INPAG

International Non-Profit Accounting Guidance Part 1

Implementation Guidance

INPAG

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ISBN for this part 978 1 84508 574 2

ISBN for complete publication (four parts): 978 1 84508 570 4

Preface

IGP.1 This Implementation Guidance is non-authoritative guidance to assist users applying the principles in INPAG. It sets out factors that an NPO should consider in reaching the judgements that will be required to determine the most appropriate treatment for each NPO's events and transactions.

IGP.2 Illustrative examples are provided in some cases to show how the INPAG would apply in a particular scenario. The illustrative examples are not exhaustive and should not be used as a checklist. They have been developed to illustrate important principles and will not cover the full range of circumstances and transactions that might occur.

Section 1 – Non-profit organisations

IG1.1 The following paragraphs provide Implementation Guidance relating to the description of NPOs. It considers various questions that an individual organisation or jurisdiction may wish to consider when determining whether it would meet the description of an NPO in Section 1 of INPAG and its associated Application Guidance.

IG1.2 This Implementation Guidance is supported by illustrative examples to highlight the issues which may arise and the decision-making processes that standard setting and regulatory authorities in jurisdictions and individual organisations may need to take in deciding whether they are NPOs.

How should an individual organisation or a jurisdiction use the broad characteristics to determine if an entity is an NPO?

IG1.3 The broad characteristics approach to describing NPOs was developed to identify the entities that the INPAG is expected to primarily benefit. In determining whether an entity is an NPO as described in Section 1 of INPAG, an individual organisation or jurisdiction should examine the entity against the three broad characteristics. Where in their judgement they believe that they have been met, then it is likely that the entity can be described as an NPO and the users of its general purpose financial reports will gain most benefit from the INPAG.

Which indicators might support the making of judgement?

IG1.4 It may not always be clear if an entity fully displays the broad characteristics of an NPO. To support individual organisations and jurisdictions in making this judgement, indicators have been included as part of the Application Guidance for Section 1 – Non-profit organisations. These indicators are common features of entities that are deemed to be NPOs or their equivalent. Where it is not clear if an entity displays the broad characteristics fully, further examination of the indicators may assist in the judgement of whether an entity is an NPO or not.

What is meant by 'for the benefit of the public'?

IG1.5 The first broad characteristic is that an NPO should have the primary objective of providing a benefit to the public rather than generating a financial surplus for distribution to owners or holders of equity claims for private benefit. This means that:

- the purpose for which the NPO exists must be beneficial to the public;
- this benefit should be to a sufficient section of the public, where sufficiency will vary depending on the NPO's purpose, so this could be a small section of society rather than a broad public group; and
- this should not give rise to more than an incidental private benefit; effectively the nature and amount of the private benefit is a necessary result of the NPO carrying out its purpose.

IG1.6 Often it will be immediately clear that this characteristic is met. For example, in many jurisdictions, organisations can be granted a special charitable status where they can only gain this status if they have demonstrated that they exist for the 'public benefit'. In other situations, it will be more difficult to determine if the characteristic is met or not. This may be the case for example when an entity has multiple objectives which are not all aimed at providing a benefit to the public, or if the section of the public that benefits from the entity's purpose is heavily restricted. In these more difficult situations, a judgement will need be made to determine if there is a primary purpose that is beneficial to a **sufficient section of the public** and any private benefits that arise are **no more than incidental**.

Can an entity distribute surpluses for private benefit and still be described as an NPO?

IG1.7 Generally, if an entity is solely or mainly distributing surpluses for private benefit and not to further its objective of providing a benefit to the public, then it is likely it will be described as a for-profit organisation and not an NPO. The payment of dividends to holders of equity claims is a clear example of distributing surpluses for private benefits.

IG1.8 In examining whether surpluses are being distributed for private benefit, it is important to examine the quantum and nature of the financial benefits that that are distributed by the entity. A co-operative organisation may potentially distribute financial surpluses for private benefit to members by paying them a rebate based on the volume of transactions that the member has with the NPO rather than paying dividend payments. This may be connected to a primary objective of providing a benefit to the public, for example providing the lowest possible cost goods and services to disadvantaged communities. However, it may simply be a way of rewarding members instead of providing dividends. In these more complex situations judgement will be required when determining whether financial surpluses are being directed to further the NPO's **primary objective of providing a benefit to the public** or for **private** benefit.

Is it appropriate for government and public sector organisations to use INPAG?

IG1.9 The users of the general purpose financial reports of government and public sector organisations have accountability and decision-making needs that differ from the entities that are described as NPOs in Section 1. While there are aspects of INPAG that may be of use to government and public sector entities, there are transactions and economic events that are only relevant in the public sector context such as taxation, which are not within the scope of INPAG. In order to meet the accountability and decision-making needs of the users of their general purpose financial reports, government and public sector entities should use public sector accounting standards.

Illustrative examples

Determining whether or not an entity can be described as a non-profit organisation

The following examples aim to illustrate the application of the broad characteristics approach to describing non-profit organisations. They show how the broad characteristics in Section 1 and indicators in the Application Guidance could be considered when making an assessment of whether or not an entity can be described as a non-profit organisation.

The circumstances in relation to individual entities will vary significantly. These examples are only illustrations of how professional judgement may be applied. They should not be relied upon by legislative and regulatory authorities and standard setters in individual jurisdictions which will need to apply their own professional judgements to their own circumstances.

Example 1. Private organisation providing education services

Entity A is a private organisation dedicated to providing education to children who have lost parents to HIV/AIDS. It was established as a trust with an initial endowment of CU10m from a private estate. Entity A is required under the regulations of the jurisdiction in which it operates to ensure that, as a minimum, the relevant government prescribe the educational curriculum that is provided to students.

In order to supplement its income, Entity A accepts a limited number of fee-paying students. The fees for these students are determined in accordance with market rates. Surplus on fee revenue once the costs related to fee-paying students are covered is applied by Entity A towards its objective of providing education to children who have lost parents to HIV/AIDS. It also accepts some donations from the general public and a number of small government grants.

The revenue from fee-paying students, donations and government grants has enabled Entity A to expand the range of educational services it offers and to increase the number of children who have lost parents to HIV/AIDS on its roll. The trustees of Entity A manage its resources in order maximise the number of children who have lost parents to HIV/AIDS it can accept and to maintain a high-quality educational service. Any profits or surpluses that are generated from the endowment or other revenue sources are required to be directed towards Entity A's primary objectives.

Broad characteristics

Primary objective of providing a benefit to the public

The primary objective of Entity A is to provide education to children who have lost parents to HIV/AIDS and not to maximise its financial surplus from fee-paying students. Although free education services are restricted to those children who have lost parents to HIV/AIDS, this is acceptable given its purpose.

Direct surpluses for the benefit of the public

Entity A applies all its surpluses to its primary objective of providing a benefit to the public by educating children who have lost parents to HIV/AIDS. They are not distributed to the provider of the initial endowment, holders of equity claims or other providers of financial resources.

Not a government or public sector entity that should prepare general purpose financial reports under public sector reporting standards

Entity A is a private organisation, but it receives some revenue from government grants, and is required to ensure that as a minimum the relevant government set educational curriculum is provided to the children it educates. Although the government grant has conditions attached which require it to be spent on educational activities, Entity A is not required to accept the funding. While it must ensure that that as a minimum the relevant government set educational curriculum is provided, it is not told by government how it must achieve this, and it is free to provide broader educational activities unrelated to the government set curriculum.

Assessment

Entity A displays all the broad characteristics that would enable it to be described as a non-profit organisation. This means it is not necessary to examine the indicators included in the Application Guidance. Were these to be examined they would provide further support for describing Entity A as a non-profit organisation as highlighted below.

Indicator	Factors
Rights to financial returns	Entity A has no holders of equity claims with a right to financial returns.
A requirement to transfer of residual net assets upon dissolution	In the event that is dissolved, the founding document of Entity A requires its residual net assets to be transferred to an entity with a similar purpose.
Voluntary funding	Although Entity A receives some fee income, it is primarily reliant on voluntary funding, including income from its founding endowment, donations and government grants.
Purpose and use of assets	Entity A controls assets such as buildings, equipment and sporting facilities. Although these are partly funded by fee income, they are held to deliver educational provision and not to generate financial returns to providers of resources.

Example 2. Social enterprise selling bicycles

Entity B is a company that refurbishes donated and purchased second-hand bicycles and sells them on a commercial basis. For every bicycle that it sells, it gives a bicycle for free to someone in the local community who cannot afford to purchase their own. The objective of the company is to promote the use of bicycles and to reduce unnecessary waste by stopping bicycles that could be refurbished from being sent to landfill.

The company was founded by two investors in social enterprises who provided the initial capital and have equal equity stakes. The initial capital investment was spent on tools and a workshop. Profits that the company makes have been reinvested within the company to date to promote its growth and the achievement of its broader social objectives, but the holders of equity claims are entitled to dividends should there be sufficient profits available to distribute. In the event that the company is wound up, any remaining stock of bicycles and the tools and workshop are to be donated to an organisation with similar aims, but the holders of equity claims are entitled to any residual net financial assets.

Broad characteristics

Primary objective of providing a benefit to the public

Whether Entity B has a primary objective of providing a benefit to the public is not clear. While it gives bicycles away for free to those who cannot afford them, and also reduces unnecessary waste being sent to landfill, it also aims to generate a profit from the commercial sale of refurbished bicycles.

In this case it will be necessary to examine the social enterprise's founding documents to determine whether its primary objective is to give bicycles for free to those that cannot afford them, or whether it seeks to maximise profits from the sale of bicycles and provide financial returns to holders of equity claims while also achieving its social objective.

Direct surpluses for the benefit of the public

Entity B to date has directed profits to promote its growth and wider social objectives. There is nothing, however, to prevent it from providing financial returns to its holders of equity claims either now or in the future.

While it may be argued that until now some profits have been directed for the benefit of the public, they have also been used to expand and increase profits. Again it will be necessary to determine whether the sale of bicycles is the primary objective or is simply a way of financing providing bicycles for free to those that cannot afford them.

Not a government or public sector entity that should prepare general purpose financial reports under public sector reporting standards

Entity B is a private organisation that is not part of the government or public sector.

Assessment

Entity B could potentially be described as a non-profit organisation although this would depend on whether its primary objective is to give bicycles away for free to those that cannot afford them or whether it seeks to maximise profits from the sale of bicycles while also achieving its social objective. There is also a significant question related to the right that holders of equity claims have to financial returns, even if to date they have not received them.

As it is not clear from the broad characteristics if Entity B is a non-profit organisation, the indicators should also be examined.

Indicator	Factors
Rights to financial returns	Entity B has holders of equity claims with a right to financial returns.
A requirement to transfer of residual net assets upon dissolution	In the event that it is dissolved, the founding document of Entity B requires that any remaining stock of bicycles and the tools and workshop are donated to an organisation with similar aims, but the holders of equity claims are entitled to any residual net financial assets.
Voluntary funding	While Entity B receives some voluntary funding through the donation of bicycles, it is primarily reliant on sales for funding.
Purpose and use of assets	Entity B controls some assets including tools and equipment. These have been funded through founding capital and subsequently from sales. These assets are partly used to refurbish bicycles that will be given away for free and also to refurbish bicycles that will be sold for a profit. That profit may in turn be given to providers of financial resources.

Considering the indicators, in this case it may be more appropriate for Entity B to use financial reporting standards applicable to for-profit private sector entities.

Example 3. Sports club

Entity C is a sports club in an urban area that organises competitions and provides coaching and training for a wide range of age groups within its local community. It was established to promote physical activity and wellbeing among a community with limited financial resources and little access to other sporting facilities.

Entity C is a membership organisation. To participate in the sports club's activities individuals must be resident in the local area and pay an annual membership fee. However, the membership fee is set at a nominal rate to ensure that it is affordable. Entity C receives the majority of its income from grants from a range of organisations including a local professional football team and a major employer in the community. Entity C also has a small clubhouse that is open to the general public where it sells food and drinks. The food and drinks are available at subsidised cost to members. Any profits or surplus from the clubhouse and other activities of Entity C are used to maintain the sporting facilities and pay for the costs associated with coaching and competitions. If Entity C were to dissolve, residual net assets are to be distributed to another entity with similar objectives in the community.

Broad characteristics

Primary objective of providing a benefit to the public

The primary objective of Entity C is to promote physical activity and wellbeing within a community with limited financial resources and little access to similar resources. Although restricted to a defined local paying membership, Entity C appears to have a primary objective of providing a benefit to the public. The value associated with the facilities and services received in exchange for the membership fee exceed the fee paid. Entity C does not seek to maximise financial returns for providers of financial resources and the private benefits that members receive from subsidised food and drink are incidental.

Direct surpluses for the benefit of the public

Entity C receives income from membership fees, grants and sales at its clubhouse. Surpluses are directed to its primary objective of providing a benefit to the public. Membership fees are nominal, and members do not pay for coaching or use of the sports facilities. As noted, members do receive subsidised food and drinks at the clubhouse, which could potentially be seen as a private benefit to providers of resources to the entity. However, this is a relatively minor activity and an incidental benefit.

Not a government or public sector entity that should prepare general purpose financial reports under public sector reporting standards

Entity C is not a government or public sector entity.

Assessment

Examination of the broad characteristics and other indicators highlights that although benefits are restricted to members it is reasonable to describe Entity C as a non-profit organisation. Membership is focused on a community with limited financial resources and little access to similar resources and membership fees are nominal. Any private financial benefits received by members from subsidised food and drink are incidental. Entity C is not a government or public sector entity. In the event of dissolution residual net assets are required to be transferred to another entity in the community with a similar purpose and not to members or other providers of financial resources.

While the entity could be described as a non-profit organisation from review of the broad characteristics, its restricted membership means that it is useful to also examine the indicators.

Indicator	Factors
Rights to financial returns	Entity C has no holders of equity claims but does have members. These members do not have a right to ongoing financial returns other than the incidental benefit of subsidised food and drinks.
A requirement to transfer of residual net assets upon dissolution	In the event that Entity C is dissolved, the residual net assets are required to be transferred to another entity in the community with a similar purpose.
Voluntary funding	Although it generates some income from membership fees and food and drinks sales at its clubhouse the majority of Entity C’s income is from voluntary funding (primarily grants).
Purpose and use of assets	Entity C controls assets such as sports facilities and equipment and its clubhouse. These are used to promote the physical activity and wellbeing of members to the benefit of the community.

Examination of the indicators would support the description of Entity C as an NPO.

Example 4. Government sponsored animal shelters

Entity D is a network of animal shelters, where pets that have been abandoned are looked after until they can be rehomed. It does not charge fees for rehoming animals. While it receives some funding from private donations and endowments, the majority of its income is from a government grant that under the terms of its constitution it is required to accept. Any surplus is reinvested in the entity to fulfil its animal welfare objectives. As part of the conditions of the government grant, the government is permitted to have a director on the governing board of Entity D. This director has a veto over certain reserved matters, including changes to the rules that govern the entity and the annual expenditure budget. If the entity were to dissolve, it is required to pass its net assets to another entity with similar aims.

Broad characteristics

Primary objective of providing a benefit to the public

The primary objective of Entity D is to ensure the welfare of abandoned animals by looking after them until they are rehomed. It does not receive fees for rehoming animals. This would indicate that the entity has a primary objective of providing a benefit to the public.

Direct surpluses to the benefit of the public

Entity D applies all its surpluses to its primary objective of providing a benefit to the public. They are not distributed to the provider of the initial endowment, holders of equity claims, or other providers of financial resources.

Not a government or public sector entity that should prepare general purpose financial reports under public sector reporting standards

Entity D receives the majority of its funding from a government grant that it is required to accept. The government, through its director who sits on the governing board of Entity D, has a veto over key decisions. This effectively means that that the government can dictate how the entity achieves its objectives through control over its key financial and operational policies.

Assessment

Although Entity D meets two of the three broad characteristics, the ability for control by government means that it could be described as a government or public sector entity rather than as a non-profit organisation. This is supported by examining the indicators.

Indicator	Factors
Rights to financial returns	Entity D has no holders of equity claims. However, the ability to have a director on the governing board of Entity D and their veto over certain reserved matters, including changes to the rules that govern the entity and the annual expenditure budget, may create the ability to vary financial returns.
A requirement to transfer of residual net assets upon dissolution	In the event that Entity D is dissolved, the residual net assets are required to be transferred to another entity with a similar purpose.
Voluntary funding	Although it generates some income from voluntary funding, the majority of its income is from a government grant that under the terms of its constitution it is required to accept.
Purpose and use of assets	Entity D's control of the assets relating to the animal shelter could be impacted by the matters reserved to the director appointed by government.

In this circumstance, whether or not Entity D can be described as a non-profit organisation for the purposes of applying INPAG will depend on the financial reporting requirements that the individual jurisdiction requires for entities that are controlled by government. If the jurisdiction requires that all government-controlled entities apply relevant public sector financial reporting standards, then Entity D should use these to meet the needs of users. If not, then the use of INPAG may be appropriate.

Section 2 – Concepts and pervasive principles

Undue cost and effort

How does an NPO determine when it can or should use the undue cost or effort exemption?

IG2.1 An undue cost or effort exemption is available to reporting NPOs for some requirements in INPAG. As explained in G2.34–G2.35 this will depend on:

a) the NPO's specific circumstances;
b) management's judgement on the costs and benefits from applying that requirement; and
c) the information available at the time of the assessment.

IG2.2 It is important that NPOs do not treat the undue cost or effort exemptions as accounting policy choices. They are not. An accounting policy choice is appropriate when INPAG explicitly includes options for the accounting treatment for an item or transaction, such as a cost measurement basis for the valuation of certain assets as its accounting policy. In this case an undue cost or effort exemption would be relevant specifically for those situations where management has selected the fair value measurement basis for the valuation of those assets, but is unable to determine a fair value without undue cost or effort and hence uses the exemption and values them using cost as a measurement basis.

IG2.3 It is also important that whenever an undue cost or effort exemption is used, NPOs disclose this and the reasons why applying the requirement would in management's judgement involve undue cost or effort.

Costs and undue effort

IG2.4 The NPO's specific circumstances will obviously vary depending on the individual NPO and this will be a driver of the cost and level of effort required. It is not possible to reflect all possible situations, but factors may include:

- relative costs of producing the information in relation to the benefit to users; the cost of producing the information would be expected to be material to the NPO's income and expenses;
- practicalities in obtaining the information needed;
- the expectation that if the information relates to the first occurrence of the type of transaction whether the initial cost from its recognition and measurement, although initially significant, will be lower on an ongoing basis;
- significance of the asset or liability to which the undue cost or effort provisions are being applied in terms of the operations of the NPO; and
- significance of the asset or liability to which the undue cost or effort provisions are being applied in terms of the NPO's net assets.

IG2.5 These factors, alongside other relevant context, should be considered individually and collectively in determining the NPO's specific circumstances. As an example, there may be no suitably qualified valuers in the jurisdiction in which an NPO operates an asset that requires measurement. A valuer would need to physically inspect the asset to provide a valuation, and therefore a valuer from another jurisdiction would be needed. This may result in an 'undue cost or effort', because of a language barrier or the cost of travel and/or subsistence. The absence of valuation professional might generate a specific circumstance, and this would need to considered in the context of the other factors. It may or may not in itself be sufficient to support an exemption.

Benefits

IG2.6 Management's judgement on the impact on the benefits that users, including management, would gain from applying that requirement requires consideration of:

a) how the economic resource allocation and other decisions of those that are expected to use the financial reports could be affected by not having that information; and
b) whether there is undue cost or effort involved in the incremental cost or additional effort that would substantially exceed the benefits to users of the financial reports.

IG2.7 These judgements are concerned with the users of the financial information. Consideration needs to be given to the benefits that users of general purpose financial reports might have had if the information had been available and therefore the impact of it not being available. Management will need to consider and be able to explain factors such as:

- the reliance that users might have placed on the affected information;
- the extent to which this information is routinely provided by other NPOs in the locality or in the NPO's field of activity;
- the importance of the information to the financial objectives of the NPO; and
- the loss of the information to the understanding of the NPO's financial resilience.

Management judgement

IG2.8 Management must not use the undue cost or effort exemptions to avoid providing information that an NPO would prefer not to disclose. The exercise of judgement is fundamental to decisions made. As required in G2.36, management must be able to explain its rationale for exercising the exemption through disclosures in the notes to the accounts. The explanation should identify:

- the key factors that have led to management's decision;
- the weight applied to each of these factors;
- how the balance of the factors had led to the conclusion; and
- cover both the impact on costs and effort as well as the impact on the loss of information.

The reporting NPO

How does an NPO determine whether a subscription or fee-based structure is a reporting NPO or some other form of reporting structure?

IG2.9 Some NPOs may be established under a subscription or fee-based structure. In such circumstances the NPO may pay a subscription or a fee to a national or international NPO as means to fund that NPO. A national or international NPO is then required to set the parameters under which the subscribing or fee paying NPOs are required to operate. The subscribing or fee-paying organisations that operate under such frameworks might take the form of the three structures discussed in the table below:

Table 1: Typical forms of operating structures that are subscription or fee based

	Type of organisation	How should the organisation be treated?
1	Part of the national or international organisation (this may or may not be operating as an internal branch)	INPAG requires that the financial and other transactions are included in the general purpose financial reports of the national or international NPO.
2	A separate legal entity or other incorporated structure which has a relationship with the national or international NPO	INPAG requires that the NPO ascertain the financial reporting relationship, if any, with that organisation in accordance with Sections 2 and 9.
3	Separate legal entities or other incorporated structure where there is no financial reporting relationship with the NPO	INPAG requires these organisations to produce general purpose financial reports as a separate reporting NPO (if meeting the definition of a reporting NPO). Where relevant the NPOs should follow national financial reporting requirements.

How does an NPO determine that organisations established as a separate legal entity to manage the financial burden or risk of the activities of the NPO, or purely for fundraising activities, are reporting NPOs or some other form of structure?

IG2.10 Some NPOs may be established as separate legal entities to:

- undertake specific activities;
- manage the risk of loss; or
- for the sole purpose of raising funds, for example to provide financial support to a hospital.

IG2.11 The NPO that creates these separate legal entities will need to establish its financial reporting relationship, if any, with these separate legal entities (including any reporting NPOs) based on the provisions in Section 2 on the identification of a reporting NPO and the definition of control in Section 9 of INPAG.

How does an NPO determine that organisations using affiliated structures are a reporting NPO or some other form of structure?

IG2.12 Some organisations may be established and described as 'affiliated' structures. These organisations may include both individuals and/or other organisations including NPOs as members. These members may pay a fee or subscription for access to services or other membership benefits. These relationships are more akin to a customer–supplier relationship and therefore a financial reporting relationship has not been established between the NPO and the members.

Illustrative examples – Section 2 – Reporting NPO

The following illustrations assume that the relevant transactions are material.

Example 1. Charitable theatre NPO and fee-paying charitable companies – different operating structures

Entity A, an NPO, has been established to promote the dramatic arts throughout a nation. One of the activities, which is run by a sub-division, is the operation of the For Everyone Theatre, which develops theatrical plays that promote diversity. The For Everyone Theatre has a separate bank account to manage the income from the theatre sales.

Entity A establishes six NPO entities which tour the plays developed by For Everyone Theatre across six of the regions of the nation. It establishes the governing bodies for each of the entities, where it appoints the majority of the membership of each board. There is a standard constitution to operate within a set of parameters. Each of these entities pays 50% of its ticket sales to Entity A when they reach a certain agreed level. This fee is used to develop the plays for the following year's programme of the For Everyone Theatre.

Other NPO theatre groups can also pay a fee for the plays and may use the national logo for the diversity-based plays, though they must agree to perform the plays as written.

Analysis

The 'For Everyone Theatre' transactions, including the financial assets in the bank account, are included in the financial statements of Entity A.

The six NPO theatre entities are separate legal entities and Entity A needs to establish the financial reporting relationship with those companies. As Entity A establishes the constitution, appoints the majority of the voting members of the governing body, and is able to benefit from the relevant activities (both receipt of the fees and the promotion of the relevant activities established under the constitution), Entity A would control the NPO theatre entities.

Other NPO theatre groups that were not set up by Entity A are separate entities (or possibly parts of separate entities). Entity A has no power in relation to their governing bodies or the operation of these theatre groups and so there is no direct financial reporting relationship with Entity A. These theatre groups would produce their own financial statements under the provisions of INPAG or other GAAP under which they might operate.

Example 2. Hospital charitable company established for fundraising purposes

Entity B, a hospital, decided that to have a more focused approach to fundraising, it would set up a separate NPO Entity (Entity C) solely to raise funds for the hospital. This would allow Entity C to focus on attracting legacies from individuals in the locality and to ensure that the resources are invested to maximise returns (provided this was effectively risk managed and in accordance with the charitable purposes of the Entity).

Entity B establishes the fundraising Entity C using the name of the hospital and establishes its purposes such that fundraising is solely for use by the hospital. Entity C puts in place arrangements for a regular dividend to be paid to the hospital to fund services.

Analysis

Based on the facts and circumstances outlined above and because:

- the hospital has established the charitable purposes of Entity C; and
- determines how those resources are utilised;
- Entity B has created a mechanism where it has power over the relevant activities of Entity C so as to benefit from these relevant activities. As a result, Entity B controls Entity C.

Entity B would include Entity C into its consolidated financial statements accounts as a controlled entity.

Example 3. Affiliated organisation

A tennis association, Entity D, is established across a nation to improve the fitness of that nation through the medium of tennis. There are 20 separate legal entities, tennis clubs that pay a subscription to the association and receive non-mandatory advice and guidance on how to run a tennis club to improve the fitness in a local area and on issues such as inclusivity and outreach. Individuals not able to sign up to a club can become members of the association for a small fee and they are provided with a link to regular videos to improve their skills and can update a chart when they have achieved a particular skill.

Analysis

The 20 separate legal entities have customer–supplier relationships with the umbrella organisation, Entity D. While they receive advice and guidance from Entity D, they are not required to follow that advice and guidance and Entity D does not have power over the relevant activities or funds of these separate legal entities.

Entity D may be a reporting NPO, as a separate legal entity. The 20 tennis clubs are also separate legal entities. As their relationship with Entity D is only about the provision of services, and Entity D does not have power to control their activities or funds, they will produce their own financial statements and not be consolidated into the financial statements of Entity D.

Example 4. Internal branches

A national NPO Entity E that supports educational needs has six potential internal branches, which are all separate unincorporated organisations.

- Organisation A was established for fundraising for Entity E across the nation.
- Organisations B, C and D were set up to ensure that resources were distributed effectively across communities identifying where need for services is greatest. They have all established separate bank accounts and produce informal quarterly financial accounts. Organisation D is always late with its monthly
- returns and disputes the need to produce them. Its bank account was set up in the name of the chief finance officer.
- Organisation E was established to raise awareness of specific educational needs.
- Organisation F was established for administrative purposes, to support the effective operation of Organisations A to E and to provide advice and guidance on operational and financial issues.
- All six organisations were established to follow the constitution of Entity E.
- All six organisations use the same website, letterheads and title of Entity E on a regular basis.

Analysis

Despite the separate bank accounts, all six organisations are internal branches to the national NPO Entity E. This is because a number of the indicators were met including:

- the branches are not separately incorporated;
- they do not have autonomous governing bodies;
- they follow the financial reporting and other operational requirements of the main NPO; and
- they use the same website and letterheads of the national NPO.

The funds raised by Organisation A should be recognised as income of Entity E. Even though Organisation D challenges the structure, and the bank account has been established in the name of the chief finance officer, the funds are used to benefit the recipients of the educational services of Entity E and therefore are recognised as a part of the entity.

Section 3 – Financial statement presentation

How should I present information in the financial statements?

IG3.1 INPAG sets out the components of financial statements and minimum requirements for disclosure on the face of the Statement of Financial Position and the Statement of Income and Expenses, as well as for the Statement of Changes in Net Assets. It also describes further items that may be presented either on the face of the relevant financial statement or in the notes.

IG3.2 Annex 1 contains illustrative financial statements, which provide simple examples of the ways in which the requirements of INPAG might be met for the presentation of the Statement of Financial Position, Statement of Income and Expenses, and linked Statement of Changes in Net Assets, Statement of Cash Flows and the notes to the financial statements. The order of presentation and the descriptions used for line items should be changed when necessary in order to achieve a fair presentation in each entity's particular circumstances.

IG3.3 The examples are not intended to illustrate all aspects of INPAG. Nor do they comprise a complete set of financial statements, as further updates will be made to the INPAG as part of Exposure Drafts 2 and 3. A complete set of financial statements will be included in ED3.

When should comparative information be provided for narrative and descriptive reporting?

IG3.4 G3.14 requires that comparative information is provided for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements. This will require judgement about how best to meet the objectives of financial reporting and the information needs of users of the financial statements.

IG3.5 The judgement about when comparative information should be provided about narrative and descriptive information should take account of the materiality of the information to the delivery of the NPO's performance or financial objectives and the NPO's overall purpose or mission. These include whether the comparative information provide material information about:

a) the progress that the NPO has made in achieving its purposes or mission;
b) how the NPO intends to meet its purposes or mission in the future;
c) the context they provide to evaluating the financial sustainability of the NPO;
d) how the NPO has used or intends to use its existing resources (people and assets);
e) how the NPO is dealing with any legal or regulatory issues;
f) how the NPO has worked or intends to work with key partners or communities;
g) how the NPO has impacted or intends to impact on the environment;
h) how the NPO has generated or intends to generate the financial resources it needs.

Where an NPO is adopting INPAG in a way that differs to the requirements of Section 36, what disclosure requirements are likely to be necessary to enable users to understand the financial statements?

IG3.6 The NPO should set out how it is accounting for material transactions in its accounting policies. This is particularly important for material transactions that are not yet accounted for in accordance with INPAG.

IG3.7 Users will be interested in how the information in the financial statements can be expected to change in future in respect of matters not yet reported under INPAG. To meet this information need, the NPO should describe in the notes to the financial statements those parts of the Guidance where compliance has been achieved in the reporting year and in previous years as well as those areas where compliance has not yet been achieved. The NPO's plans for full adoption should also be set out so that there is transparency about the timeframe for full adoption and the level of completeness with the provisions of the Guidance in each financial year.

Where an NPO is applying some of the provisions of INPAG but does not plan to fully adopt, or is not permitted to adopt INPAG, what disclosures would help users understand its financial statements?

IG3.8 The NPO should set out how it is accounting for material transactions in its accounting policies note disclosure. This is particularly important when material transactions are accounted for in accordance with a mixture of INPAG and another accounting framework(s).

IG3.9 Additional disclosures that will help users understand the financial statements will depend on the NPO's specific circumstances, and the mixture of INPAG and another accounting framework that it is applying.

IG3.10 Where the NPO is adopting INPAG requirements to supplement the requirements of another accounting framework, for example by following INPAG requirements for transactions that are not addressed by that other framework, the NPO could usefully disclose:

a) The transactions that are accounted for by applying the INPAG requirements.
b) An explanation of why it is not able to apply the other accounting framework to these transactions.
c) An explanation of the extent to which the INPAG requirements are consistent with the concepts and principles underlying the other accounting framework.

IG3.11 Where the NPO is generally adopting INPAG except for certain types of transaction, the NPO could usefully disclose:

a) Which transactions are not accounted for by applying the INPAG requirements, and the accounting treatment adopted for those transactions.
b) An explanation of why the NPO is not applying the INPAG requirements in accounting for those transactions (which may be that the relevant regulator requires an alternative treatment).
c) An explanation of the how the financial statements would differ if the requirements of INPAG had been applied. Quantifying these differences, where this can be done without undue cost, is likely to be beneficial to users.

Illustrative financial statements and table of presentation and disclosure requirements

Illustrative financial statements

IG3.12 Section 3 *Financial statement presentation* of INPAG defines a complete set of financial statements and prescribes general standards of financial statement presentation. Section 4 *Statement of Financial Position*, Section 5 *Statement of Income and Expenses*, Section 6 *Statement of Changes in Net Assets*, Section 7 *Statement of Cash Flows* and Section 8 *Notes to the financial statements* prescribe the format and content of the individual financial statements and notes. Other sections of INPAG establish additional presentation and disclosure requirements. The financial statements in Annex 1 illustrate how those presentation and disclosure requirements might be met by a typical NPO. Of course, each NPO will need to consider the content, sequencing and format of presentation and the descriptions used for line items to achieve a fair presentation in that NPO's particular circumstances. These illustrative financial statements should not be regarded as a template appropriate for all NPOs.

IG3.13 The Guidance provides some flexibility over the presentation of the financial statements. Examples of how this flexibility can be used include:

a) Information in the Statement of Financial Position may be presented to follow a 'vertical' or 'horizontal' presentation. In addition to these different forms of presentation, an NPO can choose how to sequence the information as long as it complies with other elements of the guidance. For example, non-current assets might appear before current assets, and current liabilities before non-current liabilities, to allow working capital to be presented on the financial statement. Judgements about sequencing shall reflect the nature of the NPO and the needs of users of the financial statements.
b) In the Statement of Income and Expenses, NPOs may present their income before their expenses before arriving at the surplus or deficit from operating activities. Alternatively expenses can be presented first with income showing how expenses have been funded. An NPO shall choose a format that best explains to users of the financial statements the activities, transactions and events of the NPO.

IG3.14 Different formats and sequencing of some illustrative statements are presented. INPAG does not specify the formats or sequencing of items to be used, and alternative formats or sequencing are permitted by INPAG. Consistent with paragraph G3.22 of INPAG, an NPO may use titles for the financial statements other than those used in these illustrations.

IG3.15 INPAG does not require a Statement of Financial Position at the beginning of the earliest comparative period. The following illustrative Statement of Financial Position only includes a column for the opening Statement of Financial Position to aid in understanding of the calculations underlying amounts in the Statement of Cash Flows prepared under the indirect method.

IG3.16 The illustrative financial statements are not intended to illustrate all aspects of INPAG.

Table of Presentation and Disclosure Requirements by Section

This table has been derived from the presentation and disclosure requirements in INPAG.

IG3.17 This table collects together the presentation and disclosure requirements in INPAG for ease of reference when preparing the financial statements.

Other disclosures

Section 8 *Notes to the Financial Statements* [This is extracted from INPAG and will be updated as appropriate in full in ED3.]

Structure of the notes

G8.2 The notes shall:

a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs G8.5–G8.7;
b) disclose the information required by this Guidance that is not presented elsewhere in the financial statements; and
c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

G8.3 An NPO shall, as far as practicable, present the notes in a systematic manner. An NPO shall cross-reference each item in the financial statements to any related information in the notes.

G8.4 An NPO normally presents the notes in the following order:

a) a statement that the financial statements have been prepared in compliance with INPAG (see paragraph G3.3);
b) a summary of significant accounting policies applied (see paragraph G8.5);
c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and
d) any other disclosures.

Disclosure of accounting policies

G8.5 An NPO shall disclose the following in the summary of significant accounting policies:

a) the measurement basis (or bases) used in preparing the financial statements; and
b) the other accounting policies used that are relevant to an understanding of the financial statements.

Information about judgements

G8.6 An NPO shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph G8.7), that management has made in the process of applying the NPO's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Information about key sources of estimation uncertainty

G8.7 An NPO shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

a) their nature; and
b) their carrying amount as at the end of the reporting period.

Section 10 *Accounting Policies, Estimates and Errors*

Disclosure of a change in accounting policy [This is extracted from INPAG and will be updated in full in ED3.]

G10.14 When an amendment to this Guidance has an effect on the current period or any prior period, or might have an effect on future periods, an NPO shall disclose the following:

a) the nature of the change in accounting policy;
b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

G10.15 When a voluntary change in accounting policy has an effect on the current period or any prior period, an NPO shall disclose the following:

a) the nature of the change in accounting policy;
b) the reasons why applying the new accounting policy provides reliable and more relevant information;
c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
   i) for the current period;
   ii) for each prior period presented; and
   iii) in the aggregate for periods before those presented; and
d) an explanation if it is impracticable to determine the amounts to be disclosed in (c).

Financial statements of subsequent periods need not repeat these disclosures.

Disclosure of a change in estimate

G10.19 An NPO shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expenses for the current period. If it is practicable for the NPO to estimate the effect of the change in one or more future periods, the NPO shall disclose those estimates.

Disclosure of prior period errors

G10.24 An NPO shall disclose the following about prior period errors:

a) the nature of the prior period error;
b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
c) to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and
d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

Section 9 – Consolidated and separate financial statements

Example 1. Leisure NPO – Reporting NPO and control not relating to voting rights

Entity F, a leisure services NPO, was established to increase the fitness of a region by operating through sport centres in local parks. This fitness programme is approved and agreed by Entity F. Eight separate smaller incorporated associations of NPOs have been established for each of the localities in its region. The only activities of these separate associations are to manage the sport centres within their parks. The associations have no ownership instruments, but a governing body (local management committee) has been established by each comprising members of the community that are dedicated to increasing fitness and members interested in the local parks. For each location, the establishment of the management body and its terms of reference are overseen by Entity F, which also oversees ongoing operations. There is a small team of sports instructors and a sports centre director managing each association. People under the age of 18 do not pay, while other participants pay a significantly subsidised price for using the amenities. The activities of the eight associations are:

- the day-to-day operation of the sport centres;
- managing the groups of individuals that have been recommended by their medical practitioners to join the sports centres;
- deciding the numbers of other members that can join at a subsidised fee; and
- maintenance and upkeep of the sport centres facilities and improving where necessary.

To ensure the eight associations promote the improvements in fitness using the sports centres Entity F specifies:

- the types of facilities and classes that must be made available;
- the length of each activity for each group using the facilities; and
- the groups prioritised for membership because of their medical needs.

Performance reports are sent monthly to Entity F setting out the activities that have taken place and the fees earned. Entity F also sets the subsidised price for the associations. All the income is sent to Entity F, which redistributes it in accordance with its priorities.

Analysis

Entity F has the power to control the activities and the operation of each of the associations, by specifying its activities, the individuals using the centres and gains the benefits of delivering on its purposes and the subsidised fees including their redistribution.

Entity F therefore satisfies the criteria for having control.

Section 35 – Narrative reporting

IG35.1 This Implementation Guidance is supported by illustrative examples and links to other sources of information.

What is meant by fair and balanced?

IG35.2 G35.6 requires that the information presented by the NPO is fair and balanced. Narrative reporting must not be biased towards a particular portrayal of its circumstances for example to be used by NPOs as a selling pitch or to provide a subjective view of performance or the financial statements that does not reflect reality. Users must be provided with an objective view of what has gone well and what has gone less well during the reporting period and the implications that this has for the future.

IG35.3 In making a judgement of whether the narrative report is fair and balanced an NPO should consider issues such as:

a) does the narrative overstate what has been achieved?
b) is there too much focus on successes to the exclusion of activities that were less successful?
c) Is reporting deliberately selective with items omitted in order to portray a particular view of the NPO's activities or financial position?
d) does the narrative report put the information presented into its full context?

What is meant by sensitive information or information that could prejudice the ability of the NPO to deliver its mission?

IG35.4 NPOs are permitted to not disclose aspects of performance information and financial statement commentary where the information is sensitive or could prejudice the ability of the NPO to deliver its mission. Given the diversity of activities undertaken by NPOs, it is not possible to provide a definition or exhaustive list of the activities that could give rise to such information. It is intended to include situations where there is a risk, including of physical harm, to an NPO's staff, its volunteers or the public who engages with the NPO, or that would provoke significant ongoing disruption to the NPOs operating activities in a locality if information was publicly disclosed in the general purpose financial reports.

IG35.5 Permission to not disclose information must not be used by NPOs as a way of hiding poor performance or financial problems that may have arisen with aspects of its operations. It should be reserved solely for situations where disclosure would jeopardise the safety and security of staff, volunteers or the public that benefit from the goods and services provided by the NPO.

IG35.6 Examples of sensitive or mission prejudicial information that an NPO may not disclose could include, but is not limited to:

a) information that identifies the nature of activities being undertaken by an NPO;
b) information that discloses the scope of geographic activities being undertaken by an NPO;
c) information that identifies the individuals, communities or groups that benefit from the goods and service provided by the NPO.

How should the qualitative characteristics be applied?

IG35.7 **Faithful representation** requires the NPO to provide information that is complete, neutral and free from error. Performance information and financial statement analysis should be reviewed by the NPO to ensure that it is not partial, wholly subjective and/or materially incorrect, taking into consideration the overall requirement to ensure fair and balanced reporting.

IG35.8 NPOs should only provide information that is **relevant** ie information that is capable of making a difference to the decisions made by users. What is relevant will be NPO-specific, and may be based on magnitude or nature. Including only material information will enable the NPO to produce a concise narrative report that is focused on the needs of users.

IG35.9 The information provided by the NPO should also be **verifiable**. NPOs should aim to provide users with assurance that the information provided is a faithful representation. This may involve providing evidence of a formal assurance process that the information has been subjected or describing how the NPO satisfies itself that the information is a faithful representation.

IG35.10 **Timeliness** requires that information is available to users in time to be capable of influencing their decisions. Generally, NPOs should aim to provide the most up-to-date information that they can although this does not mean that older information is not of use to users, as it may be useful for identifying and assessing trends.

IG35.11 NPOs should also ensure that users are able to identify and understand similarities and differences among the information that is provided in the narrative report. Although NPOs may utilise different performance measures, **comparability** means that users should be able to make meaningful comparisons between information that is presented.

IG35.12 There is no set format for presenting performance information and financial statement commentary. What is most effective for users to provide **understandability** will vary depending on the nature of the NPO and its activities. As performance information and financial statement commentary will be both numerical and narrative in nature, NPOs have the option of using a variety of different formats which may include charts, graphs, tables, narrative text and infographics.

IG35.13 In general, NPOs should ensure that information is presented in a manner that is:

a) easy to read;
b) visually appealing;
c) focused and/or concise, concentrating on the key information;
d) consistent with other information presented in the general purpose financial report; and
e) cross-referenced to any external information.

What information is relevant to providing an overview of the NPO?

IG35.14 An overview of the NPO provides users with an understanding of the purpose of the NPO, how it is governed, its activities and how its relationships with other entities and the environment in which it operates affects its performance and financial statements.

IG35.15 To provide users with this contextual information, it is suggested that NPOs look to answer three questions.

Who are we? – where it is expected that an NPO will discuss areas like:

a) **legal form** – is the NPO, a company, a trust, a co-operative membership organisation, registered with a regulator (eg charity)? Is it registered in more than one jurisdiction?
b) **operational structure** – is the NPO part of a group, does it control other entities, is it part of a consortium, does it have a large number of staff, does it operate in more than one jurisdiction?
c) **governance arrangements** – is there an executive board, non-executive oversight, trustees?

What do we exist for? – where it is expected that an NPO would discuss areas like:

a) **its purpose** – what is the mission and vision of the NPO, what are its values?
b) **its key objectives** – what are the key things that the NPO is looking to do?
c) **who is the NPO** is seeking to help?
d) **the outcomes and impact it is looking to achieve** – what changes in the world is the NPO looking to make?

What do we do? – where it is expected that an NPO would discuss areas like:

a) the **environment in which it operates** – what jurisdiction(s) or communities does the NPO operate in, what is the legal, economic, political situation in which it operates?
b) its **main activities** – does it deliver goods and services itself directly to the public, does it make grants to individuals or organisations, does it lobby on behalf of others?
c) what **goods and services** it provides – what are the specific goods and services that it delivers?
d) how it **works with other entities to do so** – is it reliant on donors to provide funding, does it deliver services to the public with another organisation?

IG35.16 The information needed to provide this overview should be readily available to most NPOs from documents like the founding constitution, grant proposals and reports to goods and service users.

How should performance measures and descriptions be selected?

IG35.17 The performance measures and descriptions that an NPO selects will depend on its performance objectives, the nature of its activities and whether it wants to focus on inputs, outputs, outcomes and/or impact.

Inputs – this will be relevant where performance is best measured by the quantity of resources used to deliver an NPO's mission, for example the number of employees, volunteers, or amount of donations.

Outputs – this will be relevant where performance is best measured by what an NPO produces in terms of good or services delivered, for example the number of free meals, trees planted, vaccinations given.

Outcomes – this will be relevant where performance is best measured by the impact that an NPO is having on those that it intends to benefit, for example longevity, air quality, literacy.

In selecting performance measures and descriptions, NPOs may have a mix of input, output and outcome measures depending on their activities. Some may already be used in reporting to donors, reporting to management or those providing oversight of the NPO, those to whom the NPO is providing goods and services, as well as other stakeholders.

How should the principal risks and uncertainties be described?

IG35.18 Principal risks and uncertainties are those that could significantly disrupt the ability of the NPO to achieve its performance objectives and its financial objectives and strategies. This will include but is not limited to:

- how the NPO works with others to deliver its main activities;
- changes to the political environment;
- changes to the legal or regulatory environment;
- changes to the physical environment;
- changes to the economic environment;
- reliance on volunteers;
- reliance on certain donors;
- capacity and capability of NPO resources; and
- the NPO's ability to generate and manage financial resources, or its operations and governance.

In describing the key risks and uncertainties any changes from previous periods should be disclosed, and users should also be given information on how the NPO manages their risks and uncertainties.

IG35.19 For example, a key risk could be reliance on donations from the public to fund services, which have historically fallen significantly during periods of economic recession. An economic recession might mean the NPO is unable to generate the required level of donations and lead to a reduction in the services it provides. This would impact both its financial and performance objectives. Mitigations to manage the impact of this risk could include levels of reserves or a longer-term plan to diversify income sources.

What is an effective means of presenting performance information and financial statement commentary?

IG35.20 The narrative report should be written using clear and simple language and sector-specific jargon should be avoided where possible. Where the use of technical terms is necessary to communicate clearly, prior knowledge should not be assumed, and these should be defined for users and used consistently throughout the narrative report.

IG35.21 In addition to the use of clear and simple language, how information is presented can significantly affect understandability. The nature of the information will determine the most appropriate method of presentation, but tabular, graphical or pictorial methods can be effective ways of explaining concepts to users and highlighting key information. They should, however, serve a clear purpose, be accessible for all users, and be supported by appropriate narrative text.

IG35.22 NPOs may also wish to consider the use of case studies and feedback from those that provide financial and other support to it and those that benefit from the goods and services it provides. Case studies and feedback can enable the NPO to provide more in-depth information about individual activities and personal insights that will enable users to more readily engage with the report.

IG35.23 Globally there are a number of awards that celebrate excellence in non-profit organisation financial reporting. Examples of recent award-winning reports that highlight the use of clear and simple language, excellent presentation of information supported by narrative text and the effective use of case studies and feedback include:

- **Age UK annual report 2021**
- **Zealandia Te Māra a Tāne wildlife sanctuary annual report 2019/2020**
- **Children’s Rights Alliance directors’ report 2019**
- **National Sea Rescue Institute integrated annual report 2021**

What additional material and guidance is available?

IG35.24 Additional material and guidance to support NPOs looking to other reporting frameworks for additional ideas in meeting narrative reporting requirements is available at:

- **IASB Practice Statement 1: Management Commentary**
- **IPSASB Recommended Practice Guideline 2: Financial Statement Discussion and Analysis**
- **IPSASB Recommended Practice Guideline 3: Reporting Service Performance Information**
- **New Zealand PBE FRS 48: Service Performance Reporting**
- **Value Reporting Foundation – Integrated Reporting Framework**
- **International Sustainability Standards Board**
- **GRI Standards**

Annex 1 Illustrative financial statements

Statement of Income and Expenses (Format 1)

	Notes	20X2			20X1		
		With restrictions	**Without restrictions**	**Total**	**With restrictions**	**Without restrictions**	**Total**
Income							
Grants and donations – general							
Grants for and donations of non-current assets							
Sales of services and goods							
Interest income							
Other income							
Total income							
Expenses							
[Analysis of expenses to be determined]							
Depreciation and amortisation expenses							
Impairment expenses							
Interest expenses							
Other expenses							
Total expenses							
Surplus or deficit from operating activities							
Share of surplus of associates							
Gain or loss on disposal of assets							
Unrealised gains or losses on foreign exchange differences							
Unrealised gains or losses from fair value adjustments:							
Defined benefit plans							
Financial instruments							
Investment property							
Surplus or deficit for the period							

Statement of Income and Expenses (Format 2)

	Notes	20X2			20X1		
		With restrictions	Without restrictions	Total	With restrictions	Without restrictions	Total
Expenses							
[Analysis of expenses to be determined]							
Depreciation and amortisation expenses							
Impairment expenses							
Interest expenses							
Other expenses							
Total expenses							
Funded by:							
Grants and donations – general							
Grants for and donations of non-current assets							
Sales of services and goods							
Interest income							
Other income							
Total income							
Surplus or deficit from operating activities							
Share of surplus of associates							
Gain or loss on disposal of assets							
Unrealised gains or losses on foreign exchange differences							
Unrealised gains or losses from fair value adjustments:							
Defined benefit plans							
Financial instruments							
Investment property							
Surplus or deficit for the period							

Statement of Financial Position (vertical presentation)

	Notes	20X2	20X1	20X0
Assets				
Current assets				
Cash				
Receivables				
Inventories				
Total current assets				
Non-current assets				
Investment in associate				
Property, plant and equipment				
Intangible assets				
Deferred tax asset				
Total non-current assets				
Total assets				
Liabilities				
Current liabilities				
Bank overdraft				
Payables				
Liability for deferred revenue (income with restrictions)				
Interest payable				
Current tax liability				
Current portion of employee benefit obligations				
Current portion of obligations under finance leases				
Total current liabilities				
Non-current liabilities				
Loans				
Long-term employee benefit obligations				
Obligations under finance leases				
Total non-current liabilities				
Total liabilities				
Net assets				
Funds with restrictions				
Endowment funds with restrictions				
Funds without restrictions				
Equity				
Non-controlling interests				
Total net assets				

Statement of Financial Position (horizontal presentation)

	Notes	20X2	20X1	20X0
Assets				
Current assets				
Cash				
Receivables				
Inventories				
Total current assets				
Non-current assets				
Investment in associate				
Property, plant and equipment				
Intangible assets				
Deferred tax asset				
Total non-current assets				
Total assets				

	Notes	20X2	20X1	20X0
Liabilities				
Current liabilities				
Bank overdraft				
Payables				
Interest payable				
Liability for deferred revenue (income with restrictions)				
Current tax liability				
Current portion of employee benefit obligations				
Current portion of obligations under finance leases				
Total current liabilities				
Non-current liabilities				
Loans				
Long-term employee benefit obligations				
Obligations under finance leases				
Total non-current liabilities				
Total liabilities				
Net assets				
Net assets				
Funds with restrictions				
Funds without restrictions				
Equity				
Total net assets				

Statement of Changes in Net Assets

	Notes	Funds with restrictions	Funds without restrictions	Equity	Non-controlling interest
Balance at 31 December 20X0					
Restatements of opening balance					
Changes in accounting policy					
Correction of errors					
Restated balance at 31 December 20X0					
Surplus or deficit					
Income and expenses recognised directly in net assets:					
Gain or loss on property revaluations					
Gain or loss on revaluation of investments					
Total income and expenses for the period					
Transfers between funds [detail required]					
Equity					
Contributions from holders of equity claims					
Distributions to holders of equity claims					
Total equity					
Other changes in net assets					
Balance at 31 December 20X1					

	Notes	Funds with restrictions	Funds without restrictions	Equity	Non-controlling interest
Balance at 31 December 20X1					
Restatements of opening balance					
Changes in accounting policy					
Correction of errors					
Restated balance at 31 December 20X1					
Surplus or deficit					
Income and expenses recognised directly in net assets:					
• Gain or loss on property revaluations					
• Gain or loss on revaluation of investments					
Total income and expenses for the period					
Transfers between funds [detail required]					
Equity					
Contributions from holders of equity claims					
Distributions to holders of equity claims					
Total equity					
Other changes in net assets					
Balance at 31 December 20X2					

Statement of Cash Flows (direct method)

	Notes	20X2	20X1
Cash flows from operating activities			
Receipts			
Grants and donations – income with restrictions			
Grants and donations – income without restrictions			
Sales of services and goods			
Interest receipts			
Other receipts			
Payments			
[Analysis of expenses to be determined]			
Interest payments			
Income taxes paid			
Other payments			
Net cash from operating activities			
Cash flows from investing activities			
Grants for non-current assets			
Proceeds from sale of equipment			
Purchases of equipment			
Net cash used in investing activities			
Cash flows from financing activities			
Receipts from or payments to holders of equity claims			
Payment of finance lease liabilities			
Repayment of borrowings			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			

Statement of Cash Flows (indirect method)

	Notes	20X2	20X1
Cash flows from operating activities			
Surplus for the year			
Adjustments for non-cash income and expenses:			
Non-cash finance costs (income)			
Non-cash tax expense			
Non-cash donations			
Depreciation of property, plant and equipment			
Impairment losses			
Amortisation of intangible assets			
Cash flows included in investing activities:			
Gain on sale of equipment			
Changes in operating assets and liabilities			
Decrease (increase) in receivables			
Decrease (increase) in inventory			
Increase (decrease) in payables			
Increase (decrease) in liability for deferred revenue			
Increase in current and long-term employee benefit payable			
Net cash from operating activities			
Cash flows from investing activities			
Grants for non-current assets			
Proceeds from sale of equipment			
Purchases of equipment			
Net cash used in investing activities			
Cash flows from financing activities			
Receipts from or payments to holders of equity claims			
Payment of finance lease liabilities			
Repayment of borrowings			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year			

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ISBN: 978 1 84508 574 2