



# Final steps to the first International Non-Profit Accounting Guidance

[www.ifr4npo.org/ed3](http://www.ifr4npo.org/ed3)





# Why INPAG?

*Only a few countries benefit from their own national standards.*

*Existing international standards do not meet the unique needs of NPOs.*

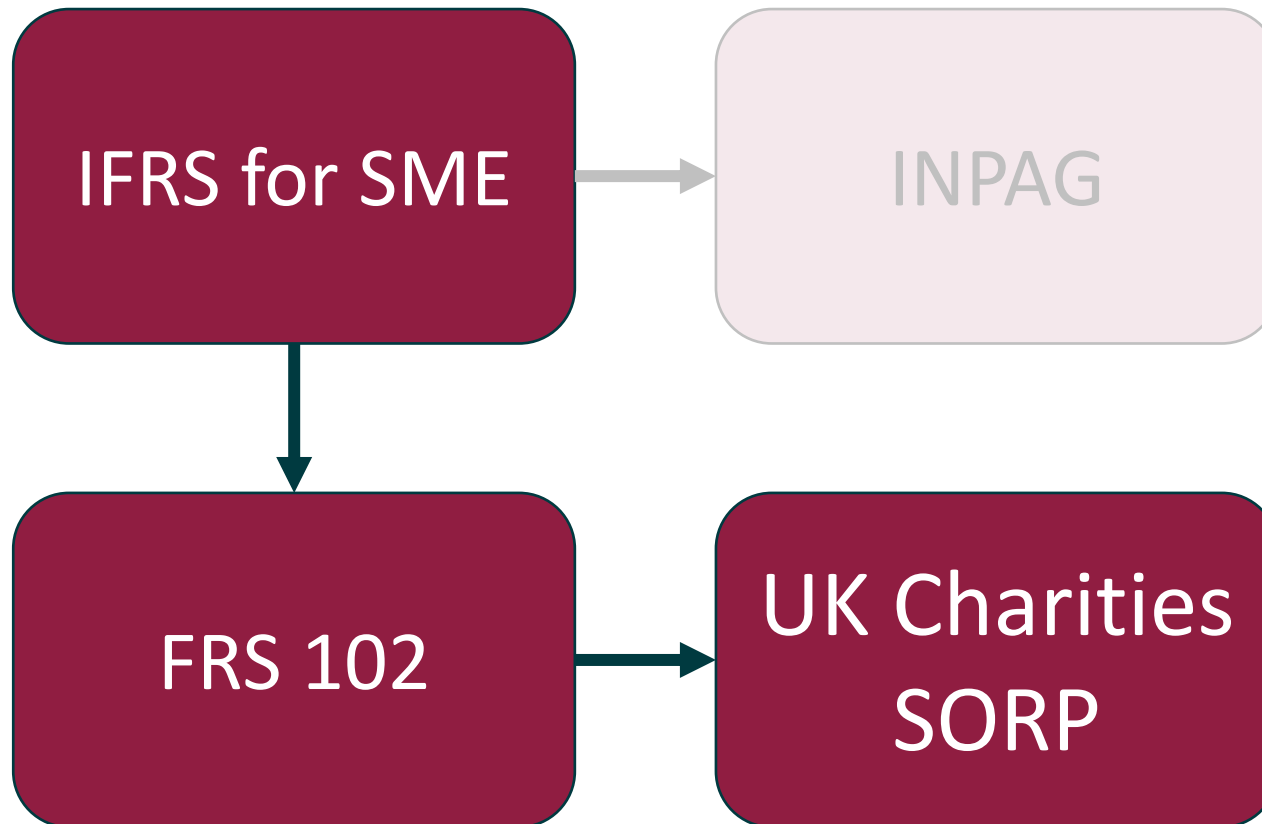
## Future Outcomes

- ✓ NPOs able to demonstrate capacity and attract funds
- ✓ Information useful to range of stakeholders
- ✓ Quality & consistency of NPO financial reports
- ✓ Reduced duplication of effort
- ✓ Simplified audit assurance provision

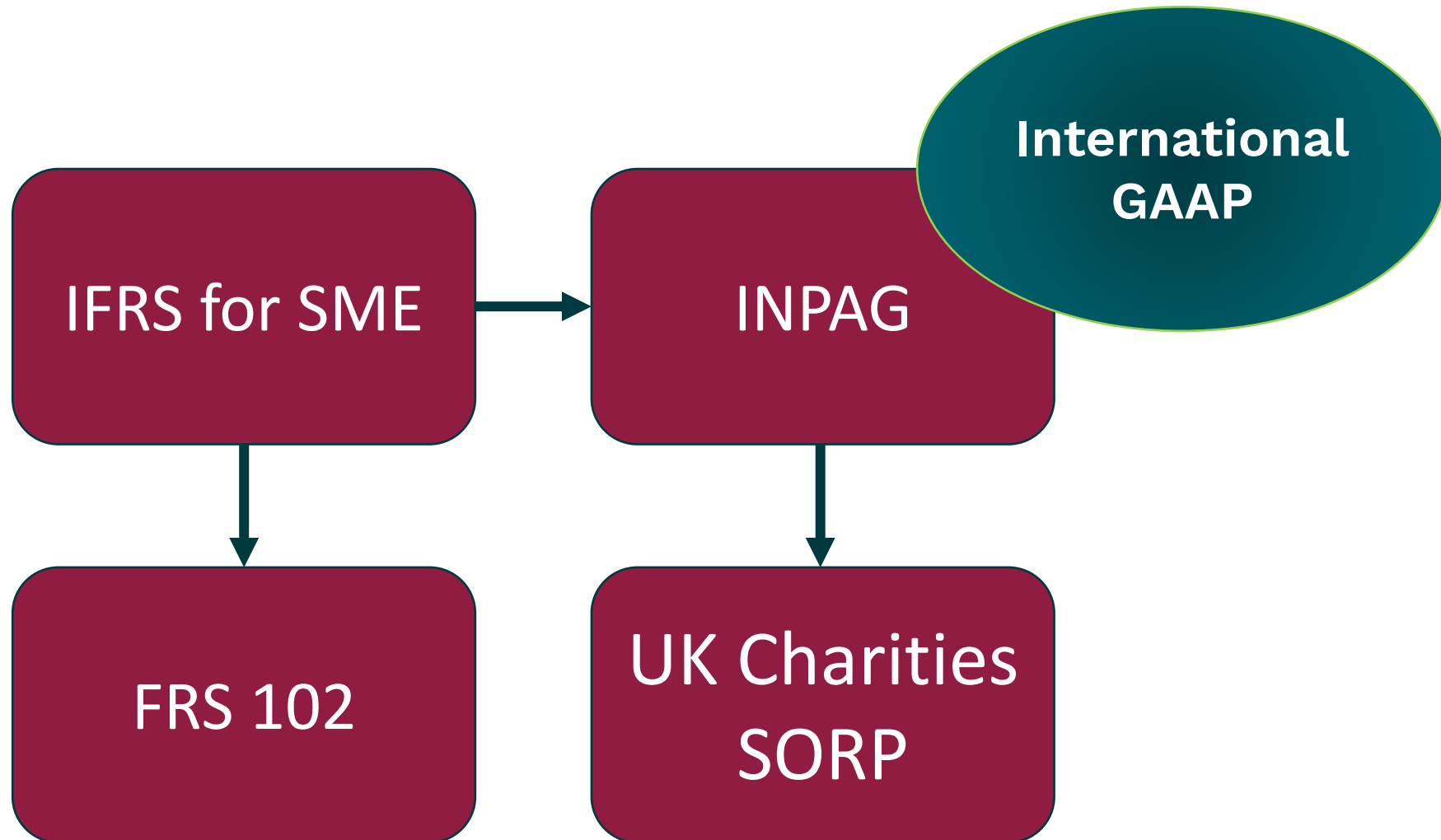
Trust  
Accountability  
Equity  
Efficiency

<https://youtu.be/LfMCek4PiEM>

# UK & Ireland GAAP At present



# UK & Ireland GAAP Future possibility??



# Developing INPAG



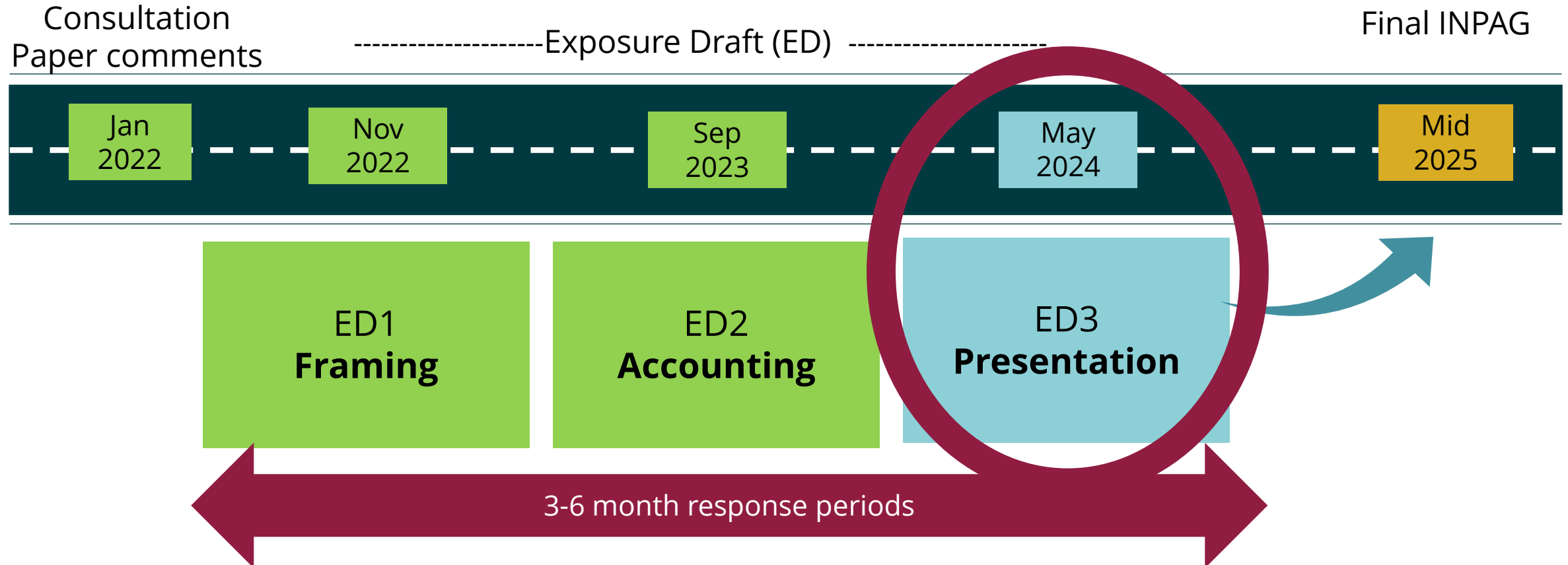
Donor Reference Group

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





# INPAG Timeline



Plan is subject to change



# ED3 key topics

## Fund accounting

Purpose and use of resources

**INPAG Section 36**

## Classification of expenses

Including support costs

**INPAG Section 24 Part II**

## Fundraising costs

Grants & donations, commercial,  
investment

**INPAG Section 24 Part III**

## Supplementary information

**INPAG Practice Guide 1:  
Supplementary statements**

Eg Grant reports



# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

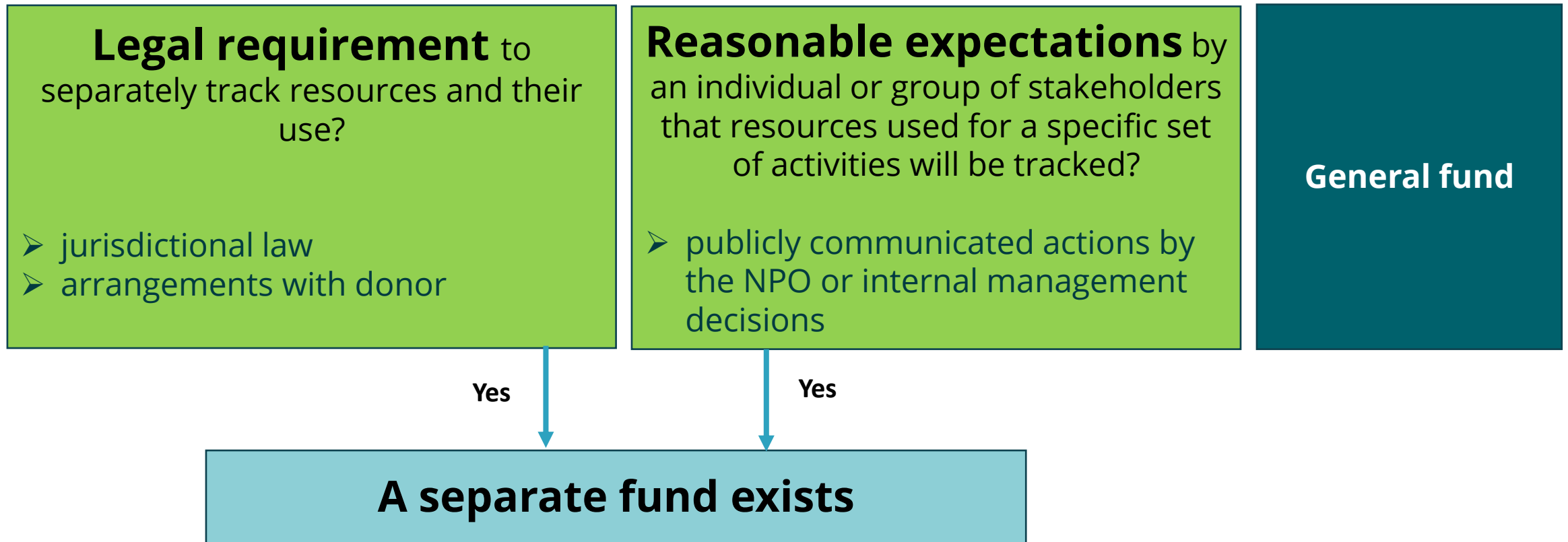


## Fund accounting



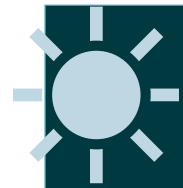


# Funds other than the general fund

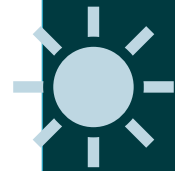




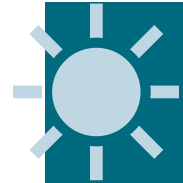
# Fund accounting requirements



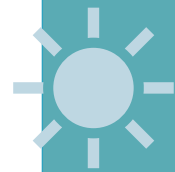
Regular management reporting



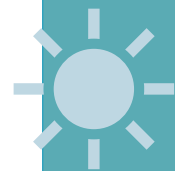
Separate accounting records



Income and expenses, assets and liabilities



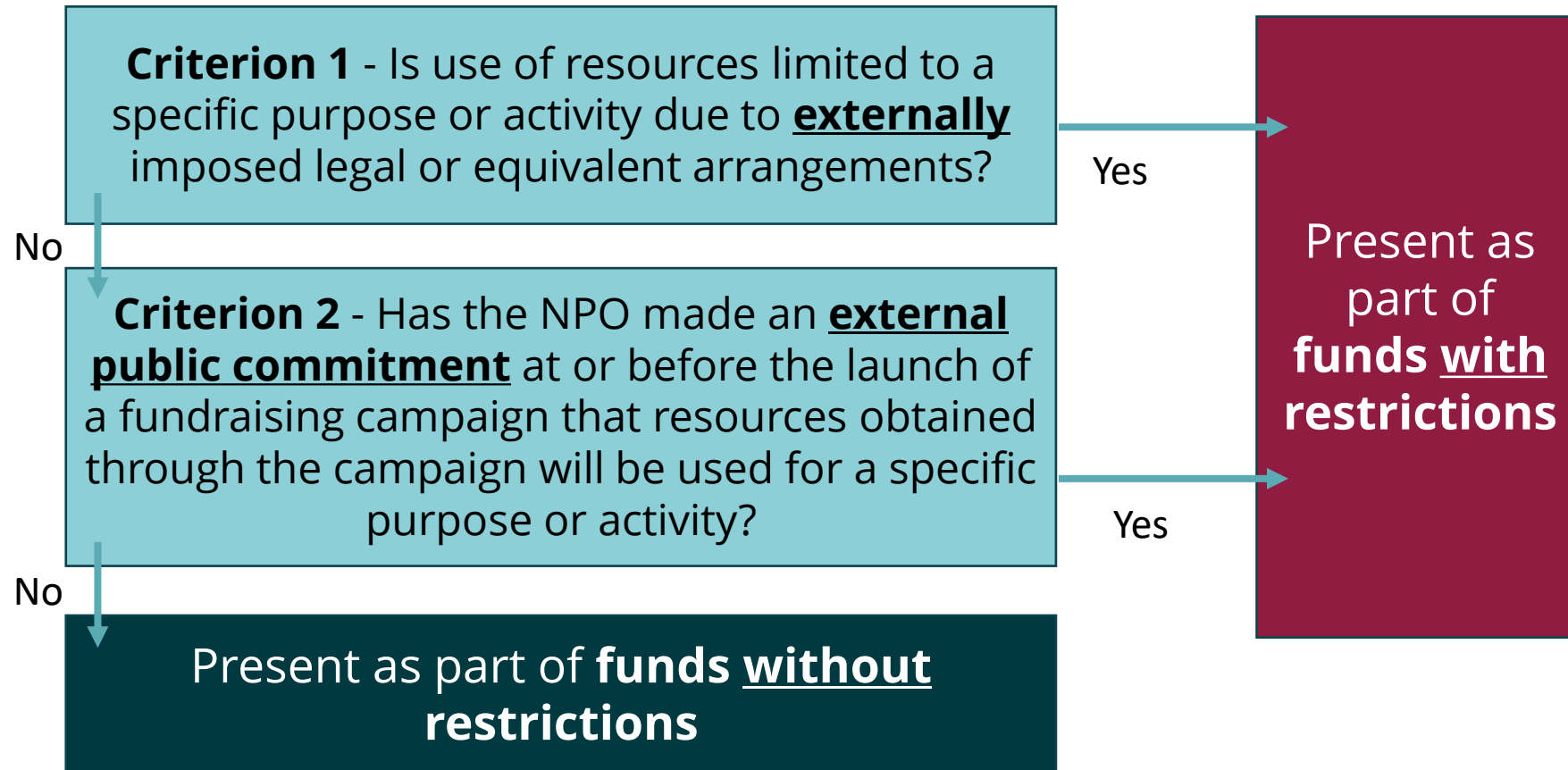
Only if related to the fund



Direct, shared and support costs

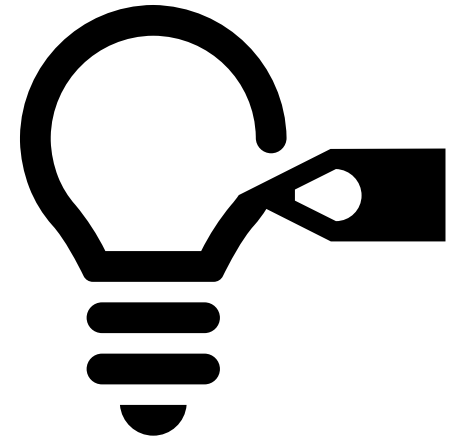
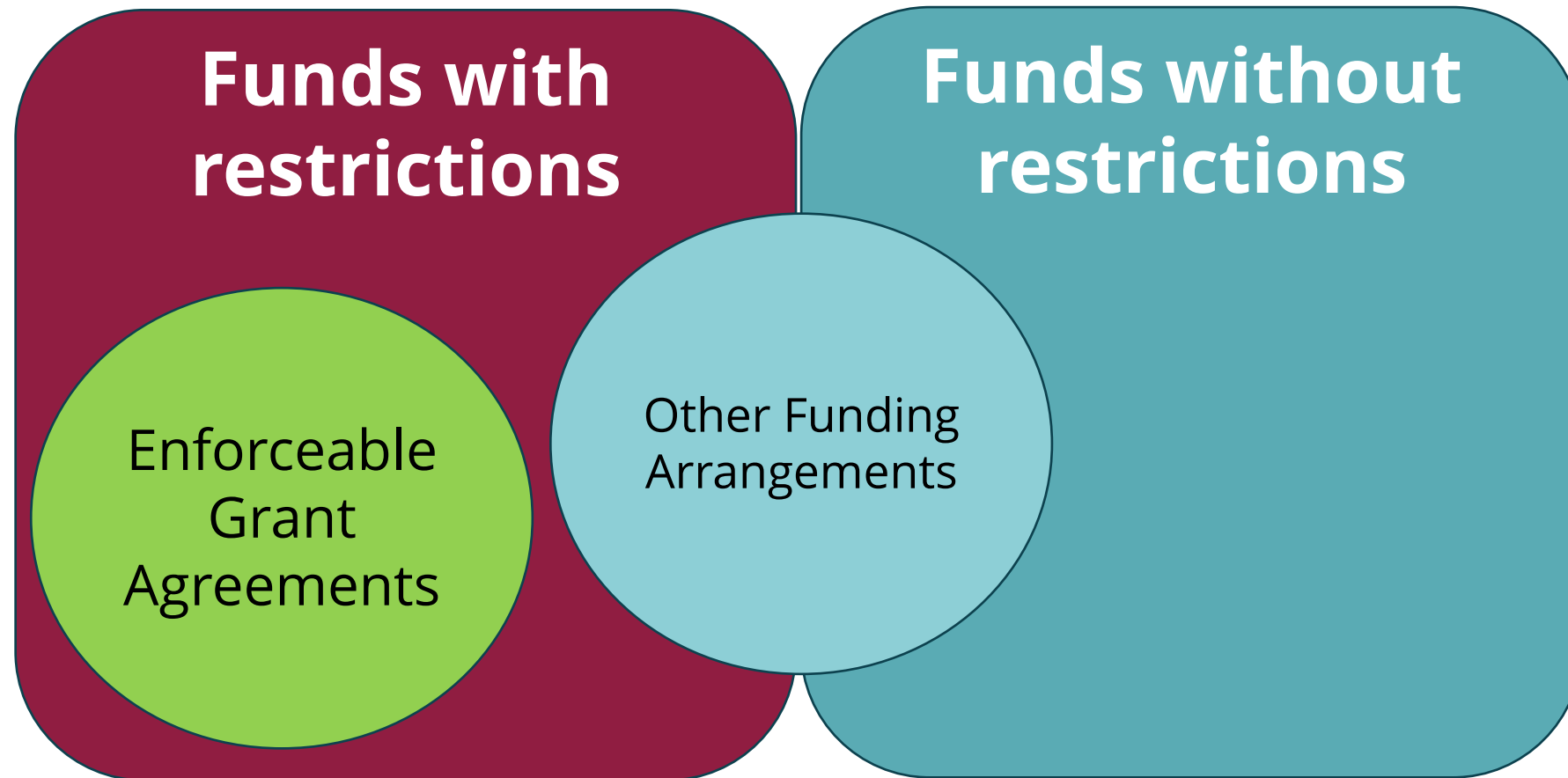


# Definition of restricted funds

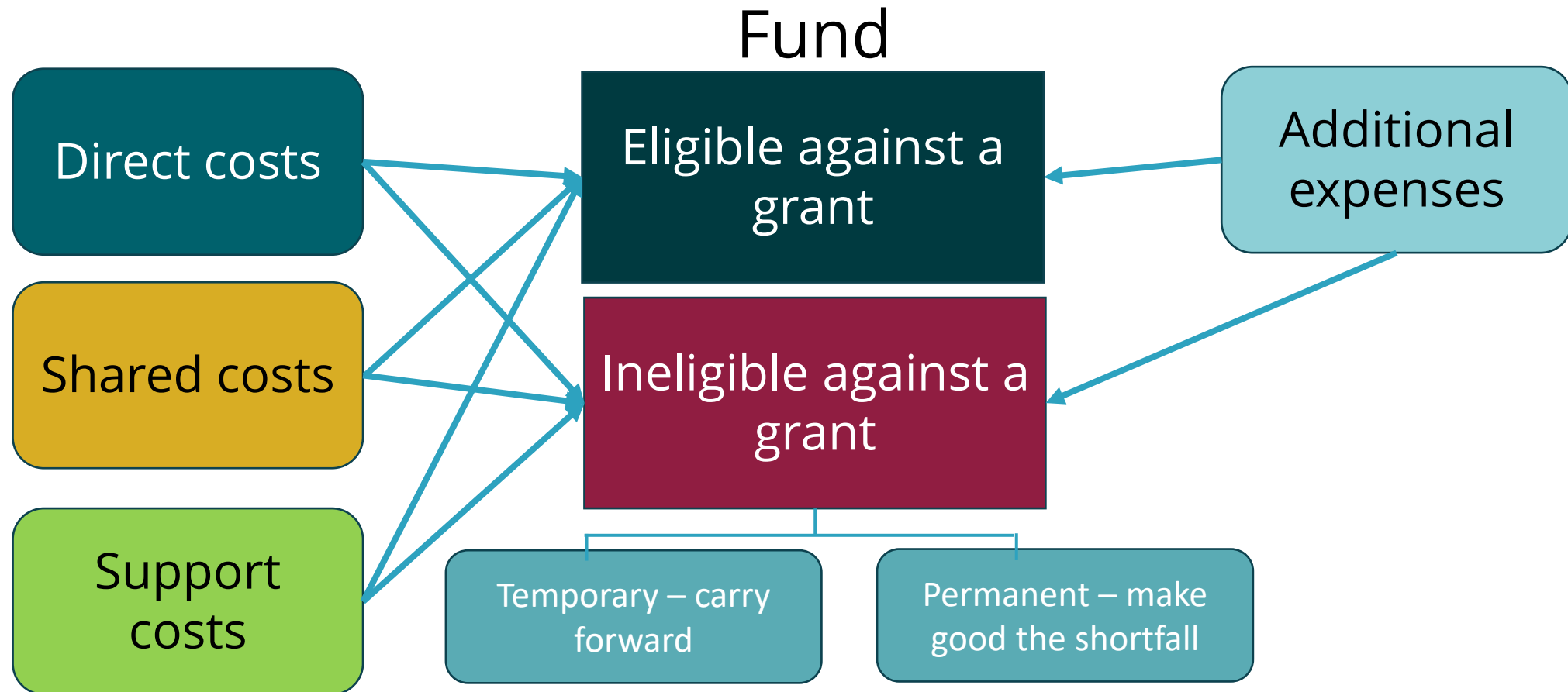




# EGAs and OFAs



# Charges to a fund



# Telling the story - accountability



INTERNATIONAL FINANCIAL REPORTING  
FOR NON PROFIT ORGANISATIONS

	Opening balance at 1 January 20X2	Income	Expenses	Other changes	Transfers	Closing balance at 31 December 20X2
	CU000s	CU000s	CU000s	CU000s	CU000s	CU000s
<b>Funds with restrictions</b>						
<i>Enforceable grant arrangements</i>						
EGA 1	-	54	(80)	-	-	(26)
EGA 2	-	70	(85)	5	10	-
<i>Other funding arrangements</i>						
OFA 1	-	150	(80)	-	-	70
OFA 2	-	230	(30)	-	-	200
OFA 3	300	-	(10)	-	-	290
Other	85	12	(2)	-	(5)	90
<b>Total funds with restrictions</b>	<b>385</b>	<b>516</b>	<b>(287)</b>	<b>5</b>	<b>5</b>	<b>624</b>
<b>Funds without restrictions</b>						
<i>Designated funds</i>						
Expansion	250	-	-	-	-	250
IT development	-	-	-	-	100	100
<i>General fund</i>	723	1,672	(1,954)	(4)	(105)	332
<b>Total funds without restrictions</b>	<b>973</b>	<b>1,672</b>	<b>(1,954)</b>	<b>(4)</b>	<b>(5)</b>	<b>682</b>
<b>Total funds with and without restrictions</b>	<b>1,358</b>	<b>2,188</b>	<b>(2,241)</b>	<b>1</b>	<b>-</b>	<b>1,306</b>



# Disclosure requirements

## Each material fund

- Purpose
- Balance

## Movement in year reconciliation

- Total income and expenses
- Total other changes and transfers

## Transfers

- Explanation of transfers between funds with and without restrictions

## Completed funds with balances

- Explanation of remaining balance and why it is not addressed

## Internally designated funds

- Purpose of fund
- Planned use

# Consequential amendments



Section 5: Remove disclosures from Statement of Income and Expenses (Section 36 disclosures instead)



- Multi-column Statement of Income & Expenses no longer a requirement
- Statement of Changes in Net assets still has columns for funds with and without restrictions
- Statement of Financial Position still splits total funds between with and without restrictions



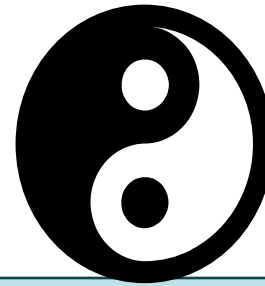
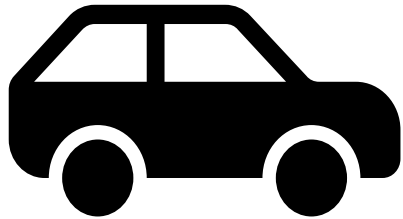


# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS



## Classification of expenses

# Section 24 Part II – Classification of expenses

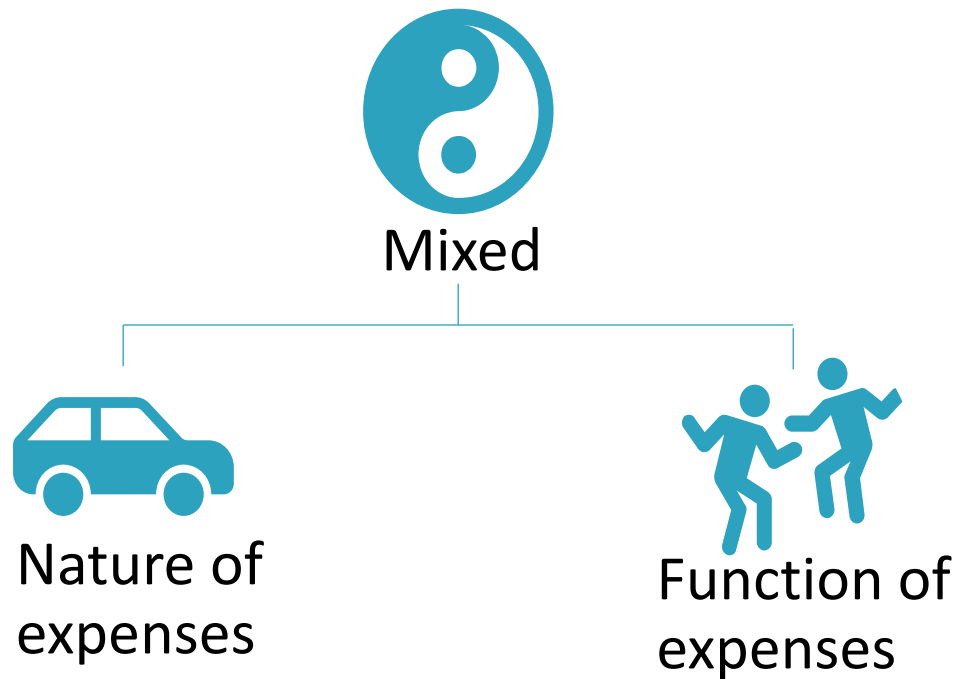


Nature

Function

Mixed

# Mixed presentation

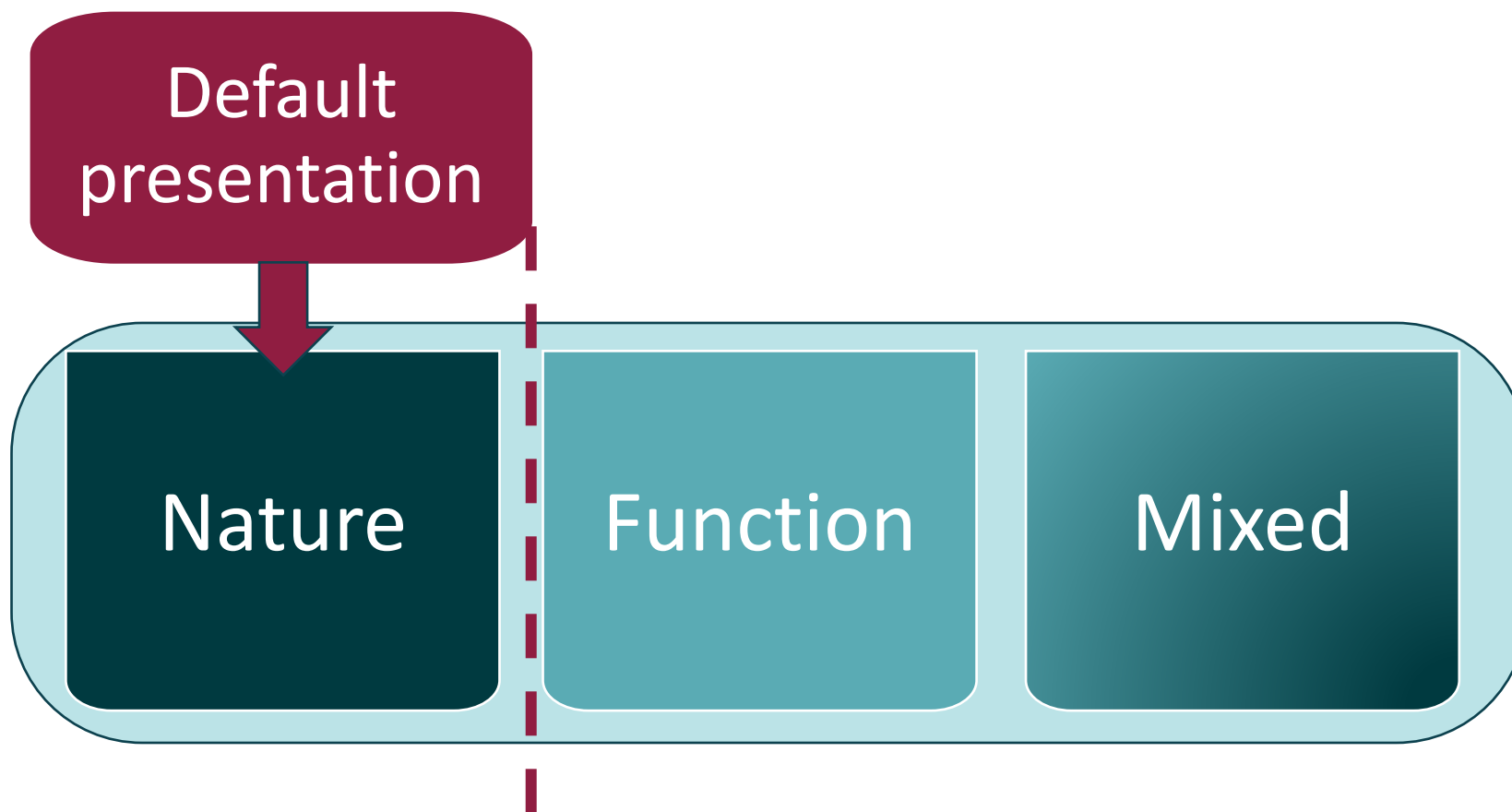


The cost of providing respiratory test kits includes the staff costs for producing each kit, the material components, packaging and distribution

Mixed presentation (eg)	CU
Provision of test kits	XX
Staff costs	XX
Premises costs	XX
Depreciation	XX
<b>Total expenses</b>	<b>XX</b>

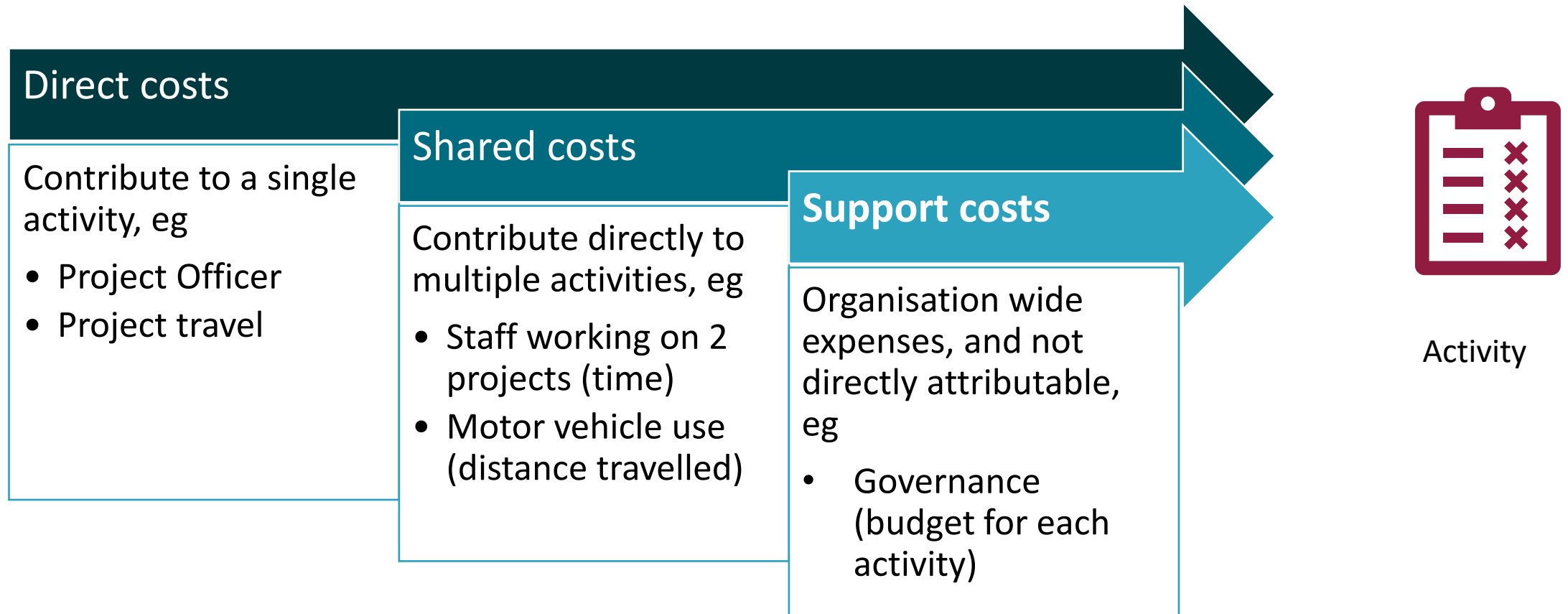


# Rebuttable presumption





# Direct, Shared & Support costs





# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

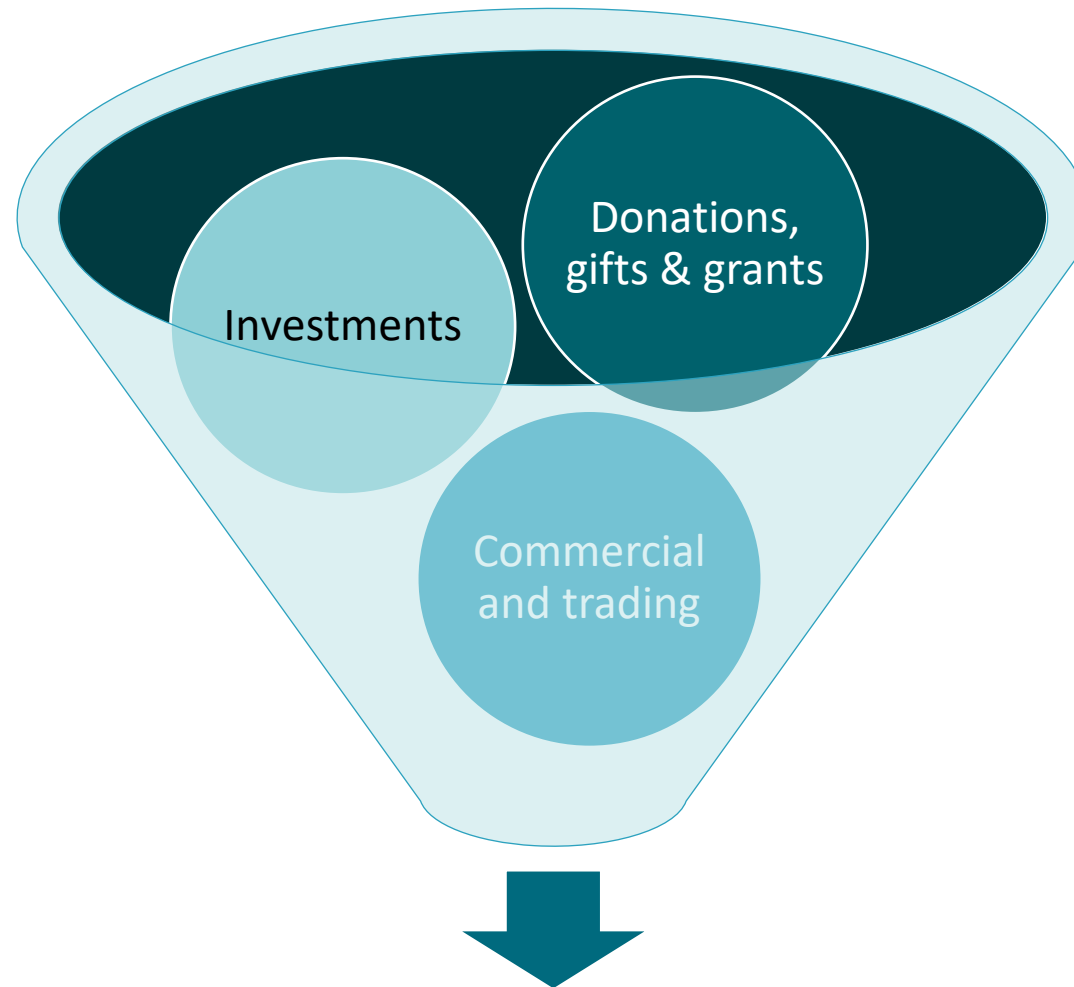


## Fundraising costs



# Fundraising costs – section 24 Part III

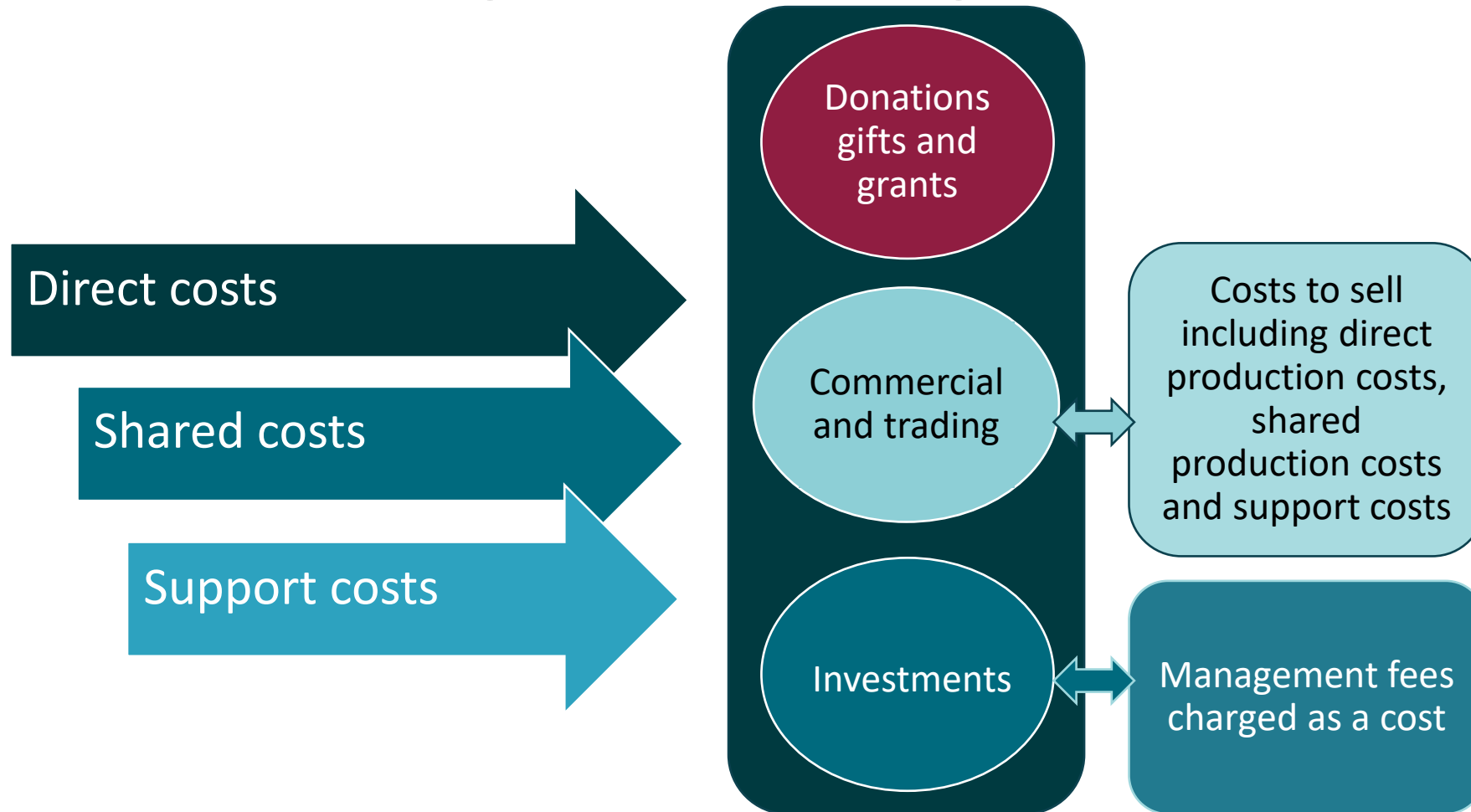
Fundraising costs  
always reported  
separately



✘  
NOT the cost of  
documents or  
marketing  
materials relating  
to the whole NPO



# Calculating fundraising costs







# Disclosing fundraising costs

Each category must be disclosed separately



Presented on a gross basis (not netted off income)



Narrative description of cost allocation method and bases of apportionment used



Use of pragmatic exemption



**Analysis of revenue** raised from fundraising activities may be presented provided that the costs are presented gross

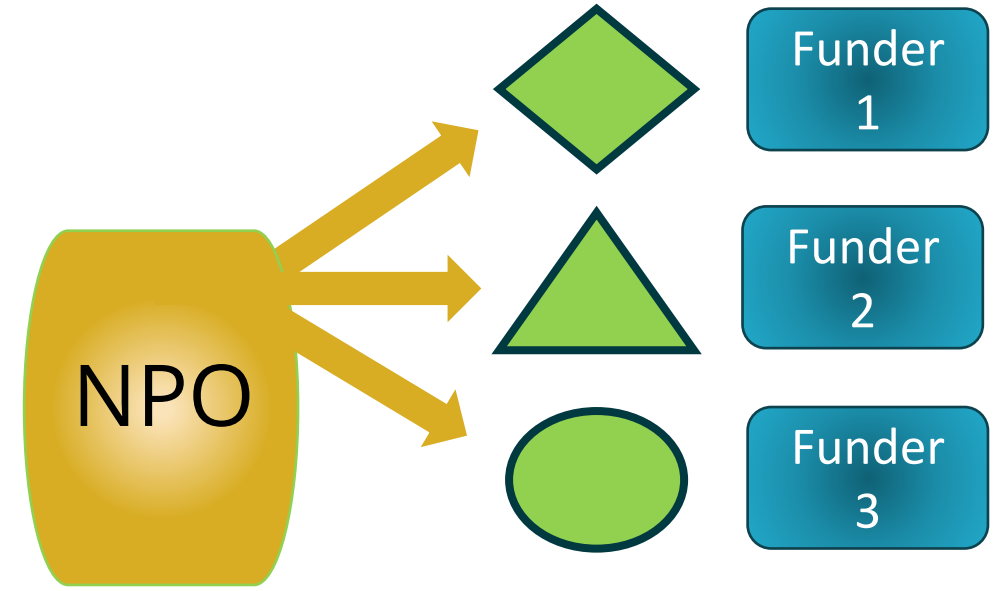
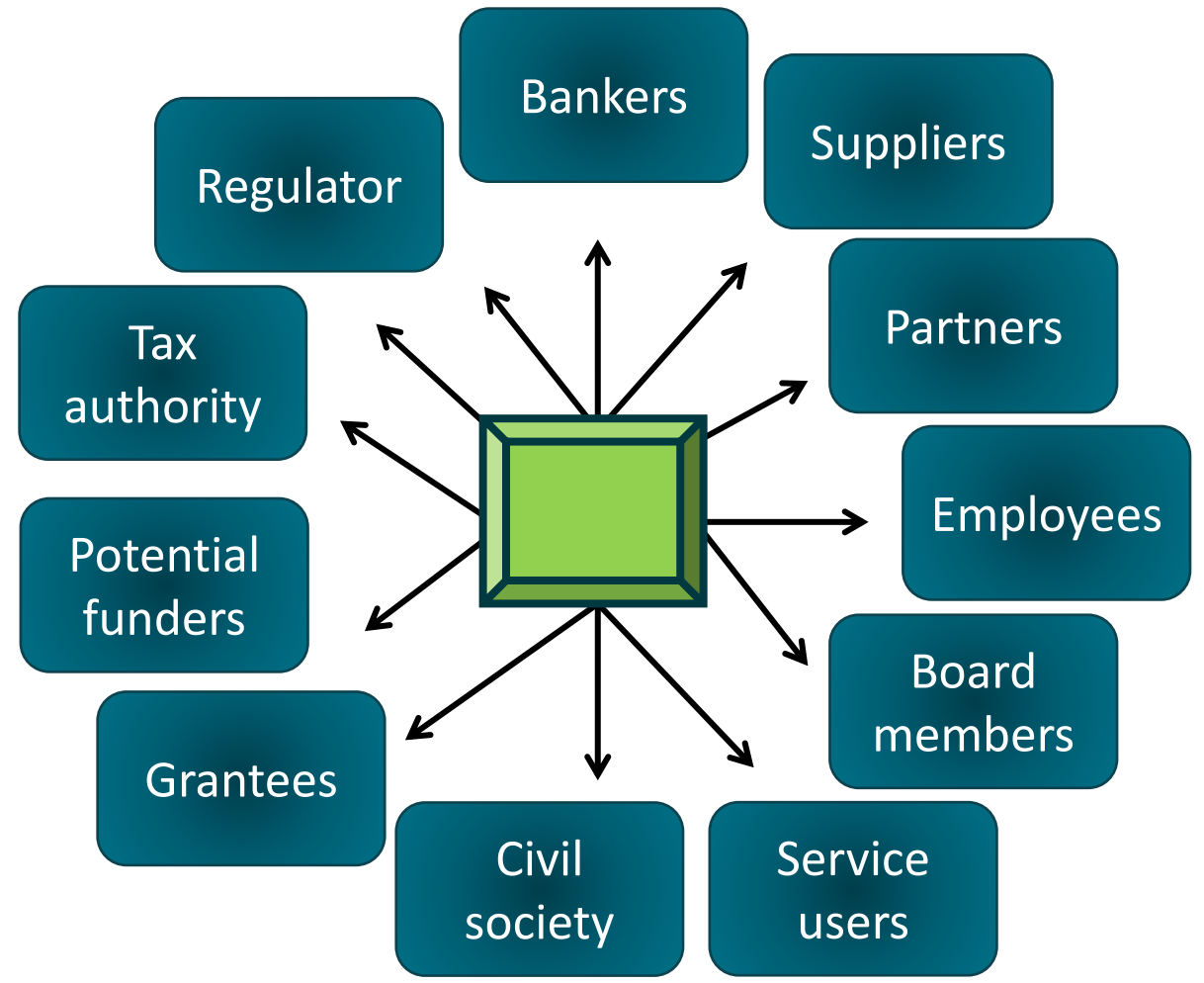


# INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS



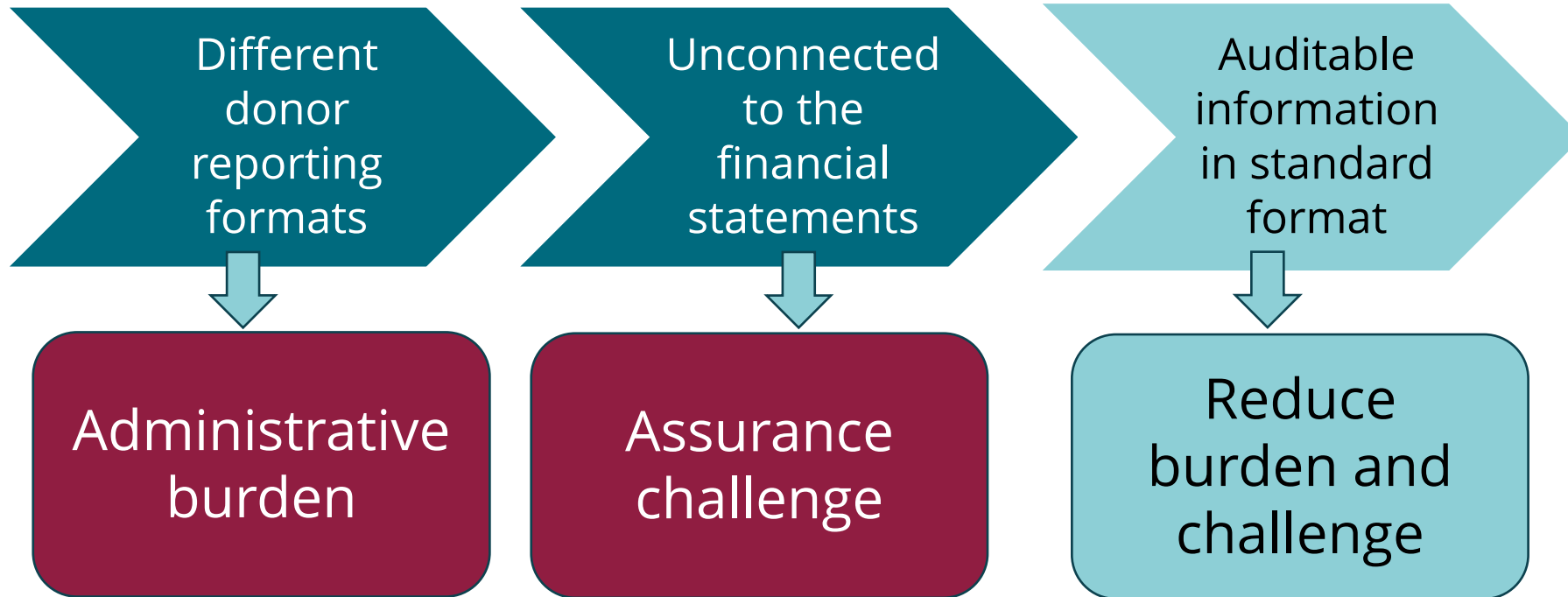
## Supplementary statements

# General vs special reports



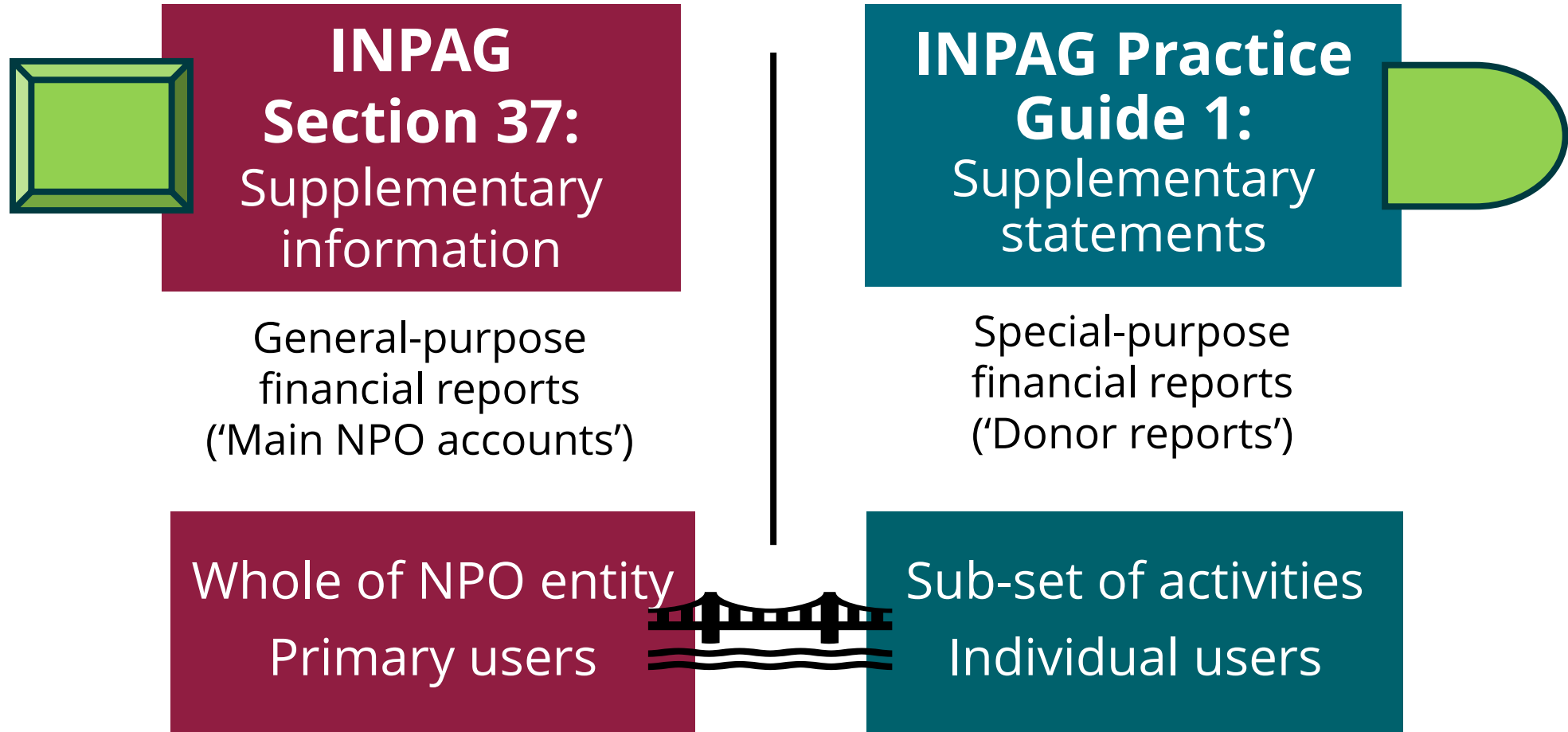


# Why are Supplementary Statements needed?



*INPAG Practice  
Guide 1-  
Supplementary  
Statements*

# Where is the guidance?





# Prescribed format

Statement for activity X	Note	NPO Currency
<b>Income</b>		
Grants and donations	1	
Other income (by type)	2	
<b>Total income</b>		<b>100,000</b>
<b>Expenses</b>		
Employment	3	
Travel and subsistence	4	
Supplies and materials	5	
Running costs, external services and other	6	
Services in-kind and gifts in-kind	7	
Grants payable	8	
	9	
<b>Total expenses</b>		<b>80,000</b>



# Prescribed format

Statement for activity X	Note	NPO Currency
<b>Income</b>		
Grants and donations	1	
Other income (by type)	2	
<b>Total income</b>		<b>100,000</b>
<b>Expenses</b>		
<b>Direct expenses</b>		
Employment	3	
Travel and subsistence	4	
Supplies and materials	5	
Running costs, external services and other	6	
Services in-kind and gifts in-kind	7	
Grants payable	8	
<b>Support costs</b>	9	
<b>Total expenses</b>		<b>80,000</b>

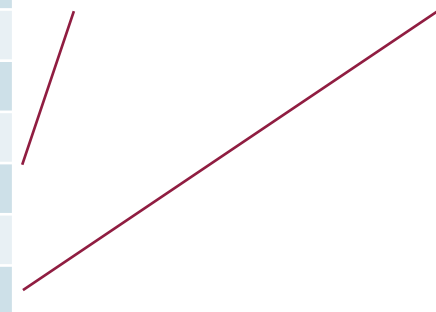


# Prescribed format – opening and closing fund balances

Statement for activity X (continued)	Note	NPO Currency
Foreign currency translation gains/losses		-
Transfers		-
Other financial movements		-
<b>Change in grant [fund] balance</b>		<b>20,000</b>
Opening balance		-
Closing balance		<b>20,000</b>

Total income  
100,000  
–  
Total  
expenses  
80,000

Agrees to  
'Movement in  
Funds' note  
in NPO Main  
accounts







# Prescribed format – adjusted balances

Statement for activity X (continued)	Note	NPO Currency
Foreign currency translation gains/losses		-
Transfers		-
Other financial movements		-
<b>Change in grant [fund] balance</b>		<b>20,000</b>
Opening balance		-
Closing balance		<b>20,000</b>
<b>Inventory and Capital Costs</b>		
Total expenses		<b>80,000</b>
Less: inventory expenses		-
Less: depreciation or amortisation charged		-
Add: inventory costs incurred		10,000
Add: capital costs incurred		10,000
<b>Expenses, inventory and capital costs</b>		<b>100,000</b>
Opening balance including inventory and capital costs		-
Closing balance including inventory and capital costs		-

From  
earlier slide  
Closing  
surplus  
balance

Closing  
balance  
20,000  
less  
Inventory  
and capital  
costs  
20,000

Optional



# Column options - donor

Statement for activity X	Note	NPO currency	Donor currency	Donor budget
Income		100,000		
Expenses		80,000		
<b>Change in grant [fund] balance</b>		<b>20,000</b>		
Opening balance		-		
Closing balance		<b>20,000</b>		



# Column options - periods

Statement for activity X	Note	Month 1-6	Months 7-12	NPO currency
Income				100,000
Expenses				80,000
<b>Change in grant [fund] balance</b>				<b>20,000</b>
Opening balance				-
Closing balance				<b>20,000</b>



# Column options – funding source

Statement for activity X	Note	Source 1	Source 2	NPO currency
Income				100,000
Expenses				80,000
<b>Change in grant [fund] balance</b>				<b>20,000</b>
Opening balance				-
Closing balance				<b>20,000</b>



# Mandatory notes

## Purpose and scope

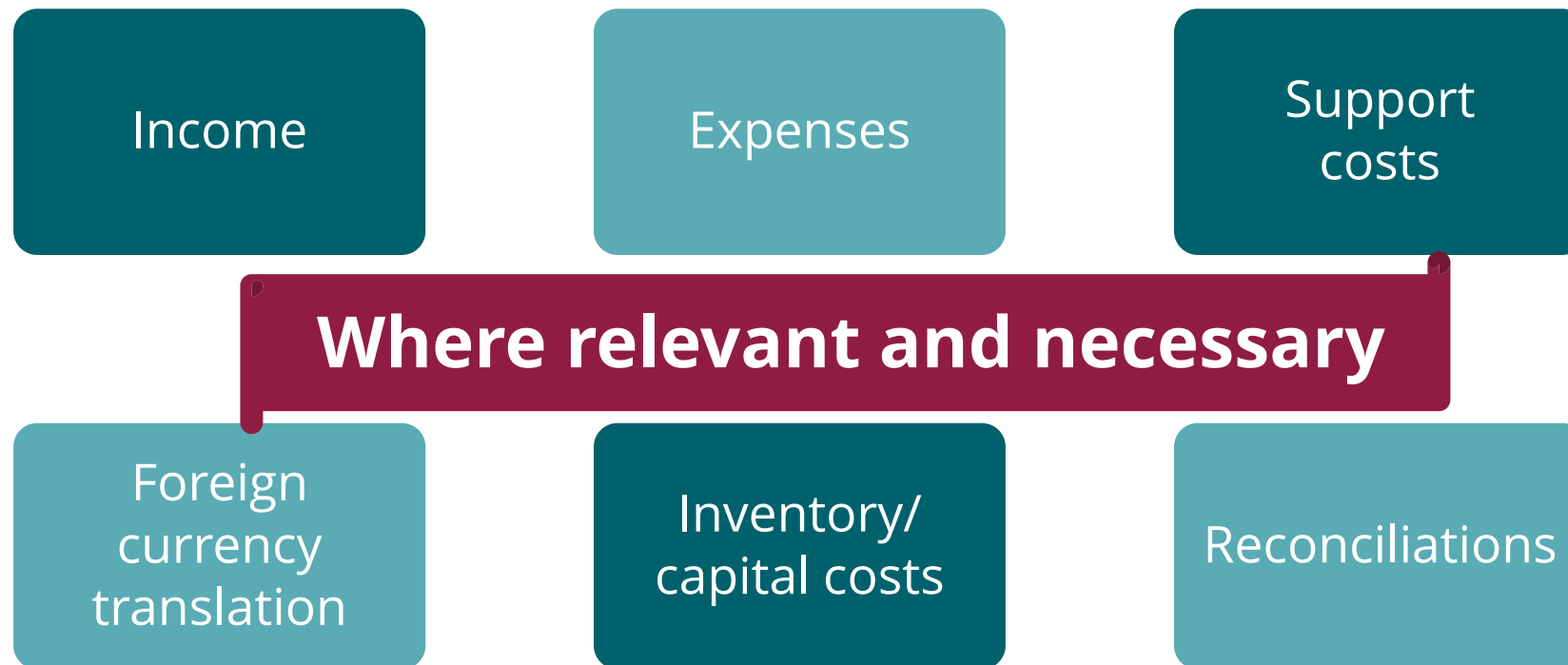
- Description of specified activities
- Cross references to financial statements

## Basis of preparation

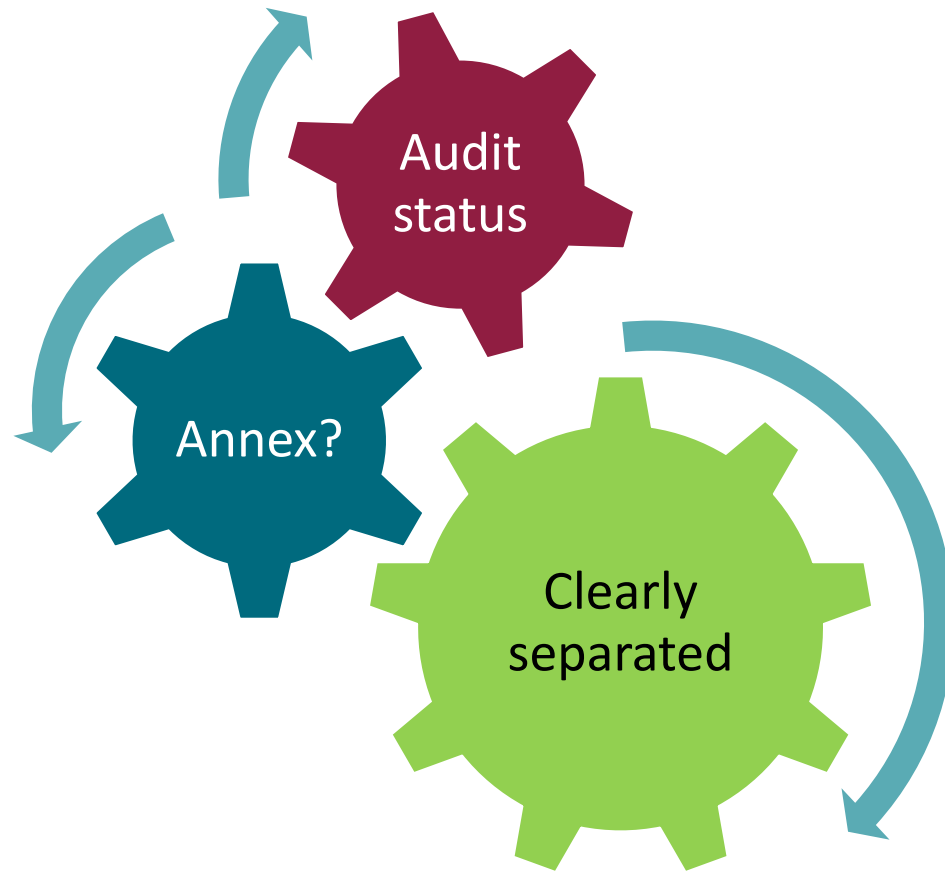
- Same basis and accounting policies as financial statements
- Any material departures



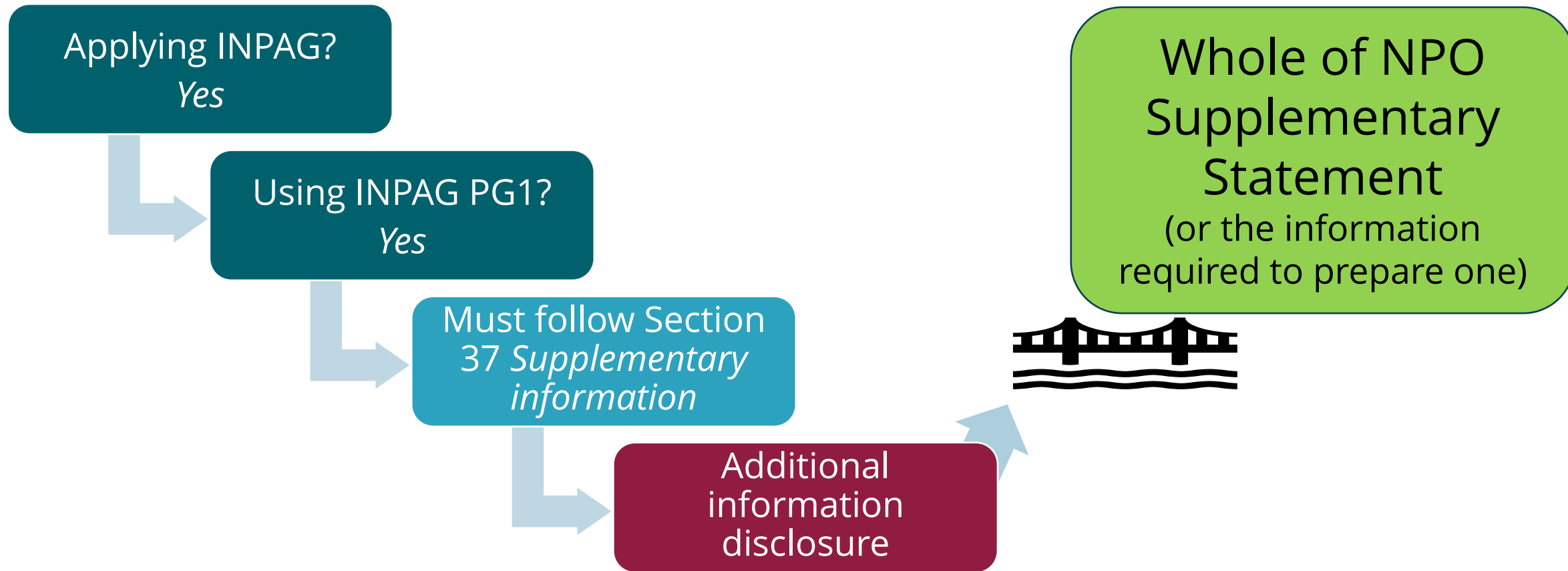
# Additional notes



# Identification and inclusion with NPO Main Accounts



# Section 37 – Supplementary Information





# ICAEW seminar

## Reflections from a UK PAG member



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### 2025 and UK-Irish GAAP- a recap

- UK-Irish GAAP for charities is based on FRS102. The new FRS102 is effective for financial years beginning on or after 1 January 2026 (early adoption is permitted)
- FRS102 is a combination of full IFRS, IFRS for SMEs, PBE specific treatments and UK-Ireland company reporting
- Three new PBE SORPs- HEFE, Social Housing and Charities will be updated to apply GAAP from 2026
- 2025 INPAG will launch but it is up to each jurisdiction whether to adopt it – a decision for after 2026?

# ICAEW seminar

## Reflections from a UK PAG member



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### Post 2025- a time for reflection

- Is it time for a fresh start? Two submissions made by Charities SORP-making body to the FRC (2021 and 2023) requested a new approach for non-profits but did the FRC listen enough with the new FRS102?
- Post 2025 INPAG and the new charities SORP can be compared to see which offers the best solution for PBEs- both are adaptations of for-profit accounting (IFRS for SMEs)
- INPAG is developed through a dedicated global approach with a Secretariat focused solely on non-profits whereas for UK-Ireland- PBEs are arguably a minor consideration in the FRC's consultative processes
- FRC has an aim of international alignment of UK-Ireland GAAP with IFRS and so aligning PBEs with INPAG would fit with this philosophy
- The key question though is whether having a local approach remains the best one for UK-Ireland with its three PBE SORPs?

# ICAEW seminar

## Reflections from a UK PAG member



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### Adopting INPAG as UK-Irish GAAP- some initial considerations

- SORP offers a whole sector solution irrespective of size whereas INPAG (see ED1) seeks to serve the medium and larger PBE with the smallest anticipated as reporting on a cash basis and the largest using IFRS or another standard.
- The SORP accommodates charitable company reporting (the Income and Expenditure Account) as part of its approach (see module 15) whereas INPAG would treat this as supplementary reporting (section 37- ED3)
- INPAG would need supplementing as it covers only the core elements- how will the missing elements be covered in the meantime eg how endowments be treated? Will INPAG blend with local GAAP?
- Treatments in INPAG may differ with FRS102 eg lessee accounting and the application of the 5 step IFRS15 revenue recognition model- will this matter?

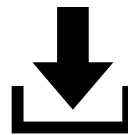


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# Have your say on the INPAG Exposure Draft 3

[www.ifr4npo.org/have-your-say](http://www.ifr4npo.org/have-your-say)



by 16 September 2024