

PAG meeting

PAGED11-01
11 September 2023

Fund Accounting



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



**International
Non-Profit
Accounting
Guidance**

INPAG

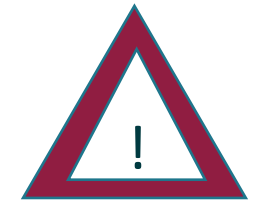
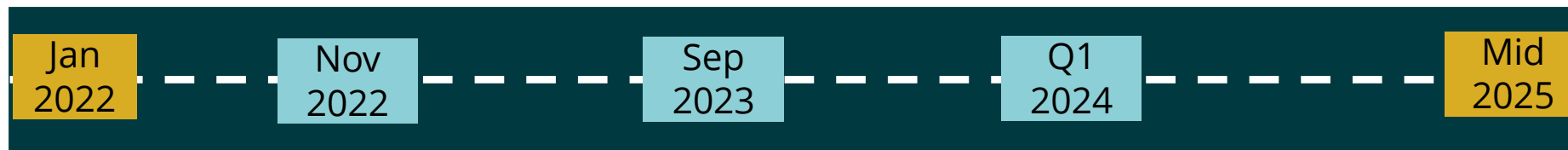


INPAG Exposure Draft Roadmap

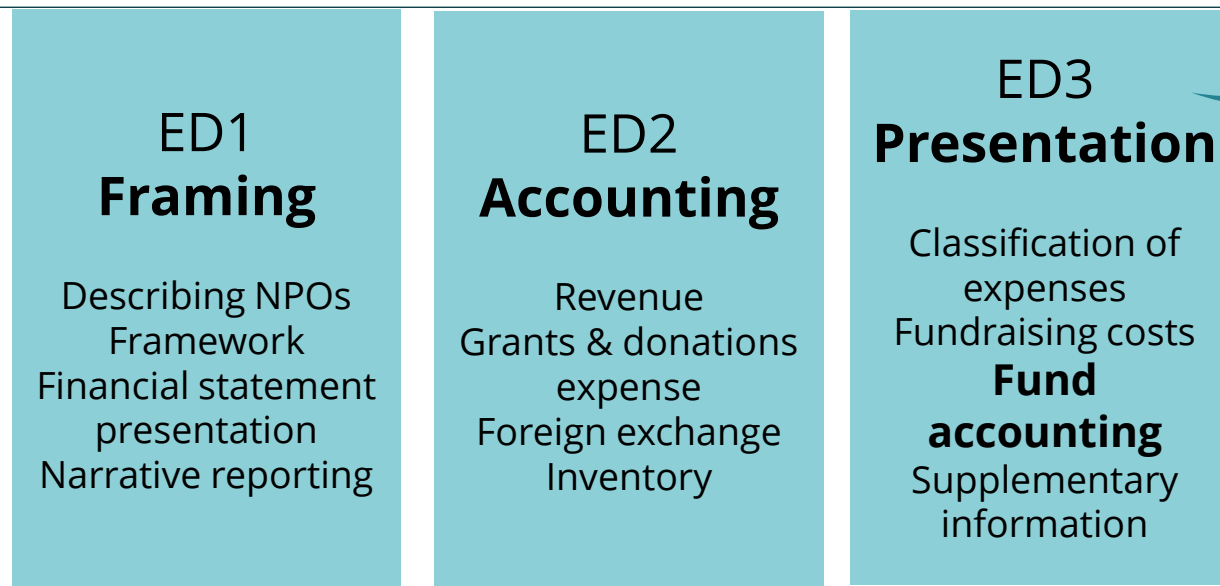
Consultation
findings

-----Exposure Draft (ED) -----

Final
INPAG



Plan is subject to
change



View and respond
from website -
Videos, Webinars
& roundtable
events



Key issues

Fund accounting definitions:

Which grant arrangements or other transactions should be included in funds with restrictions?

Presentation of information:

Presentation in the primary financial statements

Notes to the financial statements

Optional supplementary information

Funds with Restrictions: ED1 Definition



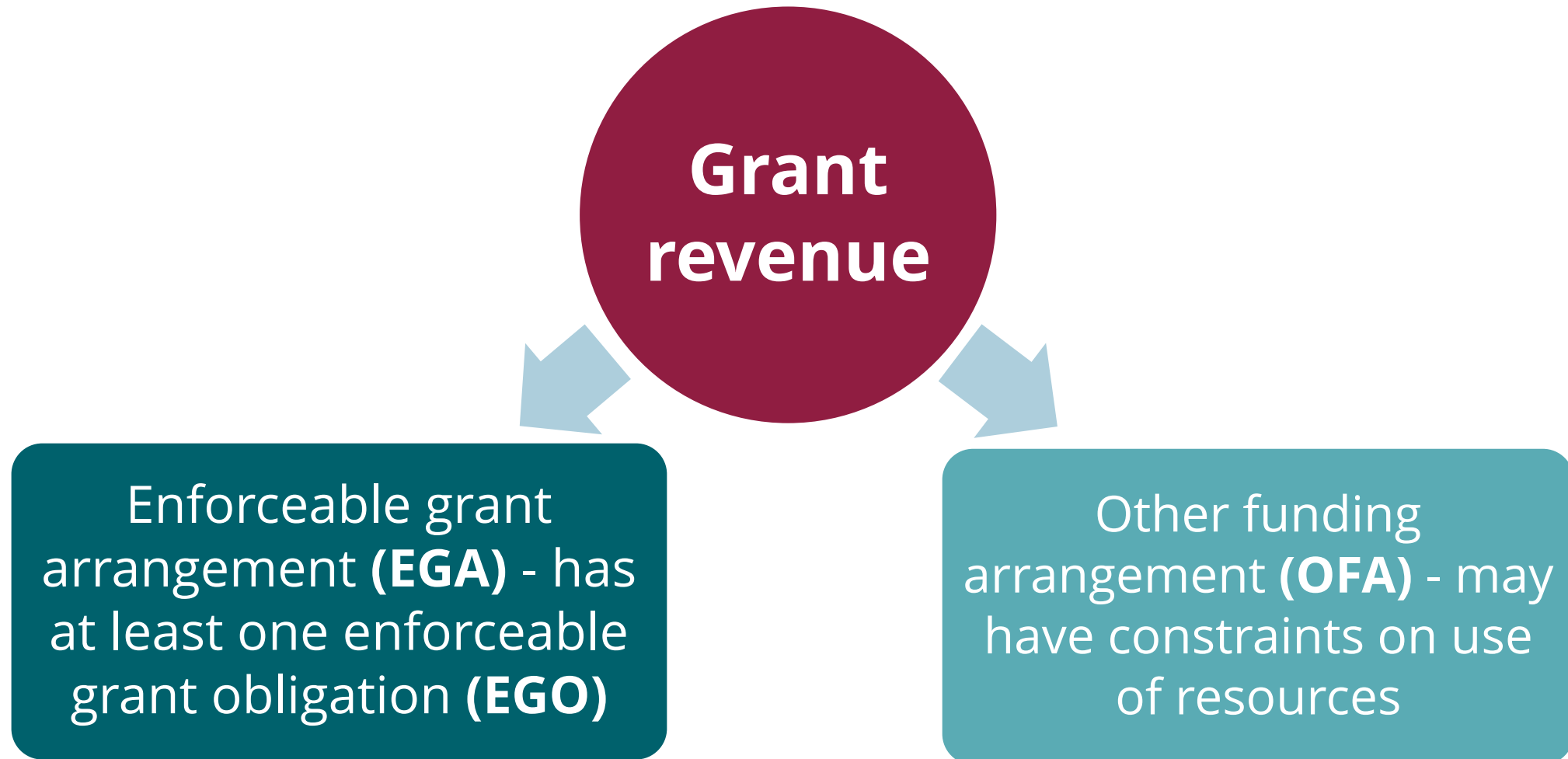
Funds of an NPO split between funds with restrictions and without restrictions.



Funds with restrictions are to be used by an NPO when there are **enforceable obligations** placed on the NPO by a resource provider that restrict the financial resources provided to be expended, invested or retained by the NPO for a specific purpose or activity.



Types of grant arrangement



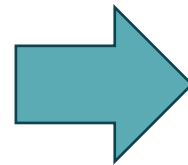


Funds with restrictions: which transactions should be included?

(1) Enforceable grant arrangements (EGAs)



(2) Jurisdictional regulatory requirements



Examples include:

A fundraising campaign for a specific stated cause

Donor stipulated restrictions where no enforceable contract exists (e.g. a specific bequest)

Legally restricted funds (e.g. a capital endowment trust)

Potential for separate presentation of EGAs and jurisdictional regulatory requirements

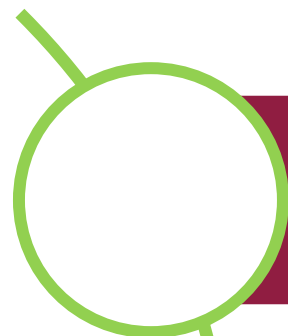
Movement on Funds Disclosure

Note 1x. Analysis of funds.

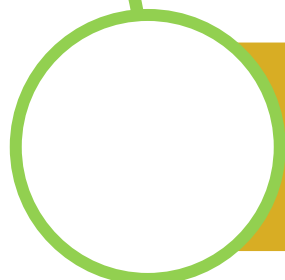
	At 1 April 2021	Income	Expenditure	Transfers	31-Mar 2022
Restricted funds	CU	CU	CU	CU	CU
Restricted Fund 1 (EGA 1)	50	203	196	-	57
Restricted Fund 2 (EGA 2)	268	150	404	-	15
Restricted Fund 3 (Jurisdiction requirement)	243	455	270	-	429
Restricted fund (other EGAs)	1,223	5,922	5,477	-	1,669
Total with restrictions funds	1,785	6,731	6,346	-	2,169
Funds without restrictions:					
<i>Revaluation reserve</i>	103	-	-	-	103
<i>Designated funds</i>	1,645	-	264	500	1,881
<i>Constrained funds</i>					
Constrained Fund 1	340	100	373	-	67
Other constrained Funds	303	958	945	-	316
General reserves	514	1,494	532	(500)	976
Total funds without restrictions	2,802	2,552	2,114	-	3,240
Total Funds	4,690	9,283	8,460	-	5,513

Intention to make this a mandatory disclosure, whichever option is adopted in INPAG

Discussion



Should both enforceable grant arrangements and jurisdictional regulatory requirements be included within funds with restrictions?



Are there other types of arrangement that should be included within funds with restrictions?



Is the term 'jurisdictional regulatory requirements' sufficiently clear?



Supplementary Statement proposals

What is the Supplementary Statement?

A proposal to develop a standard format for a Supplementary Statement to the main financial statements to meet the specific financial accountability needs of providers of grant funding.



How does it link to fund accounting?

As funds with restrictions may mainly be comprised of grant and similar funding, linking presentation proposals to those envisaged for the Supplementary Statement could bring significant benefits.



What is the proposed format?

Direct and support costs presented by project or grant, including other costs such as foreign exchange translation gains and losses and capital costs. The NBV of any PPP related to a specific project or grant is also shown.

Presentation proposal

Proposal

Statement of Income and Expenses shown as a single total for current and prior year

Optional note: Segmental analysis using the supplementary statement format, requiring a split between, with and without restrictions but could be more granular



Statement of Financial Position / Disclosures

Statement of Financial Position

- Single column for each of current year and prior year

Disclosures

- Material grants/projects with restrictions and material grants subject to constraints.
- Extent to which shortfalls on projects shown as funds with restrictions are funded from funds without restrictions.
- NBV of PPE at reporting date

Statement of Financial Position

	31 Mar 2022
Net assets	5,513
Equity claims (where relevant)	
Equity	0
Funds	
Funds with restrictions:	
EGAs	1,669
Other jurisdictional requirements	501
Restricted funds	2,169
Funds without restrictions:	
Designated funds	1,881
General funds	1,359
Revaluation reserve	103
Total unrestricted funds	3,344
Total Funds	5,513

Statement of Income & Expenses and Statement of Changes in Net Assets

Statement of Income and Expenses

Revenue

Grants and donations	8,870
Charitable activities	404
Other	9
Total Revenue	9,283

Expenditure

Cost of generating funds	1,004
Charitable activities	7,419
Total expenditure	8,423

Gains/losses on investments	(37)
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Net Surplus/Deficit for period	823
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Statement of Changes in Net Assets	Funds without restrictions	Funds with restrictions	Total
Opening Balance 1 Apr 2021	2,905	1,785	4,690
Net Surplus/Deficit for period	439	384	823
Transfers between funds	-	-	-
Closing Balance 31 Mar 2022	3,344	2,169	5,513

Note to the financial statements – segmental analysis



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	Funds without restrictions	Funds with restrictions	
	Total	Total	Total
Income			
Grants and donations	2,146	6,468	8,614
Donations in kind	7	248	255
Other income	399	15	413
Total income	2,552	6,731	9,283
Expenses			
Direct expenses			
Employment	179	1,203	1,383
Support costs	496	850	1,346
Total expenses	2,077	6,346	8,423
Foreign currency translation gains / losses			
Transfers			-
Other financial charges	(37)		(37)
Change in fund balance	462	384	823
Opening fund balance	2,905	1,785	4,690
Closing fund balance	3,344	2,169	5,513

Capital

	Funds without restrictions	Funds with restrictions	
	General	Total	Total
Expenses recognised above	2,077	6,346	8,423
Less: depreciation or amortisation charged	(10)	(45)	(55)
Add: capital costs incurred	43	201	245
Total Expenditure	2,110	6,502	8,613
Closing fund balance after capital costs	3,311	2,013	5,323
NBV of PPE at reporting date:	57	90	147

NB: Numbers may not cast as some rows missing



Evaluation

Single totals (current and prior year) on face of the Statement of Income and Expenses less complex for users

As no columns on the Statement of Income and Expenses no duplication information in the notes to the financial statements

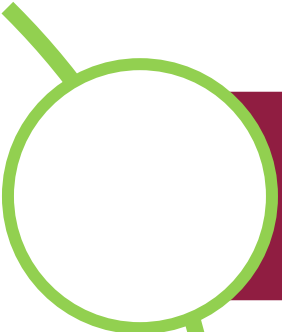
Optional segmental analysis note contains greater detail useful for general users

Optional segmental analysis would provide an audited base but may not meet donor requirements for the purposes of funding assurance without additional work and expense

Optional segmental analysis note will be an NPO choice and could be less resource intensive than a separate statement

Greater disaggregation of information may lead to more audit procedures and costs to NPOs, however can provide the base for the financial statements

Discussion



What are your views on the presentation proposal?



Does the additional note provide sufficient level of detail for users to be worth the extra resources that will be required to produce it?



What practical issues may arise in producing the disaggregated presentation of key funds?