



Development of the International Non-Profit Accounting Guidance (INPAG)

ICAEW seminar

Development of the INPAG

Overview:

- **Overview of the international project and why its development matters to UK financial reporting by charities- Nigel Davies, member of PAG**
- **Introduction to the first Exposure Draft- the four topics, how to get involved and next steps for the development of the International Non-profit Accounting Guidance (INPAG)- Sam Musoke, Project Director**
- **A practitioner's perspective from the ICAEW Charities Committee- Dan Chan, Director PWC**
- **Question and answer**

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The lead up to IFR4NPO project

- **CCAB research findings (2014)- that created the context and evidence base for an international project for NPO accounting guidance: <https://www.ccab.org.uk/international-study-into-financial-reporting-for-not-for-profit-organisations>**
- **ACCA companion guide (2015)- a UK based approach to international NPO accounting guidance – an initial step on the way to the project: <https://www.accaglobal.com/us/en/technical-activities/technical-resources-search/2015/october/companion-guide-nfp-ifrs-sme.html>**
- **International dialogue- led by Humentum and CIPFA**
- **Funding for International Financial Reporting for Non-Profit Organisations (IFR4NPO) obtained - initiative supported by leading donors and accounting standard setters incl' IASB**

IFR4NPO Project Theory of Change

Creation and adoption of an internationally applicable accounting standard for NPOs will create an environment where NPOs have more equitable access to income and financial health.

International Non-Profit Accounting Guidance (INPAG)

- NPO's Year-end accounts
- Internationally applicable
- Country adoption decisions

Future Outcomes

- ✓ Funders better able to reliably assess financial health of potential partners
- ✓ 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**



The IFR4NPO global community



Who is delivering IFR4NPO?

Non Profit
Organisations

Funders



- A global nonprofit building and supporting operating models that create equity, resilience, and accountability in the global development sector.



- Chartered Institute of Public Finance and Accountancy
- Unique standard setter roles for local government and charities in UK

Standard
setters

Accounting
and audit
community

“By the sector, for the sector”

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Why it may matter from launch for some UK charities

Implications for those charities that operate internationally because:

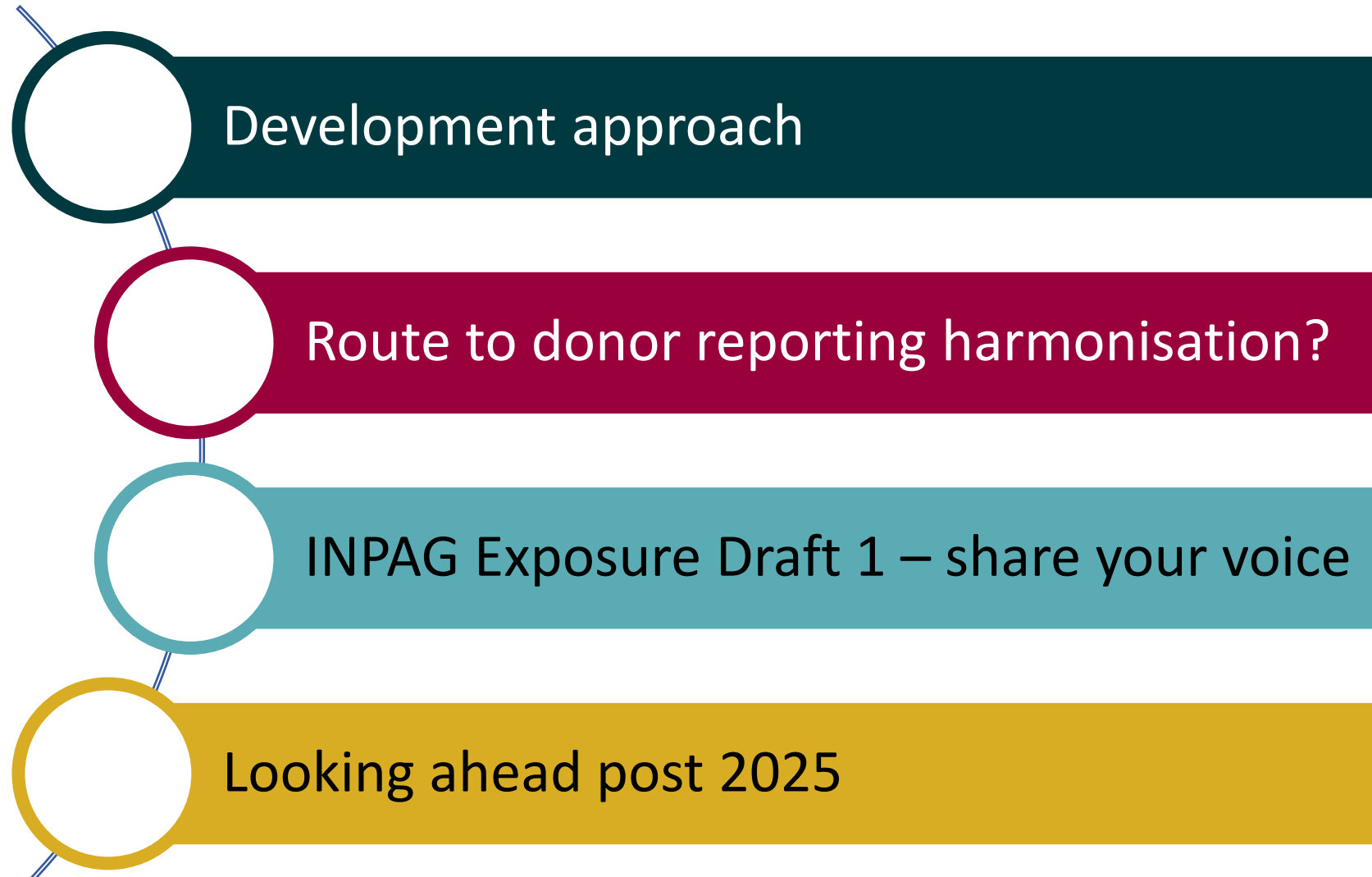
- **Part of group where either a branch or office in a country is required to register locally and report using INPAG or be required by parent's jurisdiction to use INPAG**
- **The UK charity's 'parent' chose to report using INPAG**
- **Where a donor project statement is based on the INPAG approach to financial reporting**
- **On a particular matter as an accountancy policy choice where considered necessary for 'true and fair' (Note- UK-Irish GAAP is in part IFRS for SMEs based)**

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Potential for a wider impact- INPAG and the future of the Charities SORP

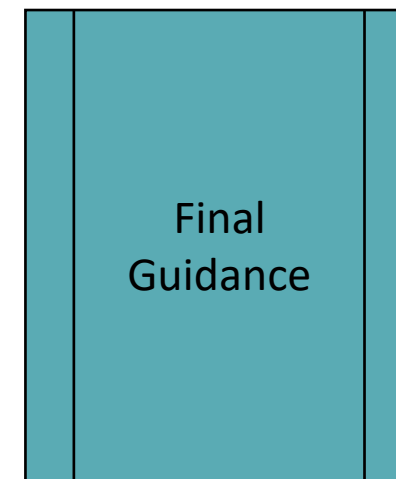
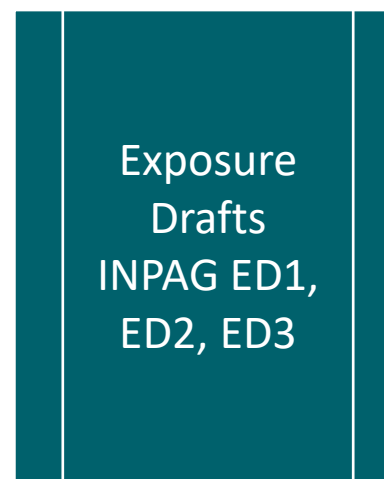
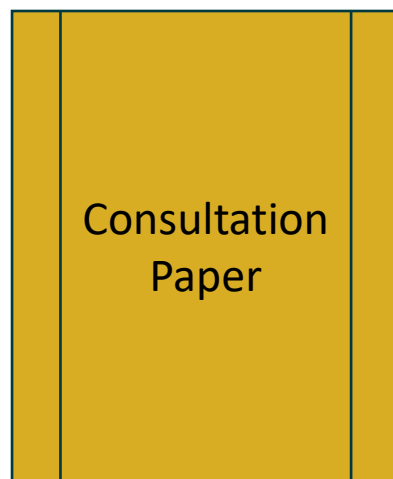
- **UK charity statutory accruals accounts must follow SORP and SORP is part of UK-Irish GAAP**
- **Cannot simply drop Charities SORP as it is also backed by Regulations [2008 Charities (Accounts and Reports) Regulations] and FRS100- 'true and fair'**
- **Post 2025 even with SORP continuing in place INPAG may be a source of future inspiration for PBE elements of GAAP**
- **Post 2025 FRC (ARGA) might consult on adopting INPAG as part of UK-Irish GAAP in which case SORP may be discontinued (note – this requires changes to Regulations too)**
- **No immediate impact for SORP 2025 - changes to GAAP or Regulations are subject to consultation and so unlikely to be an issue before 2030?**

Developing INPAG



Development approach

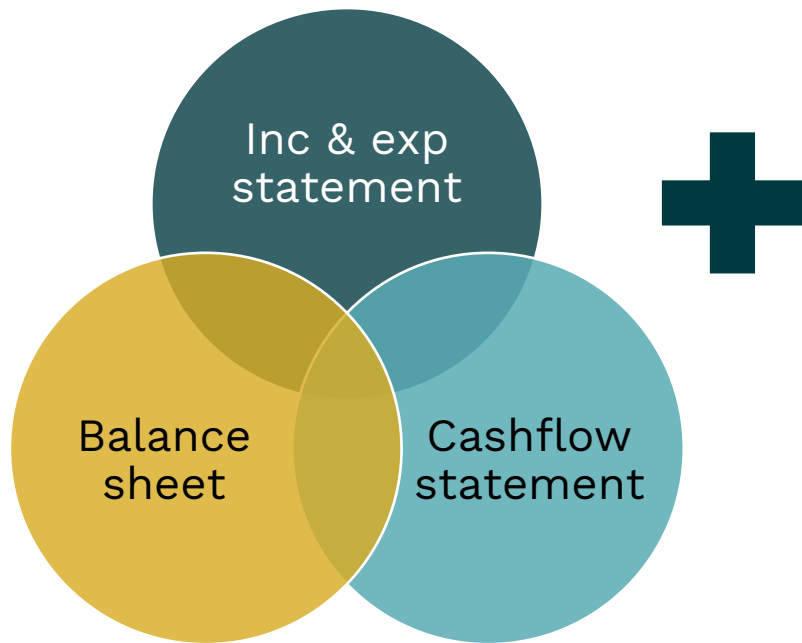
The Guidance is being developed in a three stage process equivalent to all other international accounting standards.





A route to donor 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



Exposure Draft 1



4 topics in ED1 to consider

Description of NPOs / Reporting entity

Broad characteristics and indicators

INPAG Sections 1, 2 & 9

Framework for INPAG

Concepts and pervasive principles

INPAG Section 2

Financial statements presentation

Including fund accounting

INPAG Sections 3-8, 10

Narrative reporting

Commentary and performance

INPAG Section 35

Descriptive approach to NPOs

Description of an NPO for the purposes of INPAG

Broad characteristics

Primary objective of providing a benefit to the public

Direct surpluses for benefit of the public

Not government or public sector entities

Indicators

- Absence of individuals with rights to financial returns from surpluses
- Requirement, upon dissolution, to transfer residual net assets
- Receiving or providing voluntary funding
- Holding and using assets for the benefit of the public

Framework for INPAG overview

Foundational framework

- Use of international standards
- Societal vs public accountability
- Describing NPOs, and concepts & pervasive principles

General-purpose financial reports

- Objectives of general -purpose financial reports
- Qualitative characteristics of information
- Cost constraints

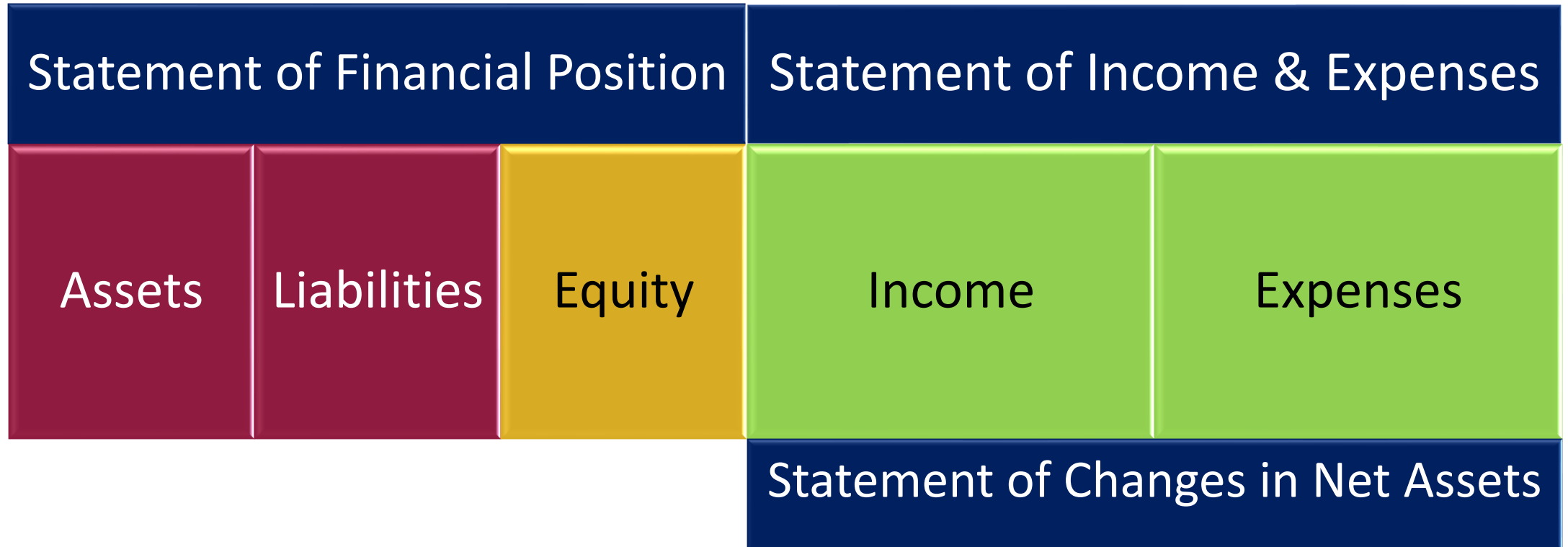
Elements of financial statements

- Assets, liabilities, equity, income and expenses
- Fund balances with and without restrictions
- Recognition, derecognition & measurement

Presentation & disclosure

- Requirements to meet users' needs

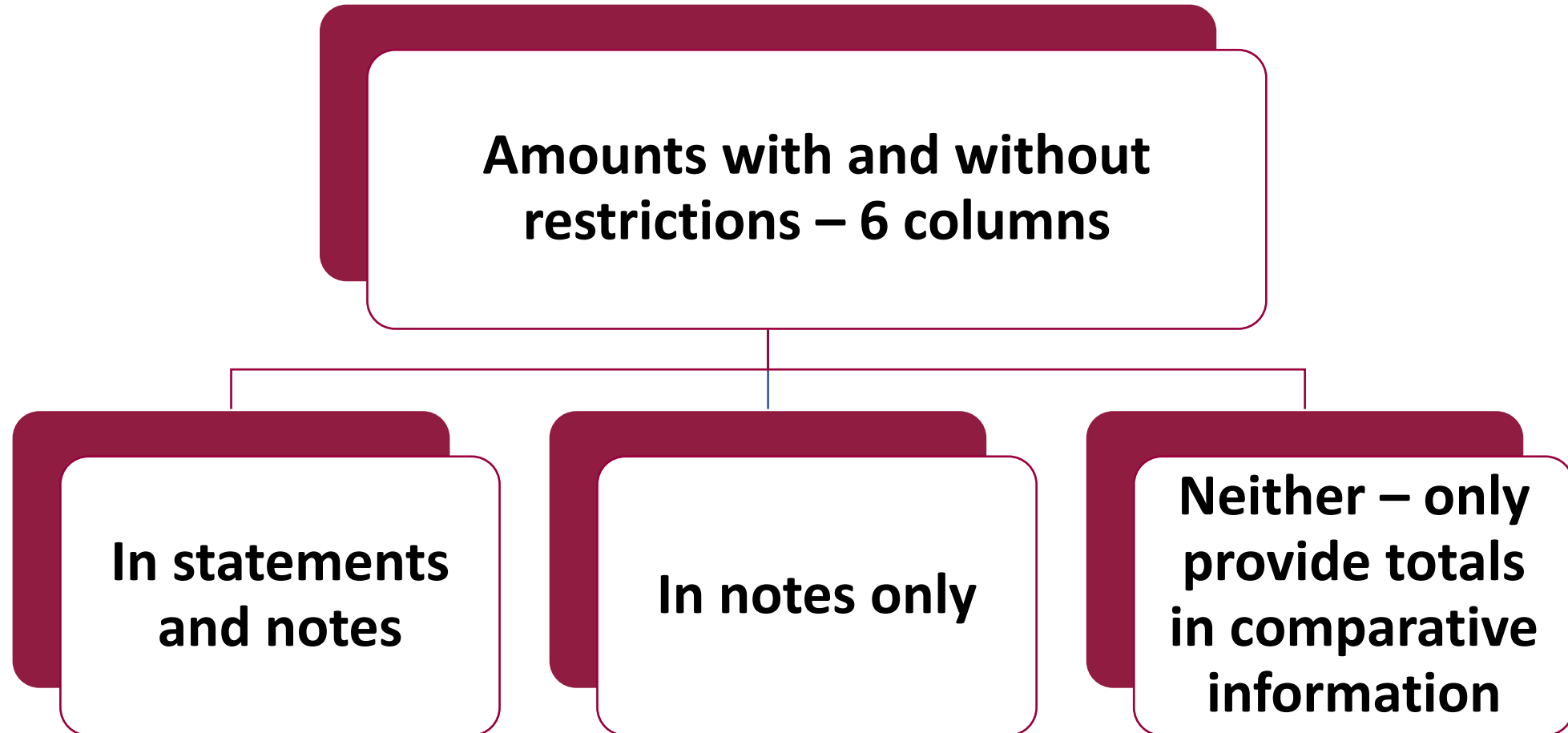
Elements of financial statements



Statement of Income and Expenses

	With Restrictions	Without Restrictions	TOTAL
Income			
Expenses			
Surplus or deficit from operating activities			
Gains and losses			
Surplus or deficit			

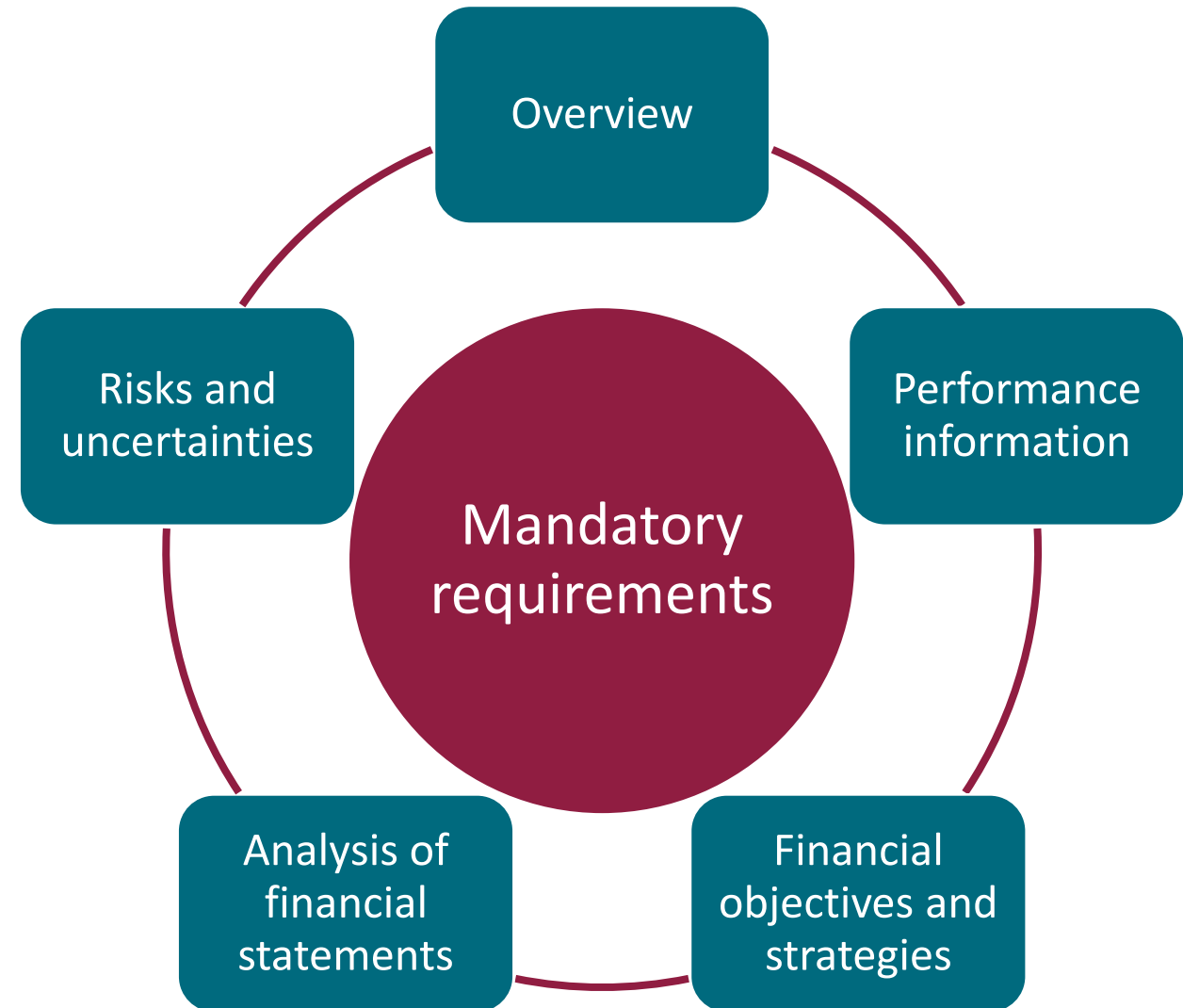
Statement of I&E – comparatives?



Narrative reporting

Performance information

Financial statement commentary





Sensitive information - exception

Disclose

- Report has been prepared
- In accordance with INPAG paragraph..

Do not disclose

- Nature or substance of sensitive information that has been omitted

Do not use

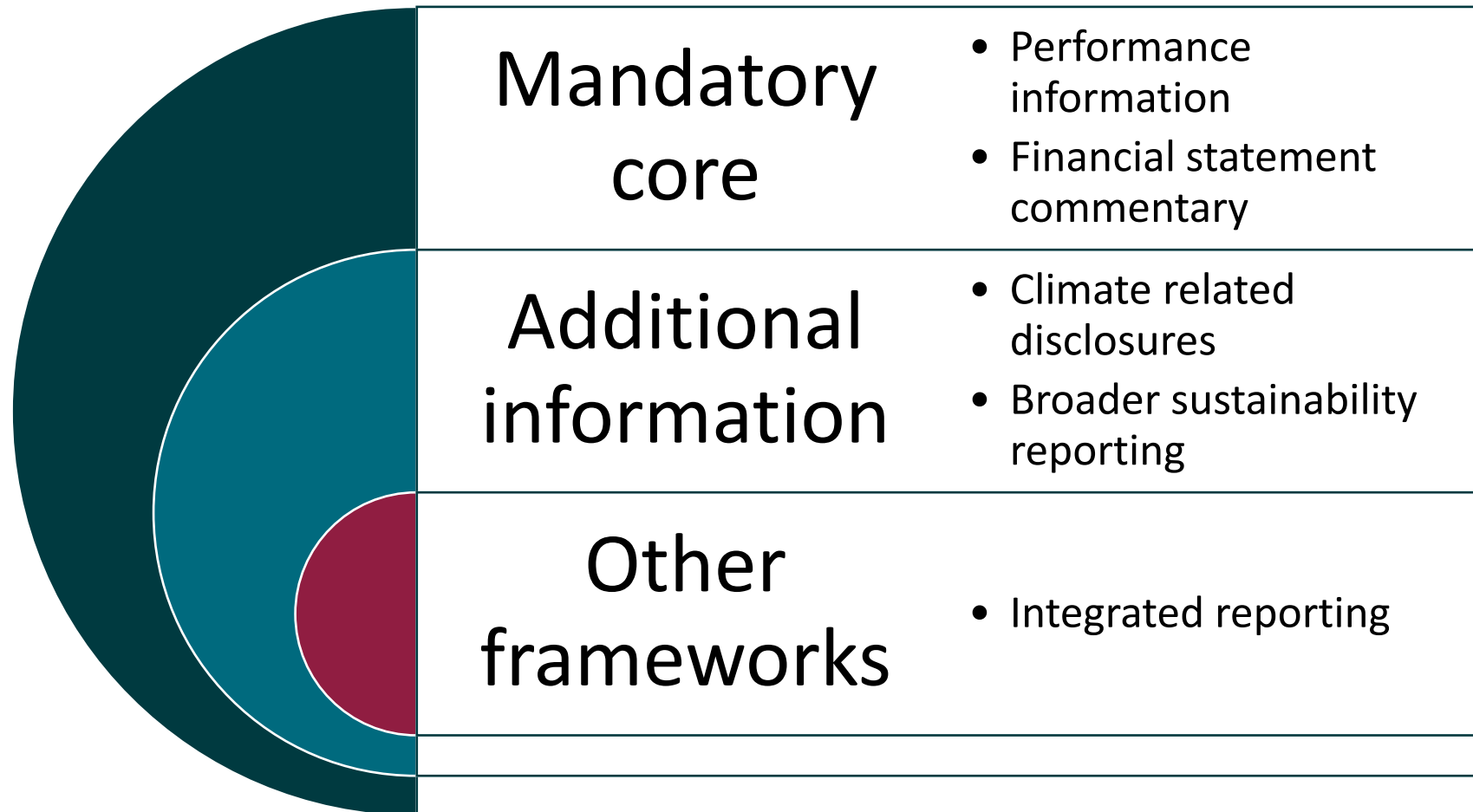
- To hide poor performance

Compliance

- Correct use
- Remain in compliance with INPAG



Mandatory core and discretion to report other information



INPAG ED1 – 36 Sections

Preface

1 Non-profit organisations

2 Concepts and pervasive principles

3 - 8 Financial statements

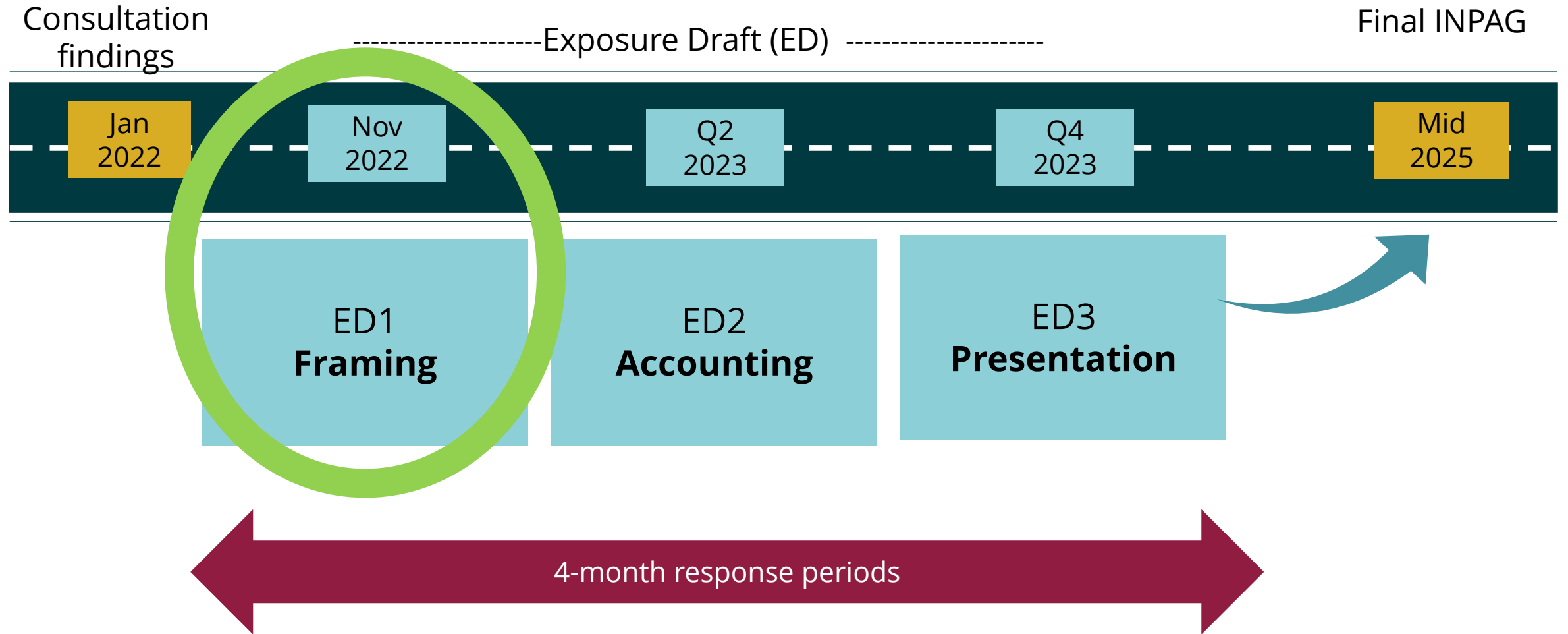
9 Consolidated and separate financial statements

10 Accounting policies, estimates and errors

35 Narrative reporting

11-34 & 36: Will be shared in ED2 and ED3

Roadmap for Exposure Draft



Plan is subject to change



The longer term?



INPAG
10 topics
2025

Adoption by jurisdictions
Sustainable governance

Remaining topics?
Different sizes of NPO?



Resources on INPAG

- www.ifr4npo.org subscribe for newsletter updates
- www.ifr4npo.org/exposure-draft
- www.ifr4npo.org/accounting-issues/ includes resources exploring each of the 4 topics in INPAG ED1:
 - ✓ Framework for INPAG /principles and scope
 - ✓ Description of NPOs / reporting entity
 - ✓ Financial statement presentation
 - ✓ Narrative reporting

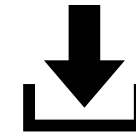


INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



Have your say on the INPAG Exposure Draft 1

www.ifr4npo.org/have-your-say



by 31 March 2023