



IFR4NPO Project

Advice and Requests
Technical Advisory Group meeting

14 May 2024

TAGED18

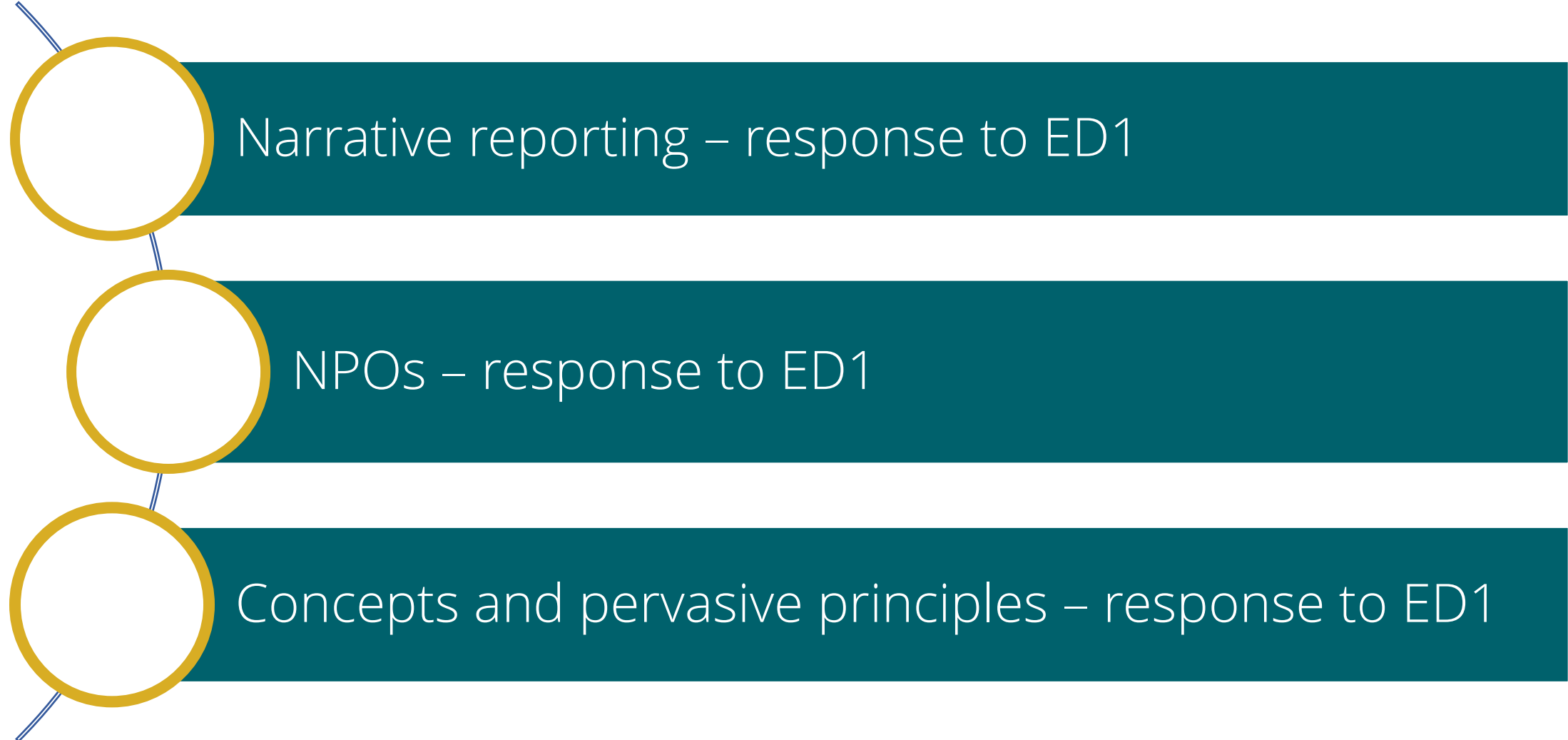


TAG meeting 14 May 2024

Attendees	Apologies
Ian Carruthers (Chair)	Katherine Knowlton
Jenny Carter	Iheanyi Anyahara
Bernhard Schatz	Tamba Momoh
Jeff Mechanick	Daniel Sarmiento Pavas
Fridrich Housa	Michelle Samson
Bill Biese	Tim Boyes-Watson
Catherine Asmeite	
Bee Leng Tan	Staff
Mohammad Anwarul Karim	Karen Sanderson
	Nandita Hume
Observers	Sarah Sheen
Jeff Gabello	Paul Mason
Jianqiao Lu	
Samantha Musoke	
George Mahembe	



Session outline





Agenda item 1 – Narrative reporting – response to ED1

1.1 Advice

- a) There is a lot of development work currently in progress around the scope of sustainability reporting. The project should evaluate what others are doing rather and how this fits with the objectives of INPAG than leading development at this point.
- b) Sustainability reporting should not be a mandatory requirement. It is a topic for the future
- c) Mexico has a sustainability standard for SMEs that focuses on core indicators through measurement rather than risk, so that metrics and targets can then inform risks. Use of metrics or targets might be useful for NPO reporting as a future next step.
- d) PAG is concerned about greenwashing and would like reporting to be verified against an established standard.
- e) Creating signposts to sustainability standards is helpful, particularly for those that are able to do more. Caution against going too fast given the size of transition in adopting INPAG more broadly. INPAG does not prevent those who want to do so, to do more.



Agenda item 1 – Narrative reporting – response to ED1

1.1 Advice

- f) EFRAG is looking at sustainability standards for SMEs and IPSASB is developing a standard for climate related disclosures for the public sector. Experience to date is that there is a lot to think about.
- g) Consider whether information on reserves should be a specific disclosure in the financial statements as it is not a mandatory narrative disclosure, especially as an illustrative narrative report is not proposed. An illustrative example of how such disclosures might be made in the narrative report would be helpful for consistency.
- h) Consider the use of examples of indirect rates/ratios in the narrative report or consider inclusion of types of ratios. Avoid being too specific as this could be counterproductive, with individual ratios not being appropriate for all.
- i) Use caution in providing additional guidance to prevent it becoming rules rather than principles based.



Agenda item 1 – Narrative reporting – response to ED1

1.1 Advice

- j) It is useful to refer to other frameworks for non-financial reporting, but the drafting needs to be clear about how much is expected of NPOs in finding potential frameworks and their use.
- k) The ISSB has considered the sensitivity of information disclosures in its work. They view it as a judgement that each entity needs to make, but that the nature of the information that is sensitive should be disclosed as well as considerations about the aggregation of information.
- l) The information published by the IASB on sensitive information and the ACNC guidance in Australia (who seek to balance the public interest with risk of harm) may be useful to inform the drafting.
- m) Guidance for NPO sensitive information, for example, which may lead to physical harm of beneficiaries or NPO employees may need to take a different approach to guidance on commercial sensitivity.

Agenda item 1 – Narrative reporting – response to ED1

1.2 Requests

- a) Provide information to draw attention to what is available in a rapidly changing picture through the INPAG website and signpost in INPAG the direction of travel and potential approaches.
- b) Develop a webpage prototype and set out how this would be updated to keep the overhead low.
- c) Limit the inclusion of additional guidance to avoid overburdening or creating a checklist/rules approach and take account of the IASB and ACNC guidance relating to sensitive information.
- d) Consider whether the reserves disclosures in the financial statements are sufficient.
- e) Examine how the proposed INPAG guidance for sensitive information would be used in practice to better understand the issues and their likely prevalence.

Agenda item 2 – NPOs – response to ED1

2.1 Advice

- a) Use of the terms “community” and “social benefit” create separation from the public sector and could be useful for application guidance.
- b) Determining whether a membership organisation should use INPAG will be a matter of judgement. More implementation guidance and/or examples may be useful but may not help all. There is a cost/benefit in their application.
- c) National regulators will be able to refine the definition of NPOs so that the scope of application is specific for the local context. No change to the characteristics is needed.
- d) The second indicator about surpluses being used for public benefit should be positioned first as a strong signal. The case for delivering for the public benefit may be subject to opinion and this should not be the first characteristic.

Agenda item 2 – NPOs – response to ED1

2.1 Advice

- e) Consideration needs to be given to the importance of public interest in the characteristics. For example, are NPOs only those organisations that work for social good or can they conduct a wider set of activities.
- f) The characteristics are broad enough and principles based, so that INPAG can be applied in individual jurisdictions.
- g) The approach by tax authorities to private member benefits might be a useful indicator of the nature of the organisation and whether it satisfies the characteristics to be an NPO
- h) Whether a membership organisation is an NPO will depend on who the members are. Where a member receives benefits on the same terms as other beneficiaries it should not be considered a private benefit.

Agenda item 2 – NPOs – response to ED1

2.1 Advice

- i) The legal framework in individual jurisdictions will be considered in determining how to apply INPAG and so whilst the legal framework is a factor it is not useful as a consideration for individual NPOs.
- j) It would be difficult to have a threshold for private benefits on an international basis and use of incidental should be sufficient
- k) Removing entities that make distributions from being described as an NPOs could provide clarity but at this point would conflict with the due process for developing the guidance. Explain the presumption that NPOs do not make distributions, but permit this if required
- l) Need to consider how much further guidance is needed to support the application of the principles as it won't cover every example.

Agenda item 2 – NPOs – response to ED1

2.2 Requests

- a) Consider whether the text needs to be strengthened to explain that the types of organisations that might be NPOs. The application of the guidance will be determined by each jurisdiction in the context of its legal framework. Explain that INPAG sets out the types of organisations that were in mind in the development of the guidance.
- b) Reflect on the ordering of the characteristics and reorder characteristics one and two unless there are any unintended consequences
- c) Reframe the principle around private distributions to make clear what is intended by incidental and explain the approach in the Basis for Conclusions.
- d) Tighten the presumption about lack of distributions in the text.

Agenda item 3 – Concepts and pervasive principles – response to ED1

3.1 Advice

- a) The ability of board members to access information reflects a northern hemisphere mindset that is not a reality elsewhere and caution against this mindset.
- b) NPOs need to be clear about the users they had in mind when preparing their reports and why their needs are met. If donors are a user that an NPO has in mind this should be reflected in the judgements it makes about what is included in its report. Transparency about who the NPO considers to be its users can open up a dialogue with users whose needs are not met.
- c) It is important that donors are included a primary users. It is important that the availability of INPAG Practice Guide 1 for special purpose financial reporting is clear.
- d) INPAG needs to make clear that it is addressing the needs of existing users and that there may be potential users in the future.

Agenda item 3 – Concepts and pervasive principles – response to ED1

3.1 Advice

- e) The difference between the operational oversight and strategic oversight need to be considered.
- f) Service potential is an important concept but it is not clear why it needs to be separated out from economic benefit. It is not clear that separating it will lead to different outcomes. There is a spectrum of transactions that mean the separation of the concept is more useful in some circumstances.
- g) Consideration needs to be given to benefit in economic or commercial terms and the impact it has on decision-making. It is useful to highlight these terms and how they can be used for the greatest benefit. It would be useful to explain the approach proposed.
- h) Stakeholders that use the *IFRS for SMEs* Accounting Standard find the provisions for undue cost or effort useful. It is proposed to be extended to more areas. It uses a principles-based approach and the intention is to develop education materials to support its use including examples of undue cost or effort

Agenda item 3 – Concepts and pervasive principles – response to ED1

3.1 Advice

- e) Undue cost and effort provisions should be kept. It takes into account the benefits of measurement and the cost. It doesn't provide an exemption as an NPO needs to demonstrate why it using these provisions. Implementation guidance could explain the thought processes about how to apply the concept.
- f) The assessment of undue cost or effort needs to be regularly reviewed to take account of new information and so the explanation of its use can change over time. Ease of application is important.
- g) The presentation of profit oriented subsidiaries in the Statement of Income and Expenses and how its fits with the activities of the parent entity could be explained based on previous TAG discussions.

Agenda item 3 – Concepts and pervasive principles – response to ED1

3.2 Requests

- a) Make the point in the Basis for Conclusions that donors are an expected user of a General Purpose Financial Report prepared using INPAG to help reduce or remove the need for Special Purpose Reports.
- b) Reflect on the drafting of service potential and whether any changes are needed.

Acronyms

Acronym	Full name	Description
ED	Exposure Draft	A document published by the INPAG Secretariat to solicit public comment on proposed reporting guidance
IFRS	International Financial Reporting Standards	A set of accounting standards developed by the International Accounting Standards Board (IASB) for use by profit making private sector organisations internationally
INPAG	International Non-profit Accounting Guidance	High quality, trusted, internationally recognised financial reporting guidance for NPOs being developed as part of IFR4NPO.
NPO	Non-profit Organisation	For the purposes of INPAG, these are organisations that have the primary objective of providing a benefit to the public, direct surpluses for benefit of the public, and are not government or public sector entities.
SMC	Specific matter for comment	A question raised in a consultation document, including the Exposure Drafts on which specific feedback is sought