# Guidance development model



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*IFRS for  
SMEs*  
Accounting  
Standard  
(36 sections)

Section status	Description
<b>Modified</b>	Fully updated to reflect NPO requirements.
<b>Aligned</b>	Updated to align with modified Sections, but not in itself fully reviewed
<b>Unchanged</b>	Updated for terminology changes only
<b>New</b>	Developed specifically for NPOs.
<b>Removed</b>	Not relevant to NPOs



IFRS, IPSAS &  
National  
standards

# Stages of development



## Commencement

- CCAB research identified need for specific financial reporting guidance
- FASS Working Group brought together a group of international standard setters (2016)
- initial funding from the Ford and Open Society Foundations enabled the project to progress

## Phase 1: development

- Identifying issues and possible options
- Engaging Advisory Groups and Country Champions
- Building website and community awareness
- **Output: Consultation Paper** (Jan 2021)

## Phase 2: development

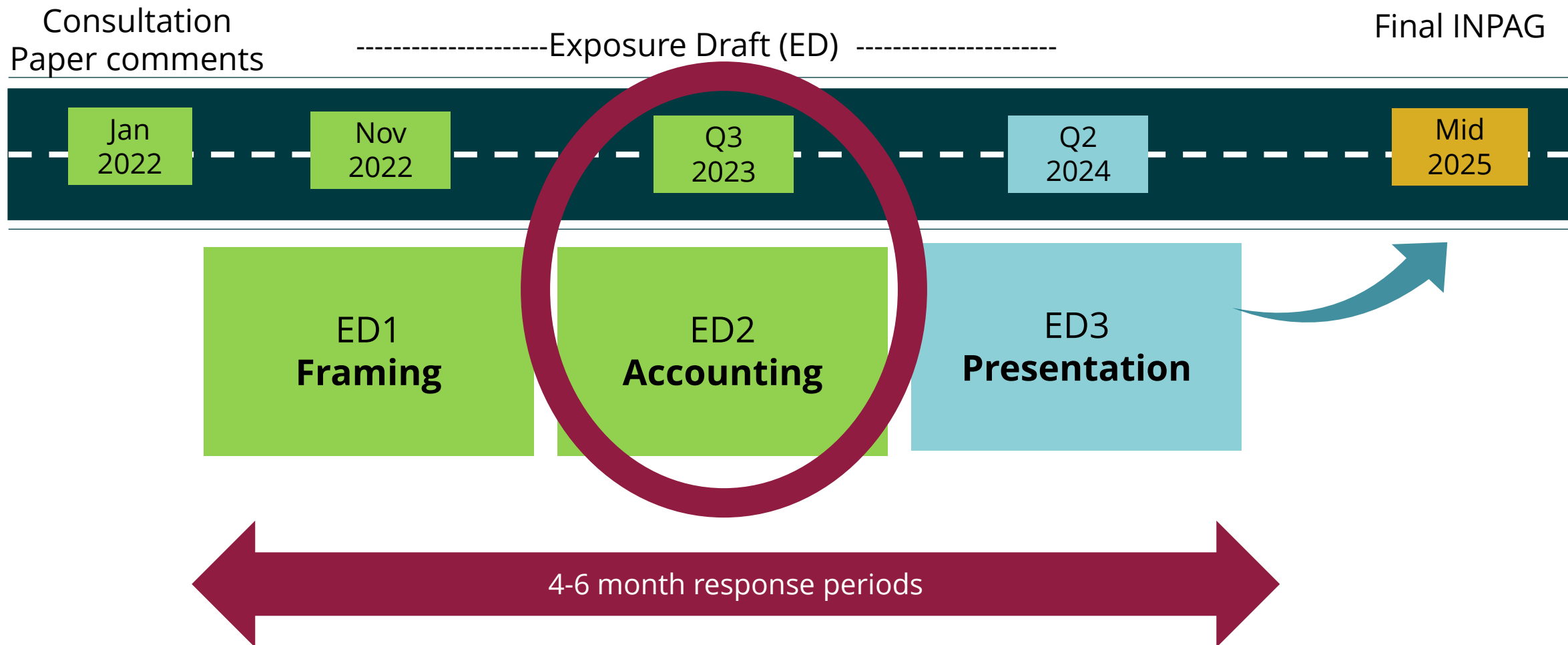
- Designing the draft Guidance
- Explaining proposed solutions
- Obtaining regional and topic feedback
- **Output: 3 Exposure Drafts** (2022-2024)

## Phase 3: Launch

- Finalising and launching Guidance
- Developing training materials
- Supporting adoption and transition
- **Output: Final Guidance** (mid 2025)



# Where are we now - Roadmap



Plan is subject to change

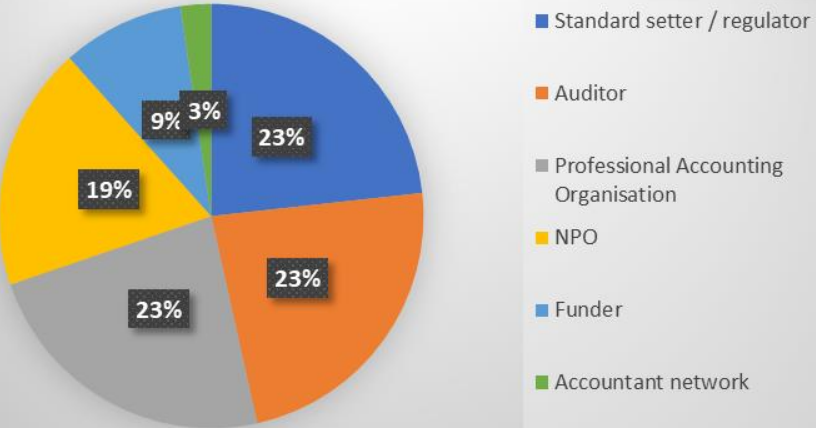
# Main new content in each ED

ED1 (November 2022)		ED2 (September 2023)		ED3 (Mid 2024)	
1	NPOs	13	Inventories	24 Part II	Classification of expenses
2	Concepts and pervasive principles	23	Revenue (including revenue from grants and donations)	24 Part III	Fundraising costs
3	Financial statement presentation	24 Part I	Expenses on grants and donations	36	Fund accounting
4	Statement of financial position	30	Foreign Currency Translation	37	Supplementary information
5	Statement of income and expenses			38	Transition to INPAG
6	Statement of changes in net assets				
7	Statement of cashflows				
8	Notes to the financial statements				
9	Consolidated and separate financial statements				
10	Accounting policies, estimates and errors				
35	Narrative reporting				

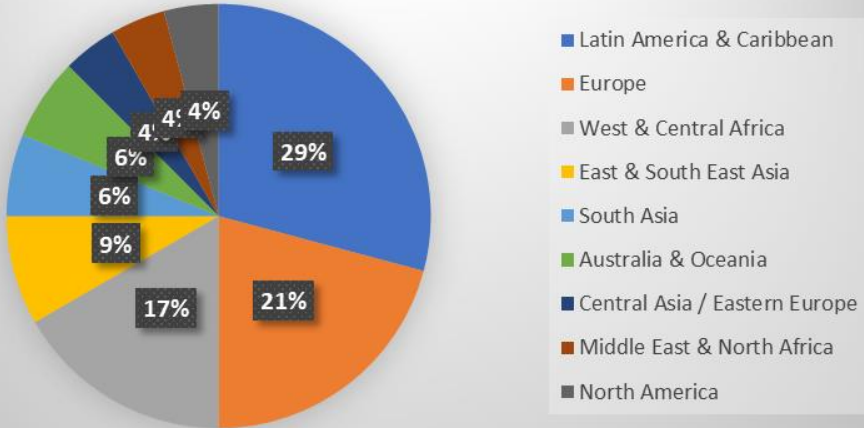
# ED1 Responses



ED1 43 organisational responses



ED1 responses from 37 countries



**Comment letters submitted**

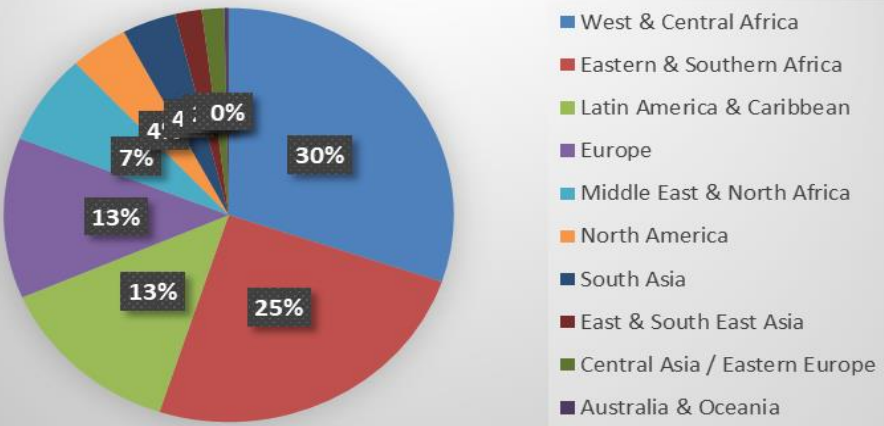
- 67 responses received,
- 43 orgs, 24 individuals,
- 34 countries

**Surveys**

- 310 surveys from 150 individuals
- 50 countries

**Overall: 67 countries**

310 ED1 Survey responses by region





# Questions?



# Strengthening governance

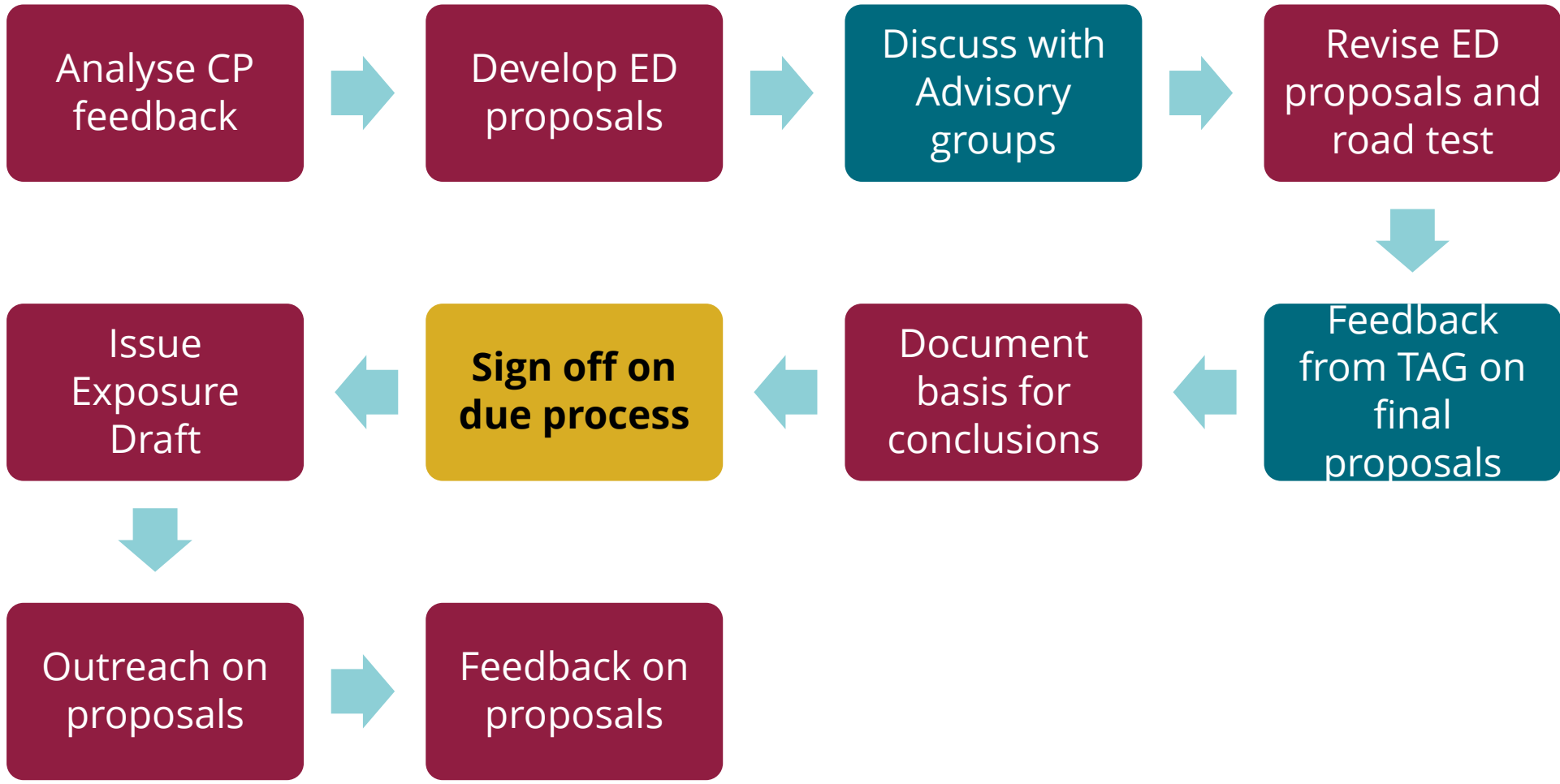


## Key changes – Governance Group

- Prioritising INPAG credibility including oversight of due process
- Emphasis on risk management
- Less focus on project management oversight
- Increasing membership from 3 to 10, geographical representation
- Involvement of chairs of Advisory Groups
- Focus on forward strategy
- Developing the future funding strategy

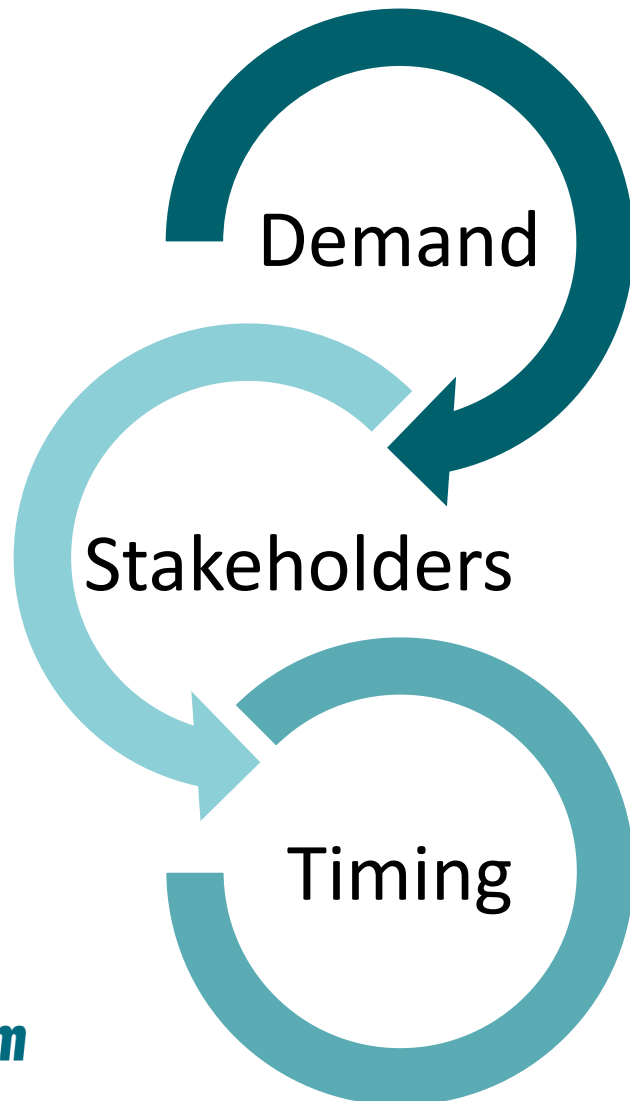
Transitioning to the next stage

# INPAG Exposure Draft - due process approach (summary)



# Post 2025 – What happens?

## Key considerations



Will the guidance be adopted as mandatory or voluntary standards by countries?

How will INPAG be maintained?

Is there sufficient demand to develop INPAG further?

Is there sufficient demand for guidance for larger and/or smaller NPOs?

Views of preparers/auditors on need for further guidance?

Would donors be prepared to fund further guidance?

Would the profession be prepared to support the development of further guidance?

What should the next steps be?

What is the critical path?



# Questions?





# Engagement with AOSSG



## Technical Advisory Group (TAG)

- Bee Leng Tang (Malaysia)
- Fridrich Housa (Australia)
- M Anwarul Karim (Bangladesh)

## Practitioner Advisory Group (PAG)

- Carolyn Cordery (New Zealand)
- Masayuki Deguchi (Japan)
- Tejas Merh Desai (India)

## Country Champions

- Ram Subramaniam (Australia)
- Azahar Ali (Bangladesh)
- Ersya Tri Wahyuni (Indonesia)
- Zowie Pateman (New Zealand)

## Donor Reference Group

- ??

# AOSSG input

- **Is there a need for IFR4NPO in AOSSG?**
- **Which countries in AOSSG might be interested in adopting the IFR4NPO guidance as standards (mandatory or voluntary)?**
- **Which other individuals/organisations from within AOSSG should be involved?**
- **What donors have particular AOSSG interests?**
- **Is the IFR4NPO guidance and due process of sufficient quality to be able to be adopted by countries?**
- **Who should look after maintenance and development going forward?**
- **Can AOSSG influence future decisions regarding IFR4NPO?**



# Questions?





# ED2 topics – new accounting content

## Expenses on grants and donations

Recognition, measurement, disclosure

**INPAG Section 24 Part I**

## Revenue

Recognition, measurement, disclosure

**INPAG Section 23 Part I and Part II**

## Inventories

Exemptions, measurement, disclosure

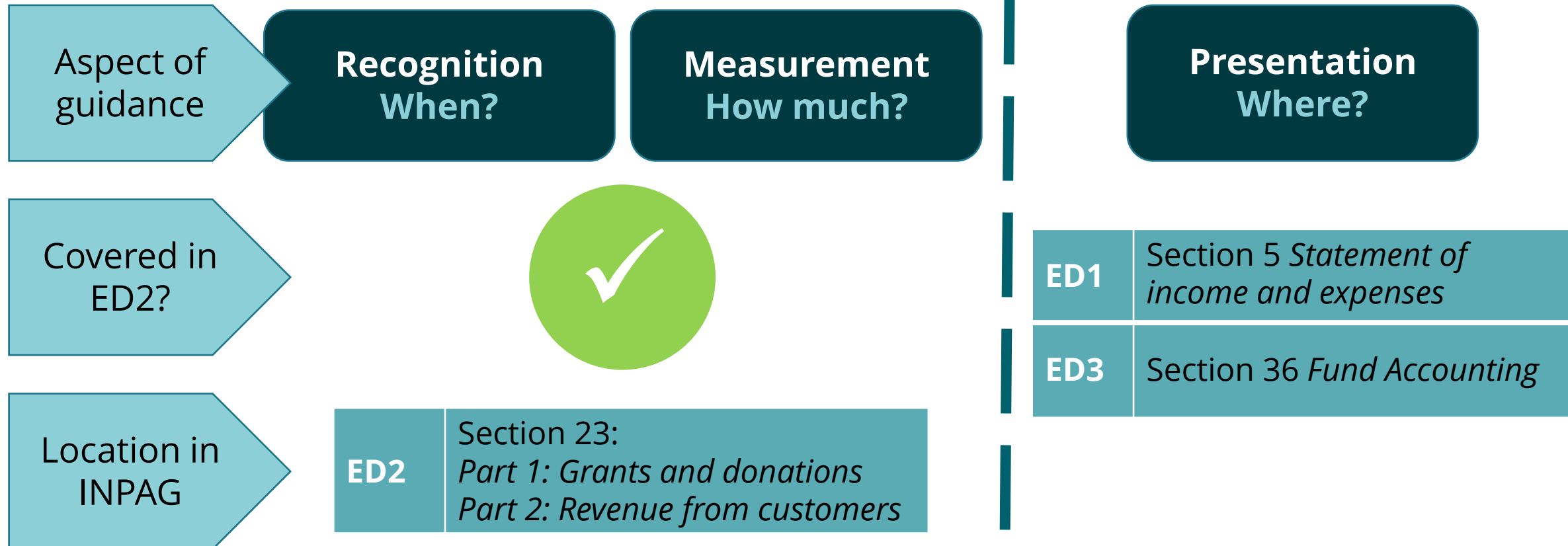
**INPAG Sections 13**

## Foreign currency translation

Presentation and disclosure

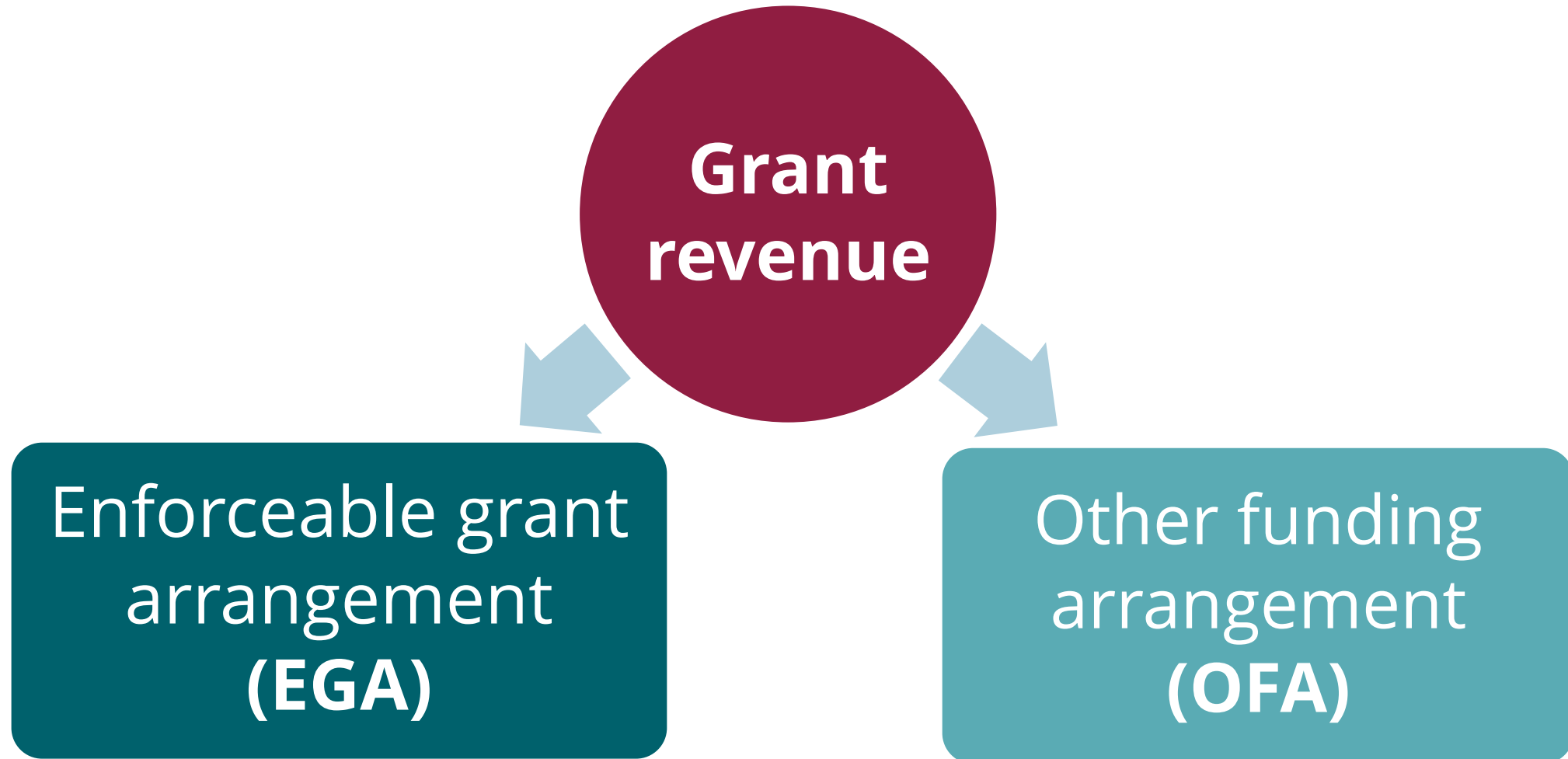
**INPAG Section 30**

# Revenue guidance in ED2



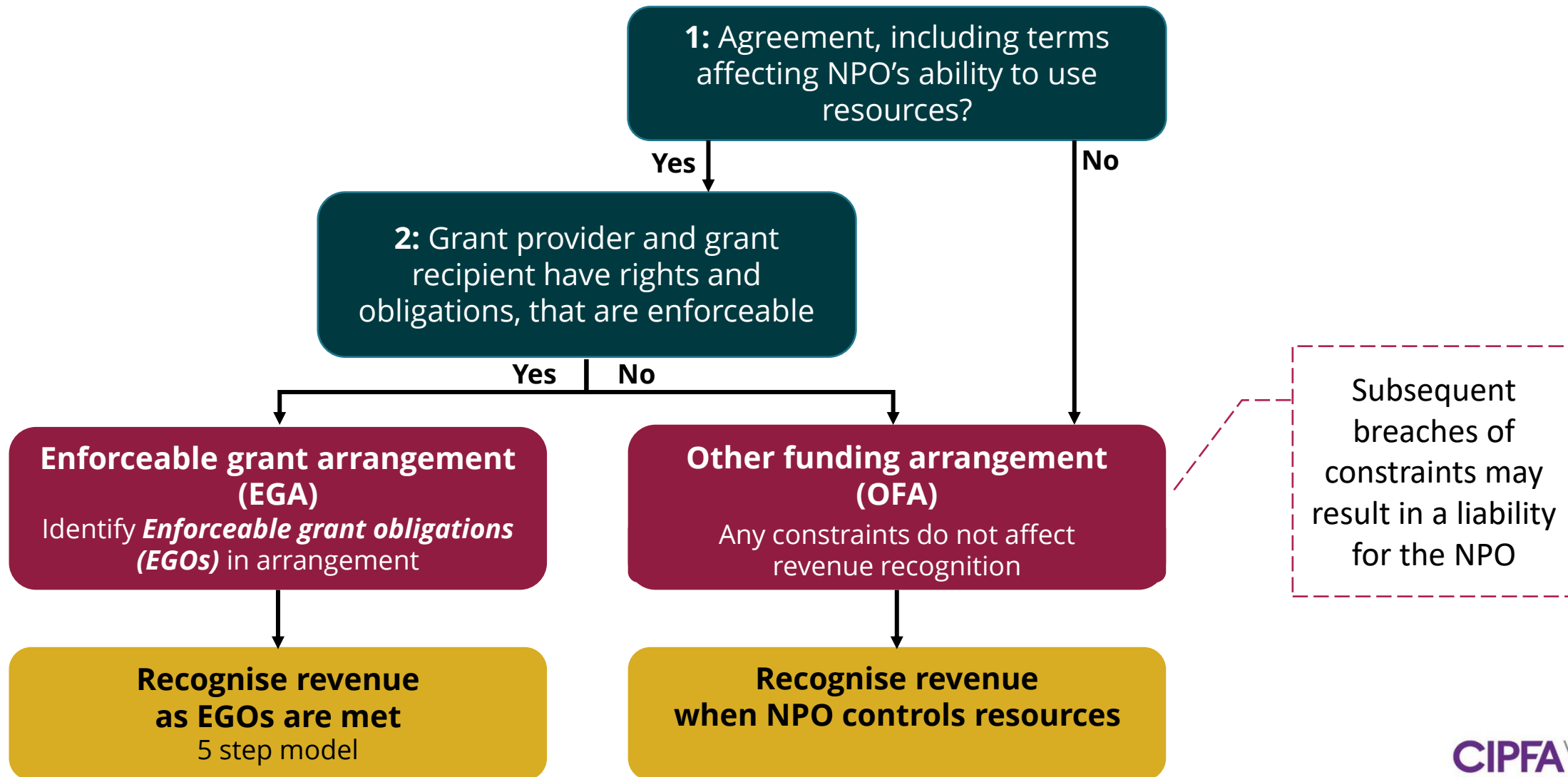


# Types of grant arrangement





# Part 1: Accounting for grants and donations



# Additional topics in ED2:

## Mainly terminology / consistency changes

**Financial instruments**

INPAG Section 11

**Provisions and contingencies**

INPAG Section 21

**Borrowing costs**

INPAG Section 25

**Share-based payments**

Section 26

**Employee benefits**

INPAG Section 28

**Income Tax**

INPAG Section 29

**Hyperinflation**

INPAG Section 31

**Events after the end of the reporting period**

INPAG Section 32







# Questions?



# ED3 topics – new presentation content

## **Classification of expenses**

Presentation and disclosure

**INPAG Section 24 Part II**

## **Fund accounting**

Presentation and disclosure

**INPAG Section 36**

## **Fundraising costs**

Recognition, measurement and disclosure

**INPAG Section 24 Part III**

## **Supplementary information**

Presentation

**INPAG Section 37**

# ED3 – Financial performance statement



	Note	Year ended 31 December 2022 CU000s	Year ended 31 December 2021 CU000s
<b>Income</b>			
<i>Revenue from grants and donations</i>			
Enforceable grant arrangements	1, 2	74	100
Other funding arrangements with constraints	1	380	35
Other grants and donations	3	500	1,500
Donations in-kind	4	137	160
		<u>1,091</u>	<u>1,795</u>
<i>Revenue from goods and services</i>			
Respite care		372	500
Educational activities		150	80
		<u>522</u>	<u>580</u>
<i>Other income</i>			
Interest received		-	-
<b>Total income</b>		<b><u>1,613</u></b>	<b><u>2,375</u></b>
<b>Expenses</b>			
<i>Operational expenses</i>			
Staff costs	6	700	800
Rent, rates and utilities	6	190	295
Medical supplies	6	250	250
Research and development	6	95	25
Other expenses	6	175	175
		<u>1,410</u>	<u>1,545</u>
<i>Expenses on grants and donations</i>			
Grants made	5	100	200
Donations in-kind	4	125	160
		<u>225</u>	<u>360</u>
<b>Total expenses</b>		<b><u>1,635</u></b>	<b><u>1,905</u></b>
<b>Operating surplus/(deficit)</b>		<b><u>(22)</u></b>	<b><u>470</u></b>
Foreign exchange gain	2	5	-
<b>Total surplus/(deficit)</b>		<b><u>(17)</u></b>	<b><u>470</u></b>

# ED3 – Disclosure of funds



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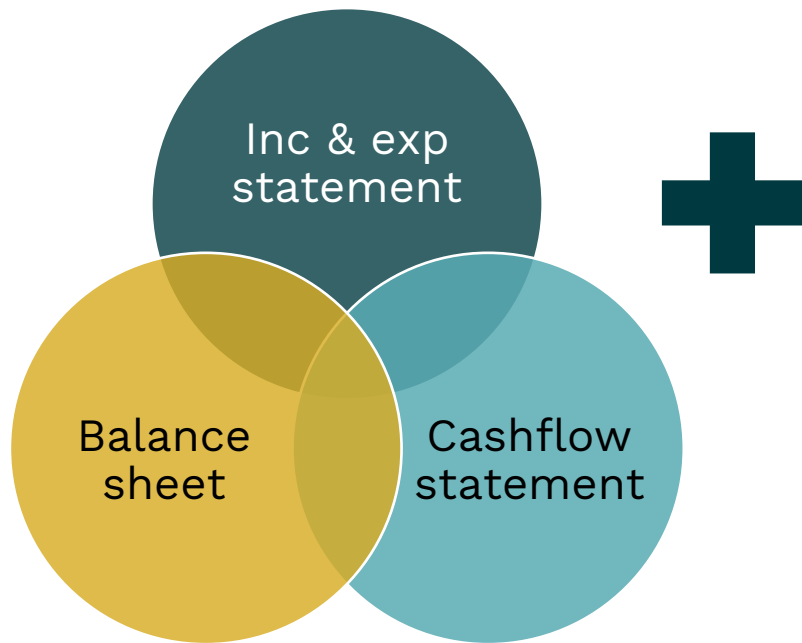
## Movement in funds note

	Opening balance at 1 January 2022 CU000s	Income CU000s	Expenses CU000s	Other changes CU000s	Transfers CU000s	Closing balance at 31 December 2022 CU000s
<b>Funds with restrictions</b>						
<i>Enforceable grant arrangements</i>						
Longitudinal study - Covid (3)	-	54	(80)	-	-	(26)
Covid database (5)	-	20	(25)	5	-	-
<i>Other funding arrangements</i>						
Asthma research (4)	-	100	(50)	-	-	50
Long-covid campaign (6)	-	230	-	-	-	230
Website development (8)	-	50	-	-	-	50
Bronchitis research (12)	150	-	(10)	-	-	140
Emphysema research (12)	100	-	(10)	-	-	90
Additional respite care facility	100	-	-	-	-	100
Other	30	12	(2)	-	-	40
<b>Total funds with restrictions</b>	<b>380</b>	<b>466</b>	<b>(177)</b>	<b>5</b>	<b>-</b>	<b>674</b>
<b>Funds without restrictions</b>						
<i>Designated funds</i>						
Capital improvement works	60	-	-	-	90	150
Website development	10	-	-	-	10	20
<i>General funds</i>						
	900	1,147	(1,458)	-	(100)	489
<b>Total funds without restrictions</b>	<b>970</b>	<b>1,147</b>	<b>(1,458)</b>	<b>-</b>	<b>-</b>	<b>659</b>



# A route to harmonization?

*General purpose financial statements*

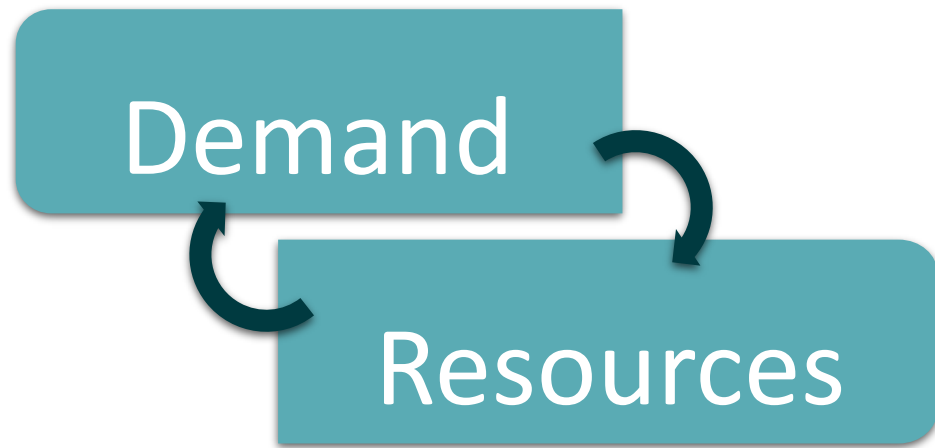
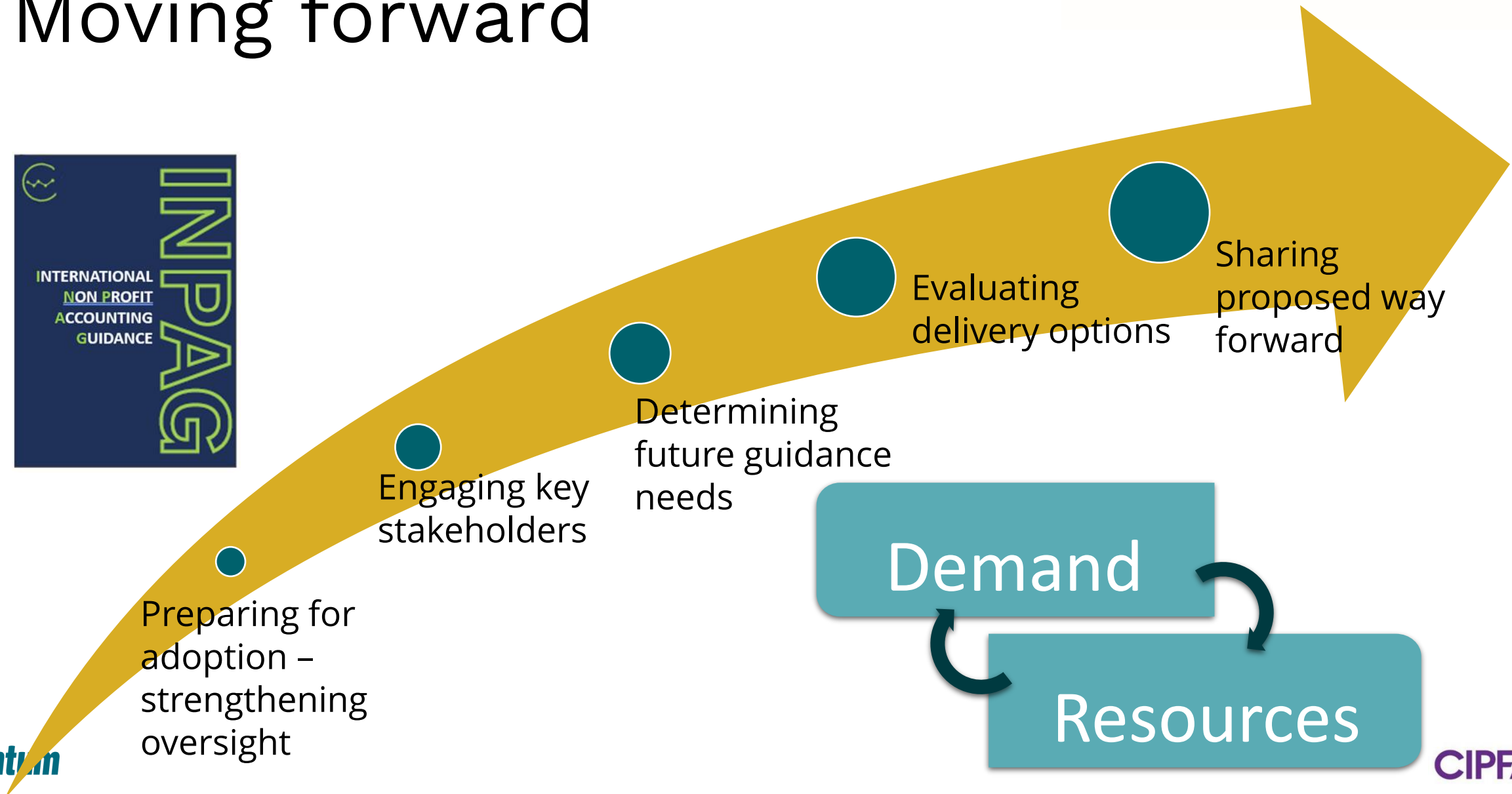
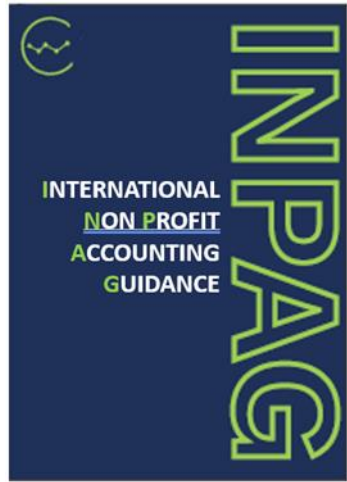


➤ *Optional*  
➤ *Supplementary*  
*Donor / Project statement(s) in standard format*

Donors can choose to:

- 1) Rely on statement in GPFS for financial assurance
- 2) Require separate audits but align format to INPAG
- 3) Maintain current practice

# Moving forward





# Moving forward

# Be involved!



# Comments? Questions?





# Questions?

For further information contact Karen Sanderson ([karen.sanderson@cipfa.org](mailto:karen.sanderson@cipfa.org))

or

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