



Driving change with a new programme for IFRS: through IFR4NPO

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Session overview

- About IFR4NPO
- Key issues being consulted on in 2021
- How to participate in the consultation process



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IFR4NPO



CFG is the UK Country Champion for IFR4NPO

- CFG hosted Symposium 2012 to explore issue of international standards
- Current international standards for business and public sectors (IFRS and IPSAS)
- National Guidance exists in about 20 countries (UK, US, NZ, Australia, China, Switzerland, India, Japan, Colombia, Sierra Leone, Georgia etc)





Who is delivering the project?

Non Profit
Organisations

Funders



- A global nonprofit advocating for data-driven policies that make the humanitarian and development sector more equitable, accountable, and resilient.



- 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”

Advisory Groups

Technical (TAG)



Practitioner (PAG)





What will IFR4NPO deliver?

Current Problems

- No international financial reporting standards for NPOs
- Inconsistent financial reports
- Don't meet funders' needs
- High costs – funders and grantees
- Lack of transparency
- Double funding fraud

Solution:

The IFR4NPO Guidance

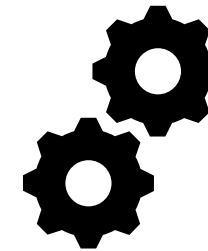
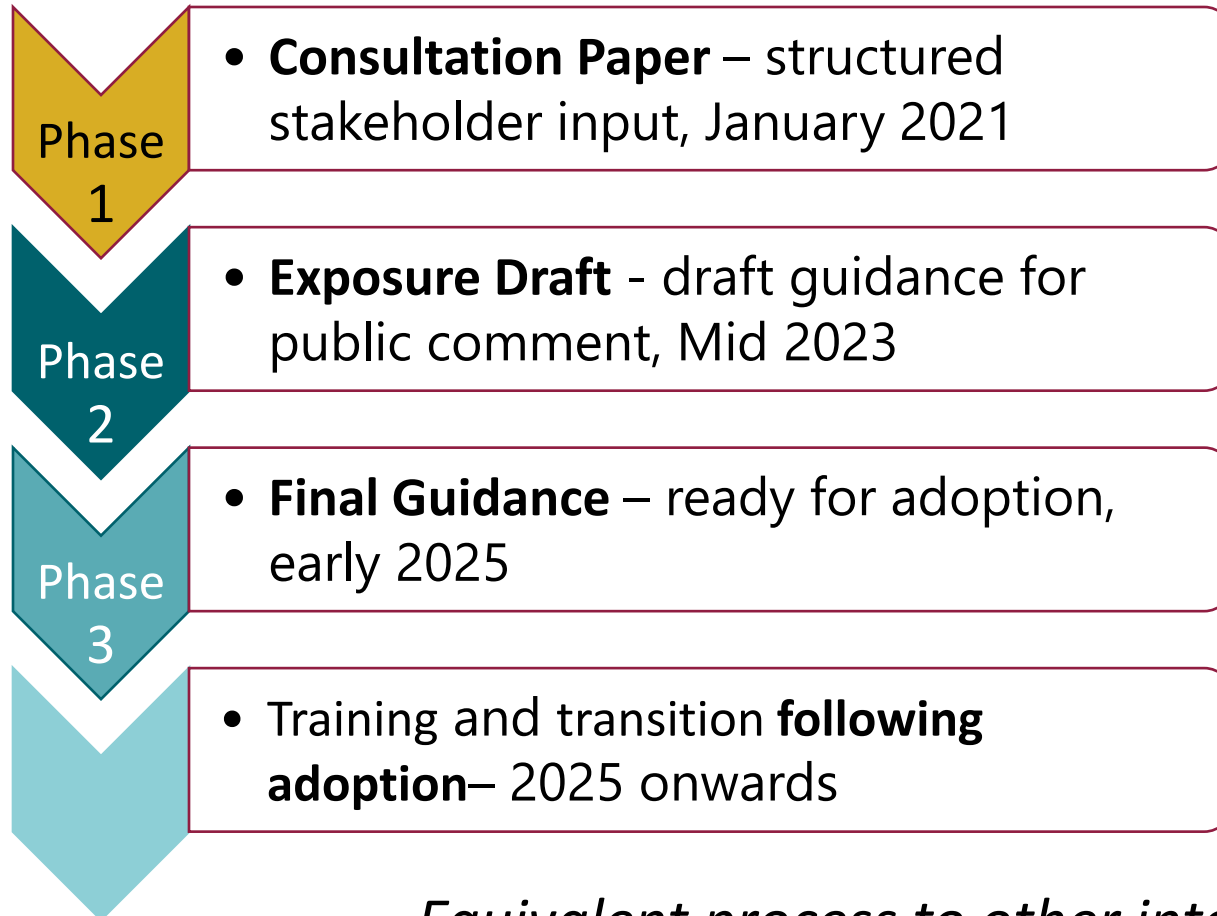
- Country and funder adoption decisions

Future Outcomes

- ✓ Improved usefulness, transparency and consistency of NPO financial reports
- ✓ NPOs able to demonstrate capacity and attract funds
- ✓ Funders better able to reliably assess NPOs
- ✓ Simplified audit assurance provision
- ✓ IFR4NPO Community – global network of NPO stakeholders

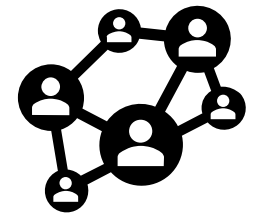
More resilient
and
accountable
sector

How and when?



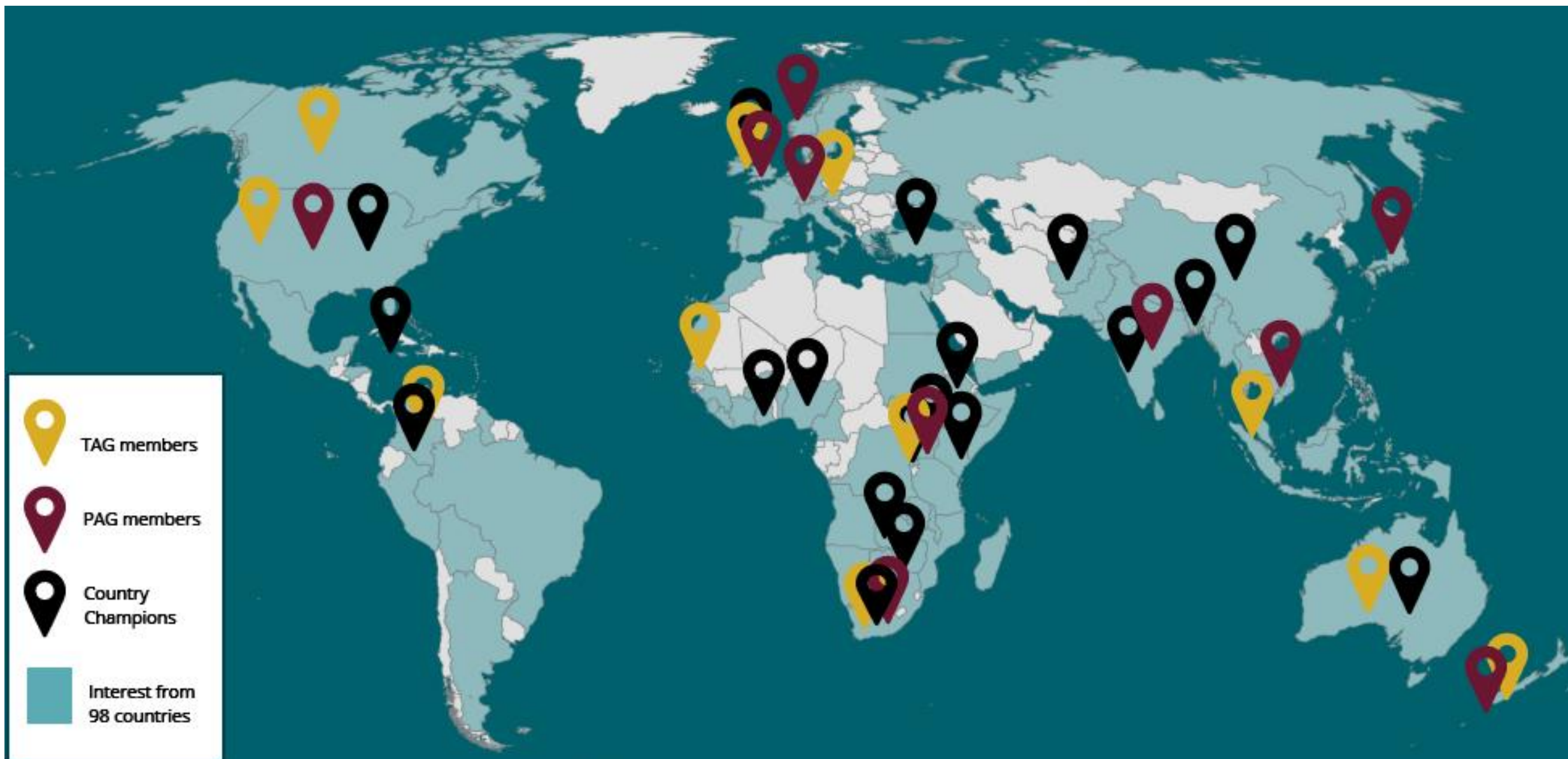
Technical rigour

Stakeholder
engagement



Equivalent process to other international accounting standards

Engagement to 30-Nov-2020





What? - Consultation Paper

- Executive Summary
- Introduction
- Part 1 – Landscape level
- Part 2 – Specific issues
- Supplementary information
- Glossary



Part 1: 5 Chapters

These boxes provide a high level summary of the content and feedback sought.

1

Describing NPOs

We describe the broad characteristics of organisations this Guidance should be applicable to. Do you agree?

2

Stakeholder needs

We set out the information needs of readers of financial reports. Do you agree?

3

Aspects of Guidance

We make the case why accrual-based Guidance is appropriate. Which challenges, if any, do you foresee with this approach?

4

Frameworks

We suggest criteria for assessing existing international accounting frameworks to use as a basis. Do you agree with the criteria and view reached?

5

Proposed model

We propose using IFRS for SMEs, while drawing on other international and national guidance. Do you have any concerns about this approach?



Consultation Paper under
construction!

Part 2: 5 Sections covering 10 Issues

1 Reporting entity

1. Reporting entity and control
2. Acting as an agent of another entity

2 Accounting for income resources

3. Non-exchange revenue, including cash contributions and donations-in-kind

3 Accounting for outgoing resources

4. Grant expenses

4 Accounting for financial and non-financial assets

5. Measurement of tangible and intangible assets held for social benefit
6. Inventory held for use or distribution

5 Presentation, content and scope of financial reports

7. Financial statement presentation
8. Classification of expenses
9. Fundraising costs
10. Narrative reporting



If the IFR4NPO Guidance changes SORP in future, which issues would matter most to you?

- Fund accounting
- Narrative reporting
- Classification of expenses - form or function?
- Income recognition, including in-kind
- Requirements to disclose fundraising costs

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Consultation Paper under
construction!

An example: Revenue Recognition

Some of the key alternatives being consulted on

Grant Income

Government grants are recognised as revenue as conditions (performance obligations) are satisfied.

or

All non-exchange revenue is recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Gifts-in-Kind

All gifts in-kind and services in-kind are recognised on receipt (subject to any conditions being satisfied and it being possible to measure them reliably).

or

Permit NPOs to recognize revenue and an expense when items are distributed or used to provide services.

How to participate?

- Consultation Paper launch 28 Jan 2021
- Part 1 by 30 July, Part 2 by 24 September
- Access and submit via www.ifr4npo.org
- Regional level roundtables mid next year

Community Forums

By joining the IFR4NPO forum you can connect with others within the sector, join trending issues and discussions, share your experiences as well as learning from others, and most importantly have your voice heard!



General

This is the general forum for IFR4NPO.



Accounting Issues

This is the place to discuss technical accounting issues.



Private: Technical Advisory Group

This is a forum for members of the of the TAG.

Next steps?

- Subscribe to the [newsletter](#)
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- [Endorse](#) the project aims on our supporters page

