

**Brasilia, September 16, 2024**

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

**77 Mansell Street  
London E1 8AN  
United Kingdom**

**RE: The Draft CIPFA/ED/2024/3 International Non-Profit Accounting Guidance**

**Dear Sirs,**

The Group of Latin American Accounting Standard Setters (GLASS)<sup>1</sup> appreciates the opportunity to participate in the process for Exposure Draft CIPFA/ED/2023/3 *International Non-Profit Accounting Guidance Part 3* (ED3).

**Due Diligence**

The discussions of ED3 took place within the Permanent Working Group (PWG) IFR4NPO for Non-Profit Organisations (NPOs), which was established in January 2022. Each member country had the opportunity to nominate at least one representative.

All members of the PWG reviewed the document issued on May 28, 2024. This group focused on the eleven specific topics during various working sessions, leading to important conclusions.

In the working sessions the different representatives shared their views and addressed each of the questions posed in ED3.

Finally, the document prepared by the PWG was presented to, reviewed and approved by the GLASS Board.

**General Comments**

We agree with the guidance project proposed by IFR4NPO, since we believe it provides a sound and coherent framework for non-profit organizations to improve their transparency, accountability and effective resource management.

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<sup>1</sup>The general objective of the Group of Latin American Accounting Standard Setters (GLASS) is to submit technical contributions in reference to all documents published by the IASB and the ISSB and another institution linked to the profession of Public Accounting. GLASS therefore intends to present a regional opinion. GLASS is made up of the issuing bodies from: Argentina (Board), Bolivia, Brazil (President), Chile (Board), Colombia (Vice-President), Costa Rica (Board), Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Dominican Republic, Uruguay (Board) and Venezuela (Board).



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This guidance will help organizations adopt more consistent and comparable accounting and reporting practices, which in turn will build confidence among donors, beneficiaries and other stakeholders.

Each of the jurisdictions that adopts this Guidance should consider each country's characteristics and the specific conditions for its implementation.

### **Specific Comments**

Attached you will find our responses to the specific questions included in ED3.

### **Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. L. Ribeiro de Carvalho".

**José Luiz Ribeiro de Carvalho**  
*Chairman*

Group of Latin American Accounting Standard Setters (GLASS)

## Annex

### Responses to the specific questions included in ED3

#### Question 1: Fund accounting

- a) Do you agree that the ED1 requirement to present funds with restrictions and funds without restrictions on the face of the Statement of Income and Expenses should be removed? If not, why not?

*GLENIF agrees that ED1 requirement to present funds with restrictions and funds without restrictions in the income and expenses statement should be removed.*

- b) Do you agree that the guidance in Section 36 will ensure that material funds can be identified? If not, what changes would you propose? Is there a risk that funds are not identified?

*GLENIF agrees with the guidance in Section 36 Fund Accounting, which seeks to ensure identification of material funds.*

- c) Do you agree that income, expenses, assets and liabilities are tracked for each fund? What are the costs and benefits? What, if anything, would you change and why? What are the practical considerations?

*GLENIF agrees that income, expenses, assets and liabilities should be tracked for each fund.*

- d) Do you agree with the two criteria for a fund to be a fund with restrictions? If not, what would you change and why?

*GLENIF agrees with the two criteria established for a fund to be considered a fund with restrictions.*

- e) In order to provide transparency about the finances of an individual fund, do you agree that all the expenses should be charged against a fund with restrictions even if there are currently insufficient resources to cover these, or specific costs are not eligible under a grant arrangement? If not, what alternative would you propose and why?

*GLENIF agrees that, in order to provide transparency about the finances of an individual fund, all the expenses should be charged against a fund with restrictions even if there are currently insufficient resources to cover these, or specific costs are not eligible under a grant arrangement.*

- f) Do you agree with the NPO fund disclosures requirements? If not, what would you change and why?

*GLENIF agrees with the NPO fund disclosure requirements.*

- g) Do the Illustrative examples demonstrate the key concepts in fund accounting? If not, what would you change and why?

*GLENIF agrees that the illustrative examples adequately demonstrate the key concepts in fund accounting.*

## **Question 2: Presentation of expenses, fundraising costs and related disclosures**

- a) Do you agree that there is a rebuttable presumption that a by nature classification of expenses is used unless this doesn't provide the most relevant and reliable information to the users of the financial statements? If not, why not?

*GLENIF agrees with the rebuttable presumption that a by nature classification of expenses should be used when the information is relevant and reliable for users of the financial statements.*

- b) Do you agree that the rationale for using a classification of expenses other than by nature should be disclosed? If not, why not?

*GLENIF agrees that NPOs should disclose the rationale for using an expense classification other than by nature so that users of the information can take this into account and interpret the financial information for appropriate decision-making.*

- c) Do you agree that where a functional or mixed presentation of expenses is used, a narrative description of the types of expenses incurred on each function line item is sufficient and that a requirement for these to be quantified is not necessary? If not, why not?

*GLENIF does not agree that a narrative description is sufficient when using a functional or mixed presentation of expenses. We feel that all expenses should be quantified when reporting in order to give donors transparency and reliability in the financial information.*

- d) Do you agree with the expense disclosure requirements? If not, what would you change and why?

*GLENIF agrees with the requirements for disclosure of expenses, provided they are shown in a quantitative and narrative manner.*

- e) Do you agree with the description of direct costs, shared costs and support costs and that these allow the full cost of an activity to be identified? If not, why not?

*GLENIF agrees with the description of direct costs, shared costs and support costs since the total cost of an activity can be identified with these.*

- f) Do you agree that commercial and trading activities that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns are included as fundraising activities? If not, why not?

*GLENIF agrees with including commercial and trading activities, that are for the purposes of fundraising and investment management costs associated with a fund whose purpose is to generate future returns, as fundraising activities.*

- g) Do you agree with the pragmatic exception that fundraising costs do not need to be split from other costs where the cost of doing so would exceed the information benefit to stakeholders? If not, what would you change and why?

*GLENIF agrees with the pragmatic exception that fundraising costs do not have to be split from other costs when the cost of doing so would exceed the information benefit to stakeholders.*

- h) Do you agree that the costs for each of the three categories of fundraising activity should be separately disclosed and presented gross? If not, what should be disclosed and why?

*GLENIF agrees that the costs for each of the three fundraising activity categories should be disclosed separately and presented in gross figures.*

- i) Do you agree that grants or donations made in arms'-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as a related-party transaction? If not, why not?

*GLENIF agrees that grants or donations made in arms-length transactions with governing body members and any services they receive on the same terms as other eligible service recipients need not be disclosed as related-party transactions.*

### **Question 3: Supplementary information**

- a) Do you agree that the requirements of Section 37 do not have to be met unless Supplementary statements are prepared in accordance with INPAG Practice Guide 1 – Supplementary statements? If not, why not?

*GLENIF agrees that the requirements of Section 37, Supplementary Information, do not have to be met unless the supplementary statements are prepared in accordance with INPAG Practice Guide 1 - Supplementary Statements.*

- b) Do you agree that a whole of NPO supplementary statement need not be presented if the additional information is already in the financial statements and/or notes? If not, why not?

*GLENIF agrees that it is not necessary to present an INPAG supplementary statement if the information is already included in the financial statements and/or notes.*

- c) Do you agree with the format of the Supplementary statement? If not, what would you change and why?

*GLENIF agrees with the format of the Supplementary statement.*

- d) Do you agree with the options for the disclosure of capital and inventory related costs? If not, what would you change and why?

*GLENIF agrees with the proposed options for disclosure of capital and inventory-related costs.*

- e) Do you agree that the Supplementary statements are not part of the general purpose financial report but can be published as an annex? If not, why not?

*GLENIF agrees that the Supplementary statements are not part of the general-purpose financial report but may be published as an exhibit.*

### **Question 4: Illustrative financial statements**

- a) Do you agree that the illustrative financial statements cover the transactions that are prevalent for NPOs? If not, which prevalent transactions are missing and why do these need to be covered?

*GLENIF agrees that illustrative financial statements cover transactions that are prevalent for NPOs.*

*Below are some of our suggestions for improvement:*

- We suggest that headings be presented in each of the financial statements. It is possible to identify elements such as currency, rounding, date or period, and type of financial statement throughout each financial statement; however, it should be noted that they do not include the respective headings, as is presented in the following example:*

**XYZ Group**  
**Consolidated statement of comprehensive income and retained earnings for the**  
**year ended 31 December 20X2**  
**(Alternative 2—illustrating the classification of expenses by nature)**

	Notes	20X2	20X1
		CU	CU
Revenue	5	6,863,545	5,808,653
Other income	6	88,850	25,000
Changes in inventories of finished goods and work in progress		3,310	(1,360)
Raw material and consumables			

- We suggest that the financial statements should include a Total Assets or Total Gross Assets line. This omission is contradictory, given that liabilities are presented as positive figures.*
- We feel it is important for the guidance to give an example of the income and expenditure statement for an NPO that also has commercial activities (and, even more desirable, in cases where marketing or manufacturing of goods is involved) in order to shed more light on what the expected presentation would be in this regard. In addition, it is important to present separately any expenses linked to any commercial activities an NPO might be carrying out.*
- It should be noted that, analyzing the guidance on the cash flow statement, the names of the investing activity categories change between the indirect method and the direct method. We suggest that the names of the investing activities be kept the same in both the indirect method and the direct method.*

*Some examples are listed below:*

**Direct Method:**

<b>Investing activities</b>			
Payments for property, plant and equipment (PPE)	12	(65)	(235)
Payments for intangible assets	12	(10)	-
Receipt of grants for PPE	6	-	150
Receipts from disposals	12	46	52
<b>Net cash outflow from investing activities</b>		<b>(29)</b>	<b>(33)</b>

**Indirect Method:**

<b>Investing activities</b>			
Acquisition of PPE	12	(65)	(235)
Acquisition of intangible assets	12	(10)	-
Receipt of grants for PPE	6	-	150
Disposals	12	46	52
<b>Net cash outflow from investing activities</b>		<b>(29)</b>	<b>(33)</b>

5. *We recommend revising Note 4, Movement in Funds, since in the table corresponding to the movement for the 20X2 period, the opening balance is dated 1 January 20X0, when the correct date would be 1 January 20X2.*
6. *We recommend revising Note 12, Non-current Assets, since in the guidance for implementation of illustrative financial statements reference is made to a comparative note of the previous period, which contradicts paragraph G17.36. It also contradicts the base established in the IFRS for SMEs.*
7. *We recommend revising the disclosures of Note 13, which exceed what the guidance requires and could lead to error. We suggest including an explanatory note in a footnote indicating that this is optional, similar to the clarification made in Note 11.*
  - *For example: This additional expense analysis is optional. It is an example of additional expense information that can be provided. This type of information is helpful to understand the cost of services on respite care and education services that have been subject to external charges.*
8. *We should point out, by way of example, that in the illustrative financial statements accounts receivable from customers are presented within the*



*“Other” group, while “Work in Progress” according to EGA is classified at a higher level of priority. The detailed presentation gives greater transparency for donors.*

#### **Question 5: Equity**

- a) Do you agree with the revised description of net assets and its inclusion as an element? If not, what would you change and why?

*GLENIF agrees with the revised description of net assets and its inclusion as an element.*

- b) Do you agree with the use of the term equity claims in Sections 2 and 22 and that equity claims are a subset of net assets? If not, what would you change and why?

*GLENIF agrees with the use of the term “equity claims” in Section 2, Concepts and Pervasive Principles, and Section 22, Liabilities and Equity Claims, and with considering equity claims as a subset of net assets.*

- c) Do you agree that the paragraphs relating to the sale of options, rights and warrants, extinguishing financial liabilities with equity claim instruments and treasury shares are removed from Section 22 and that the paragraphs relating to capitalisation or bonus issues of shares and share splits and convertible debt or similar compound financial instruments are retained? If not, why not?

*GLENIF agrees with removal of the paragraphs relating to the sale of options, rights and warrants, extinguishing financial liabilities with equity claim instruments and treasury shares, and with retaining the paragraphs relating to capitalization or bonus issues of shares and convertible debt or similar compound financial instruments.*

#### **Question 6: Transition to INPAG**

- a) Do you agree with the pragmatic approaches proposed for the first-time adoption of INPAG? If not, what are the practical challenges that are likely to be experienced?

*GLENIF agrees with the pragmatic approaches proposed for the first-time adoption of INPAG.*

- b) Do you agree that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period? If not, why not?

*GLENIF agrees that compliance with INPAG can be expressed in relation to the financial statements only for a two-year transitional period. It is important to note that the different jurisdictions that come to use this guidance may have a different transitional period, according to their characteristics.*

#### **Question 7: Application of fair value**

- a) Is the Section 12 application guidance that sets out how the fair value hierarchy applies to NPO assets and liabilities and the illustrative examples of fair valuing donations in-kind useful? If not, how could it be improved?

*GLENIF agrees that Section 12, Fair Value Measurement, application guidance that sets out how the fair value hierarchy applies to NPO assets and liabilities, and the illustrative examples of fair valuing donations in kind is useful.*

- b) Do you agree with the additional guidance provided for donated:
- i) investment property (Section 16)?
  - ii) property, plant and equipment (Section 17)?
  - iii) intangible assets (Section 18)?
- If not, why not.

*GLENIF agrees with the additional guidance provided for Section 16, Investment Property, Section 17, Property, Plant and Equipment, and Section 18, Intangible Assets.*

#### **Question 8: Impairments**

- a) Do you agree that inventory held for distribution is measured for impairment using cost adjusted for any loss of service potential? If not, what would you change and why?

*GLENIF agrees that inventory held for distribution should be measured for impairment using cost adjusted for any loss of service potential.*

- b) Do you agree that the term operating unit better reflects the nature of an NPO's operations and with its proposed definition? If not, what alternative term would you use and why?

*GLENIF agrees that the term 'operating unit' better reflects the nature of an NPO's operations and with its proposed definition.*

- c) Do you agree that impairments to assets that form an operating unit can take account of other economic benefits and service potential? If not, what would you change and why?

*GLENIF agrees that impairments to assets that form an operating unit can take account of other economic benefits and service potential.*

**Question 9: Combinations of entities**

- a) Do you agree that the term ‘business’ can be applied by NPOs when taken alongside the amendments proposed (including the expansion of examples of control)? If not, why not? What practical issues are experienced?

*GLENIF agrees that the term ‘business’ can be applied by NPOs when taken alongside the proposed amendments (including the expansion of examples of control).*

- b) Do you agree with the proposed exemption for two NPOs that have net assets and that it should not apply where one NPO has net liabilities? If not, describe the practical and accounting issues that arise?

*GLENIF agrees with the proposed exemption for two NPOs that have net assets and that it should not apply where one NPO has net liabilities.*

**Question 10: Other topics**

- a) Do you agree that no further alignment changes are needed to:
- i. Section 14 Investment in associates?
  - ii. Section 15 Joint arrangements?
  - iii. Section 20 Leases? *If not, why not?*

*GLENIF agrees that no further alignment changes are needed to Section 14, Investment in Associates, Section 15, Joint Arrangements, and Section 20, Leases.*

- b) Is any of the guidance in Section 34 needed by NPOs? If yes, which elements of the section are needed and why?

*GLENIF agrees that no further guidance is needed for Section 34, Specialized Activities.*

**Question 11: Addendum**



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- a) Do you agree that the guidance for supplier finance arrangements is useful and relevant to NPOs? If not, what would you change and why?

*GLENIF agrees that the guidance for supplier finance arrangements is useful and relevant to NPOs.*

- b) Do you agree that the guidance on lack of exchangeability is useful and relevant to NPOs? If not, what would you change and why?

*GLENIF agrees that the guidance on lack of exchangeability is useful and relevant to NPOs.*

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