



Update on INPAG Exposure Drafts

7 Nov 2024

Samantha Musoke
George Mahembe

www.ifr4npo.org



Sector hot topics

Equity

Shifting power /
Decolonisation

Locally-led
development

Funding to local orgs

Resilience

Unrestricted / flexible
funding

Cost recovery

Sustainability

Accountability

Audit & assurance

Due diligence

Overheads

Unlocking Nonprofit Potential: INTERNATIONAL FINANCIAL REPORTING FOR NON PROFIT ORGANISATIONS

Standardizing Financial Reporting with INPAG



THE CHALLENGE

Despite its size and scope, the sector is blocked by:

- An absence of standardized nonprofit financial reporting in more than 90% of countries
- Inconsistent practices across countries and organizations
- A lack of transparency and comparability

The result? Wasted time, money, and missed opportunities for global impact.



THE SOLUTION

International Non-Profit Accounting Guidance (INPAG)

Humentum, a global nonprofit, and CIPFA, the Chartered Institute of Public Finance and Accountancy in the UK, are leading a globally representative collaboration to develop a standard that will:



Streamline Operations

Eliminate
redundant
reporting formats



Enhance Credibility

Improve financial
report quality and
assurance



Increase Funding

Support
fundraising and
grant-making due
diligence



Improve Transparency

Clear reporting on
unrestricted funds
and support costs



Why not IFRS Foundation?

- Outside capital markets mandate for IFRS Foundation
- IFRS Foundation and IFAC **licensed their standards** for our use
- **Chair of IPSASB** is also the Chair of IFR4NPO Technical Advisory Group
- **IASB** sit on Technical Advisory Group
- Independent **Governance Group** and respected due process
- **357 organizations from 61 countries** provided feedback to consultations
- **14,000+ individuals** from **3,500+ organizations** in 169 countries
- **4,500+ hours** of donated professional time

Which donors?

- **Funding** from OSF, Ford, Oak & Wellspring
- **Donor Reference Group:** World Bank, USAID, AfDB, FCDO, GAC, Global Fund, Ford Foundation, Oak Foundation, Gates Foundation, Hilton Foundation, CIFF
- Donor **Statement of Support**

By Africa for Africa

Governance Group: Kenya, Ethiopia

Technical Advisory Group: Nigeria, Kenya

Practitioner Advisory Group: Senegal, Uganda, Tunisia

Country Champions: Uganda, Kenya, Nigeria, Ethiopia, Senegal, Ghana, Zimbabwe, Zambia, Somalia, Togo, Benin, Egypt, Malawi, Morocco, Niger, Rwanda, Sierra Leone, South Africa,

Donor Reference Group: Kenya



Africans involved

Hikmet Abdella



Risper Olick



Assietou Diouf



Iheanyi Anyahara



Catherine Asemeit



Tamba Momoh



Mohamed Khlass



Oumou Wane Toure



Kenneth Makanga



Ethiopia



Meti Busha

Rwanda



Sunday Kalisa

Uganda



Charles Lutimba

Kenya



Caroline Kariuki

Benin



Antoine Houdenou

Egypt



Mohamed Abdelrahman

Ghana



Edmond Vanderpuye

Malawi



Owen Chitete

Niger



Abdoulaye Diadie

Nigeria



Oyebisi B. Oluseyi

Senegal



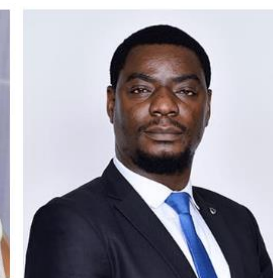
Ndieme Paye Badiane

Sierra Leone



Leslie Williams

South Africa



Edmond Shoko-Lekhuleni

Togo



Nicodème Adzra

Zimbabwe



Tonderai Mabambe

By Zimbabwe for Zimbabwe

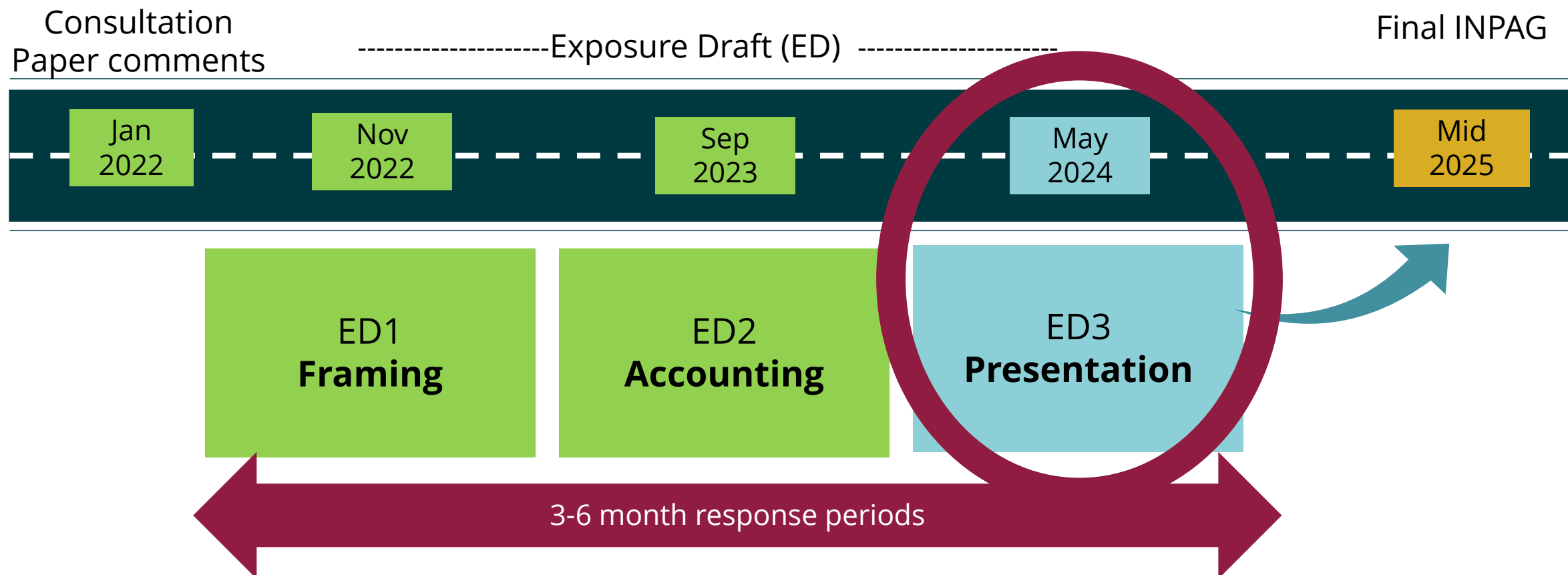
Benefits for Zim – alignment with Zim context



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



INPAG Timeline



Plan is subject to change

Exposure Draft 3 topics – presentation

Fund accounting

Purpose and use of resources

INPAG Section 36

Classification of expenses

Including support costs

INPAG Section 24 Part II

Fundraising costs

Grants & donations, commercial,
investment

INPAG Section 24 Part III

Supplementary information

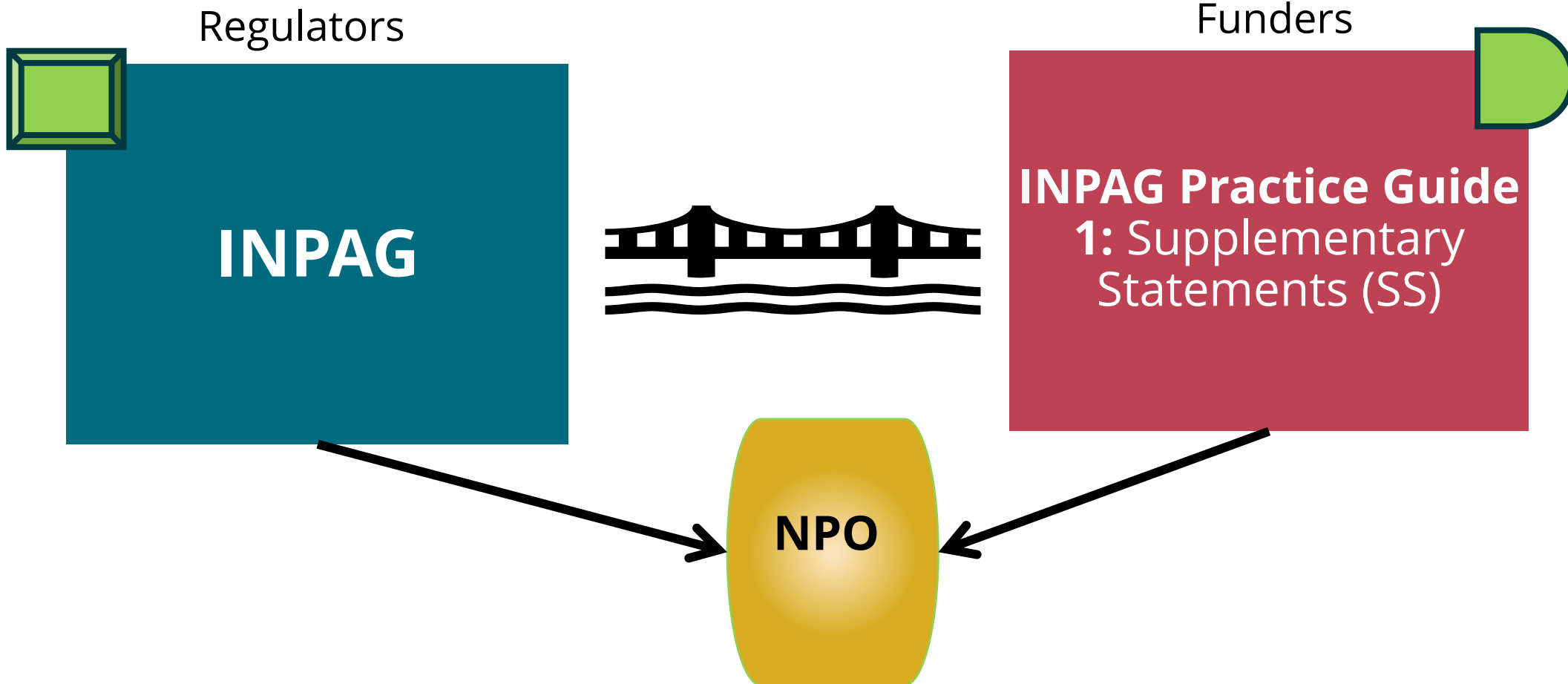
INPAG Section 37

**INPAG Practice Guide 1:
Supplementary statements**

Eg Grant reports

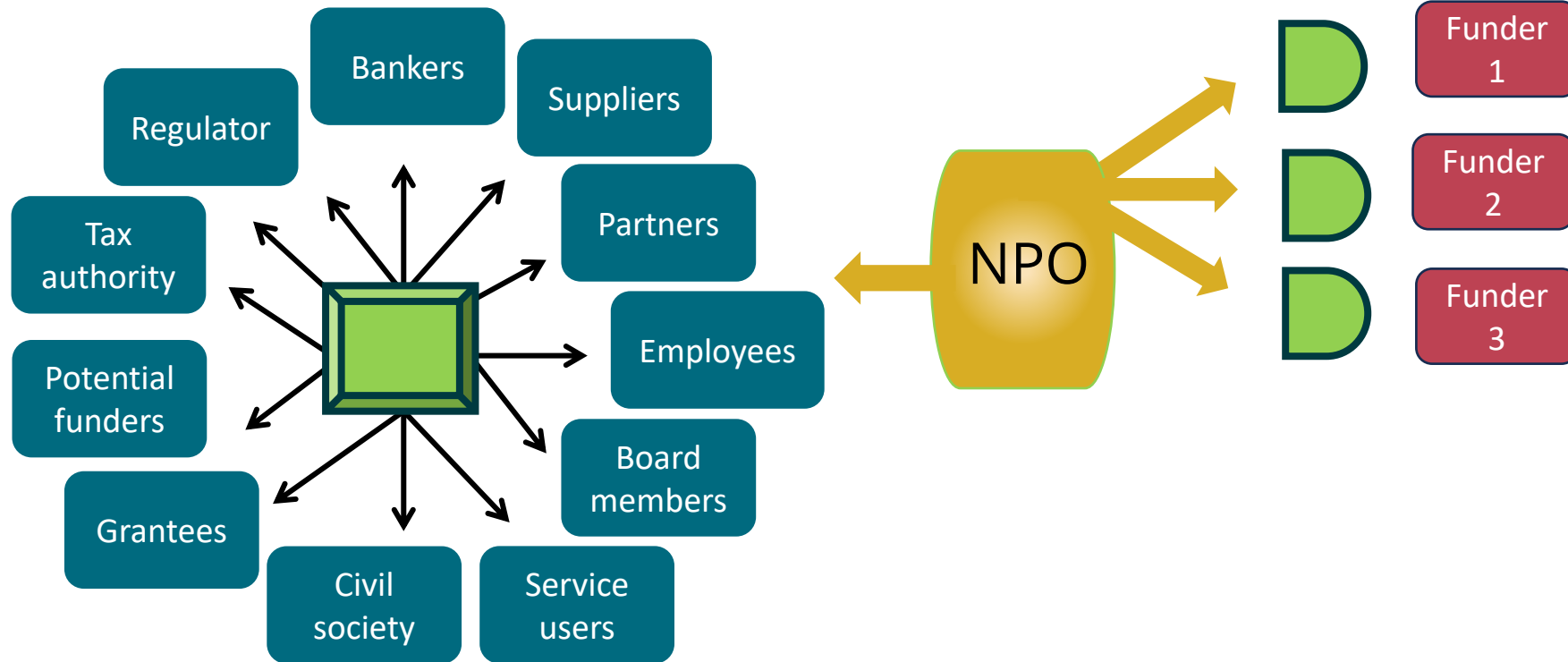


Whole of entity vs Specific activity





General purpose | Special purpose





Prescribed format

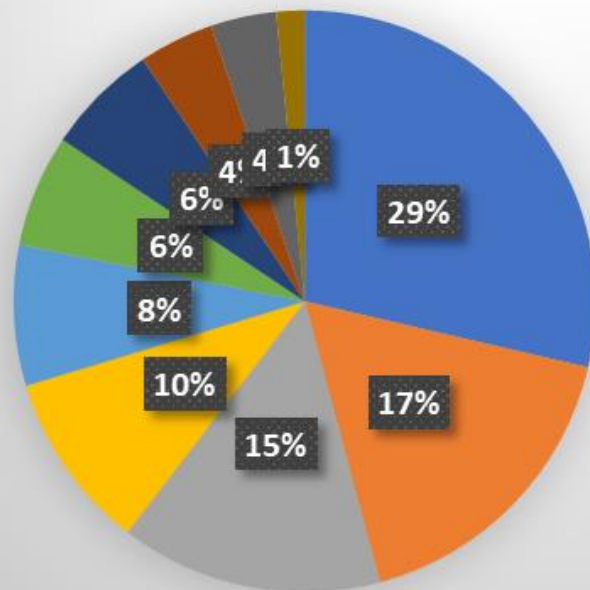
| Statement for activity X | Note | NPO Currency |
|--------------------------------------------|------|-----------------|
| Income | | |
| Grants and donations | 1 | |
| Other income (by type) | 2 | |
| Total income | | 100,000 |
| Expenses | | |
| Direct expenses | | |
| Employment | 3 | |
| Travel and subsistence | 4 | |
| Supplies and materials | 5 | |
| Running costs, external services and other | 6 | |
| Services in-kind and gifts in-kind | 7 | |
| Grants payable | 8 | |
| Support costs | 9 | |
| Total expenses | | 80,000 |

ED3 responses



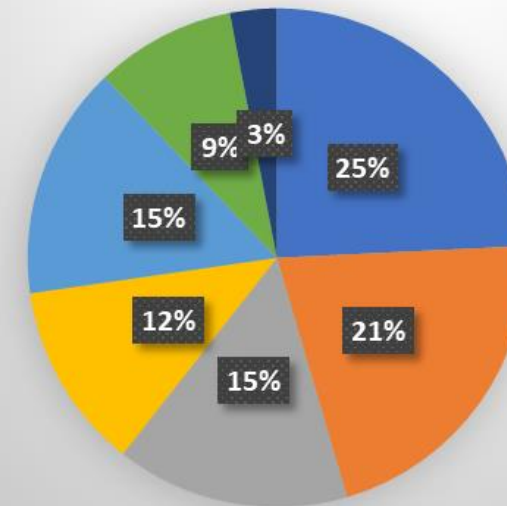
Opened 28 May, closed 30 Sep 2024
 192 responses
 63 letters (33 orgs, 30 indivs)
 129 surveys
 Published on www.ifr4npo.org/ed3

192 ED3 responses - 63 letters and 129 surveys



- East & Southern Africa
- Latin America & Caribbean
- West & Central Africa
- South Asia
- Europe
- North Africa & Middle East
- East & South East Asia
- Oceania & Pacific
- North America
- West & Central Asia

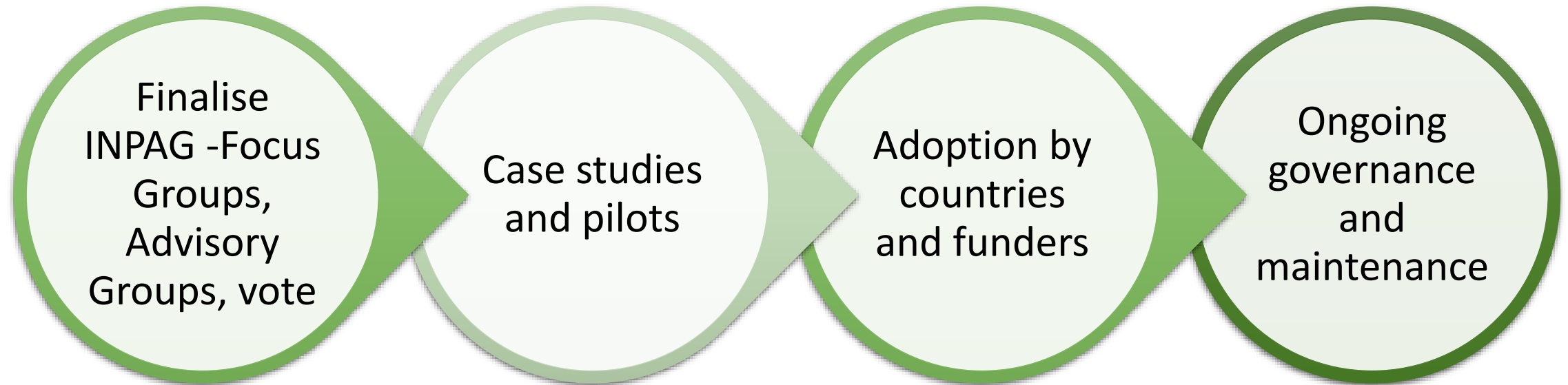
ED3 - 33 comment letters by org type



- PAO
- Donor
- NPO
- Standard Setter
- Auditor
- Other
- Regulator

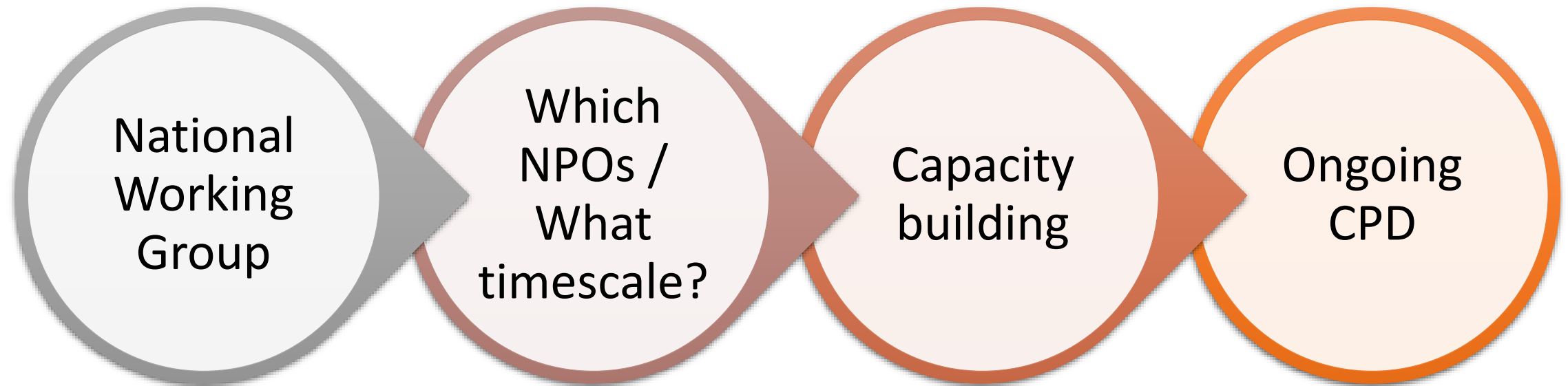


What's next for project?





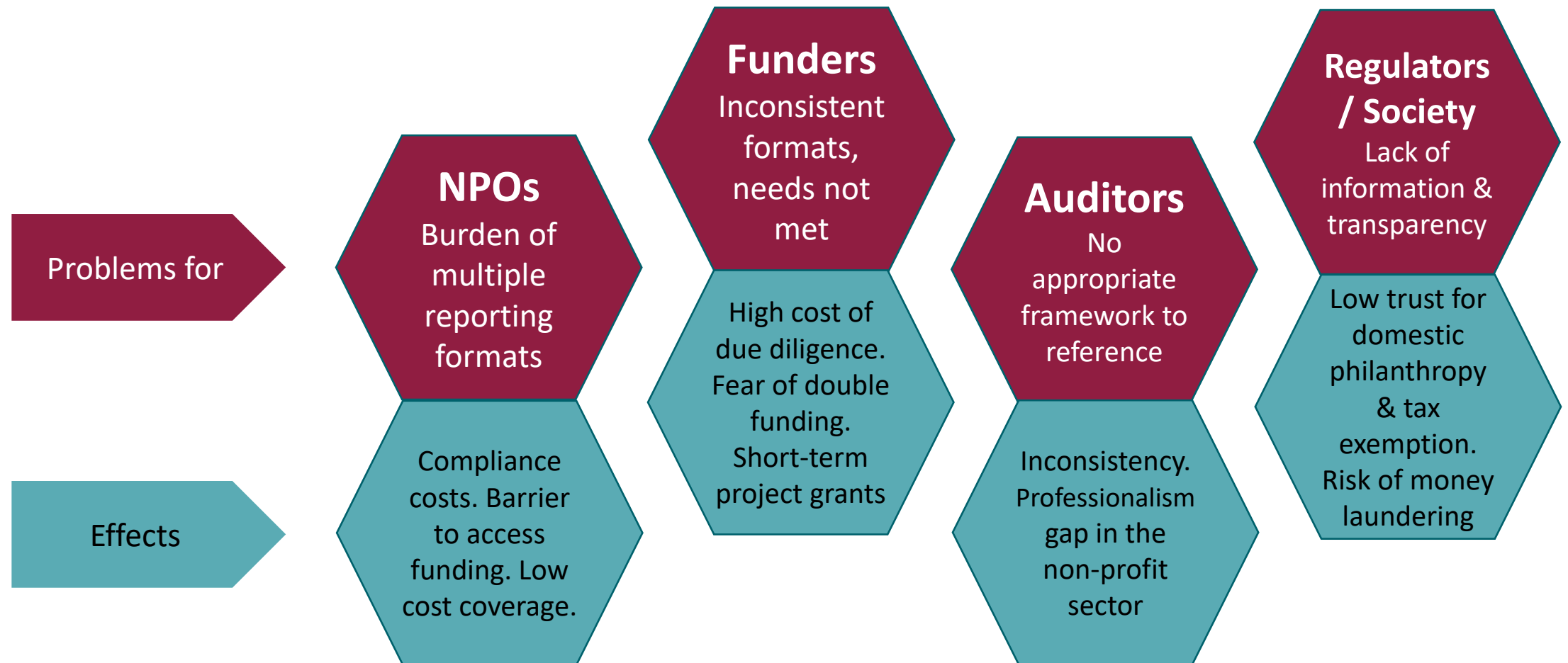
What's next for Zimbabwe?



Resources

- IFR4NPO website www.ifr4npo.org
- INPAG [1_pager](#)
- [About IFR4NPO](#) slide deck (17 slides)
- You tube [About IFR4NPO](#) video (2:30)
- YouTube [About INPAG](#) video (3:30)
- Blog **Donor reports sit on shaky ground – need new foundation! - IFR4NPO**
- **Donor Statement of support** – 8 signatories so far (USAID, FCDO, Oak, OSF, Global Fund, GAC, AfDB, CIFF)
- **Philea article: Rethinking NPO financial reporting: Harmonising for greater impact**
- **Alliance article 28 Oct: Trust as the foundation for change: Practical steps to strengthen relationships between funders, grantees, and community stakeholders**
- **Devex article 30 Oct: Opinion: New harmonized financial reporting will truly shift power |**
- **Podcast with Ford Foundation and Nigeria Network of NGOs– YouTube and Website**

The Problem: *Multiple financial reporting formats, burden, inefficiency, inequity and low trust throughout the ecosystem*





Theory of change

Creation and adoption of an internationally applicable accounting standard for NPOs will create an environment where NPOs have more equitable access to income and financial health.

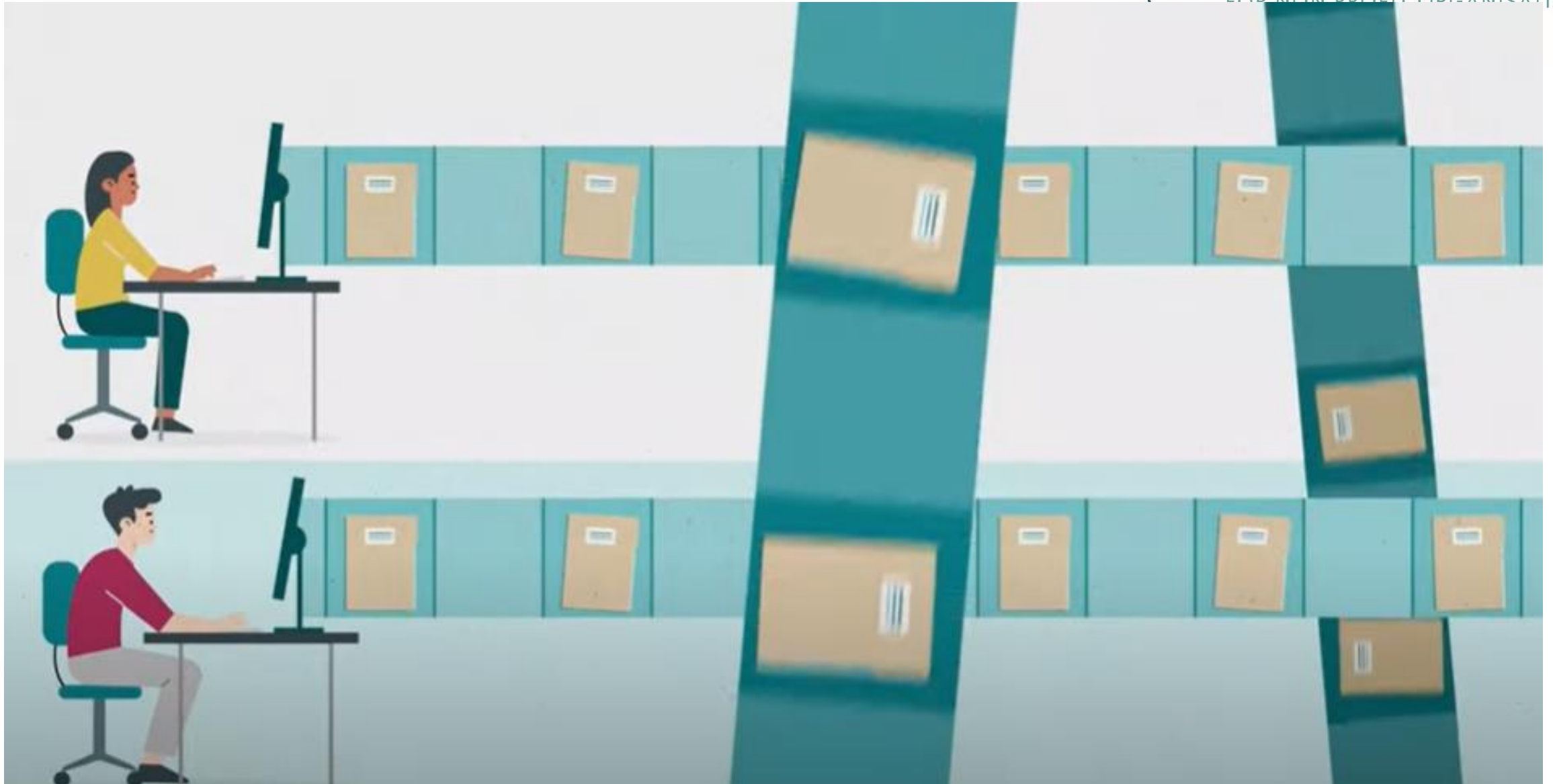
INPAG **International Non-profit** **Accounting Guidance**

- Country adoption decisions
- Funder endorsement and adoption

Future

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

Equity
Resilience
Accountability





IFR4NPO - high level goals

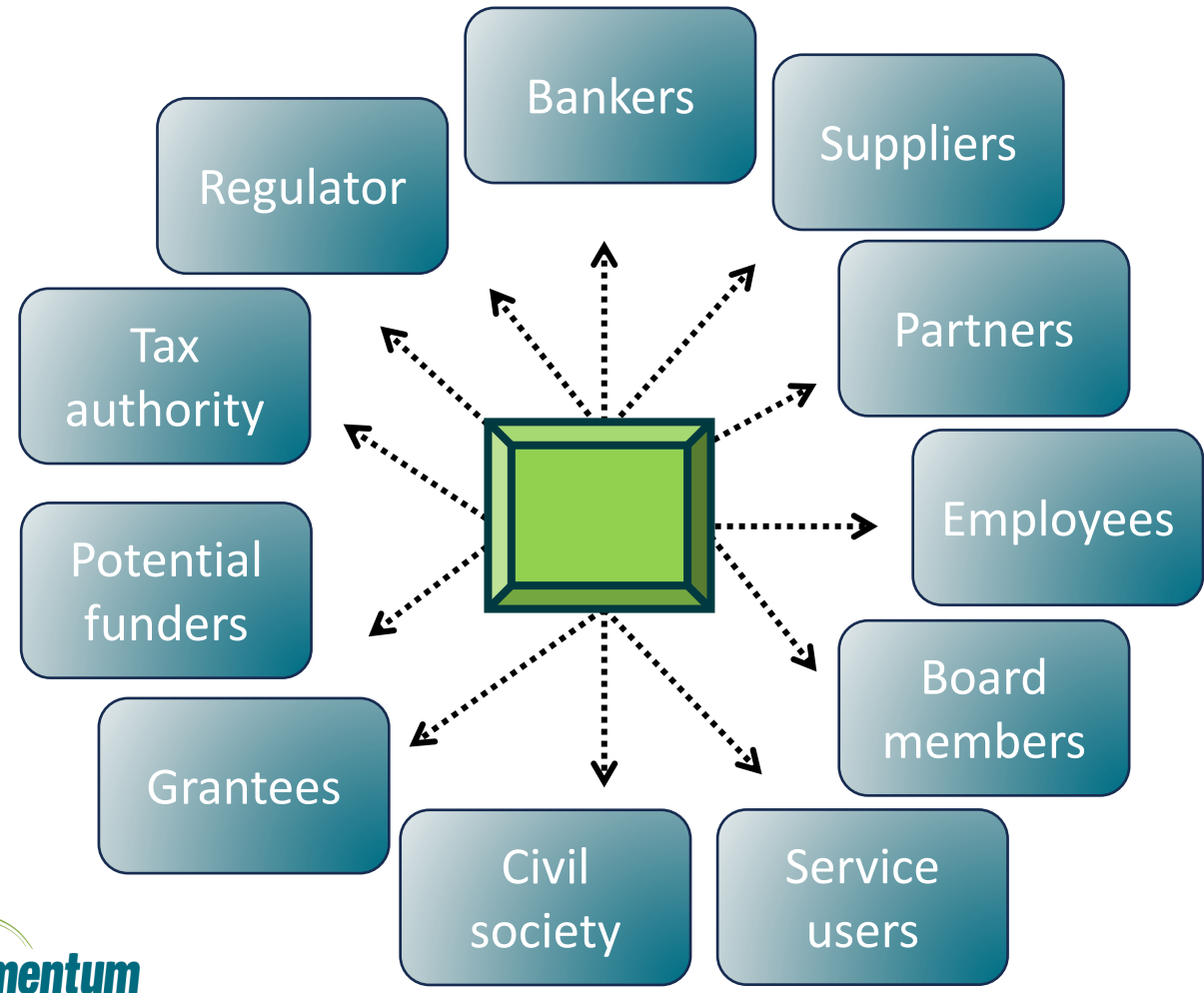
Improve quality and
reliability of financial
reports

Reduce burden of
multiple formats

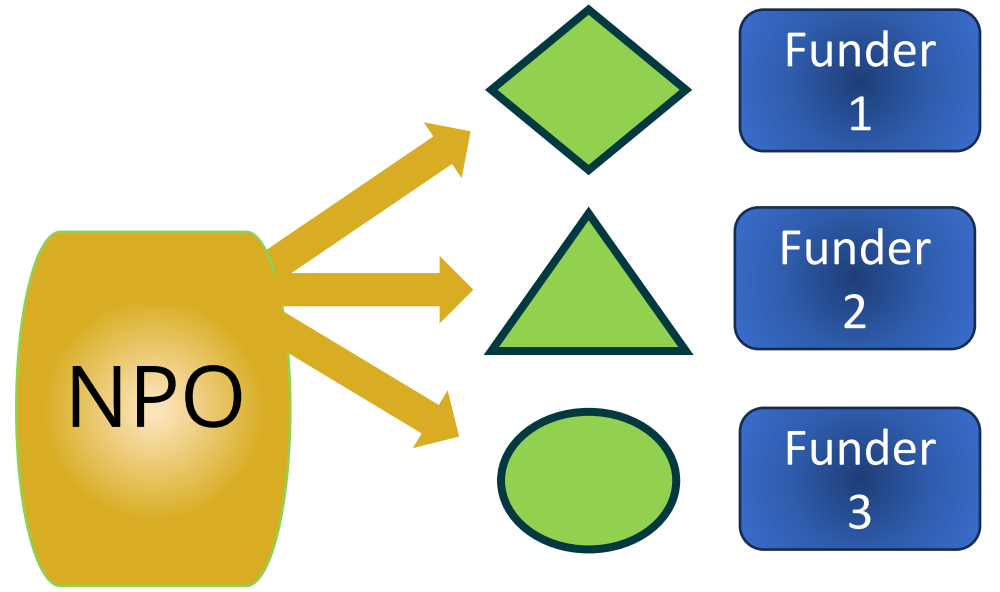
Win win win!

Current reality

General-purpose financial reports

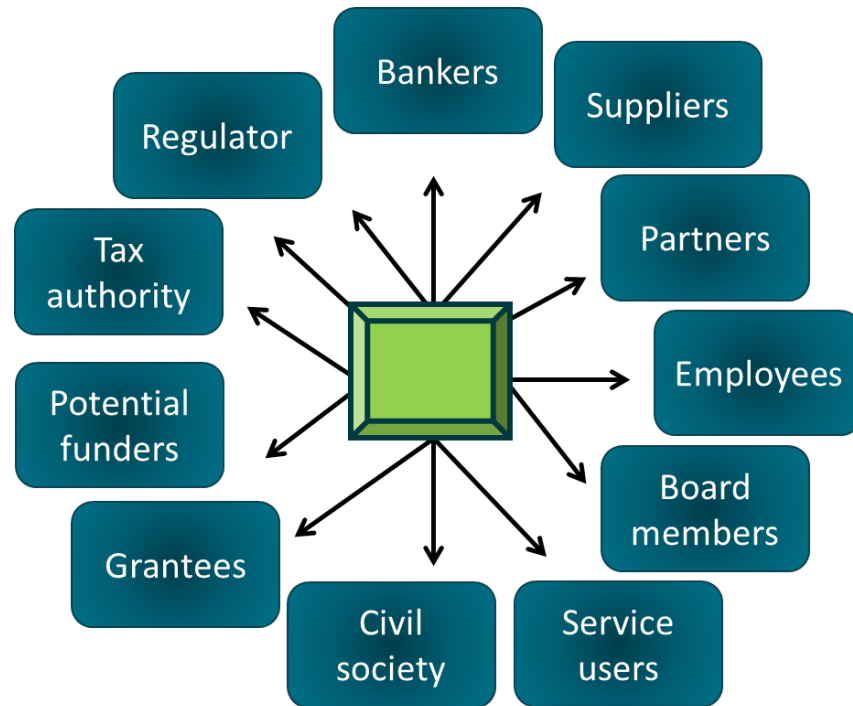


Special-purpose financial reports

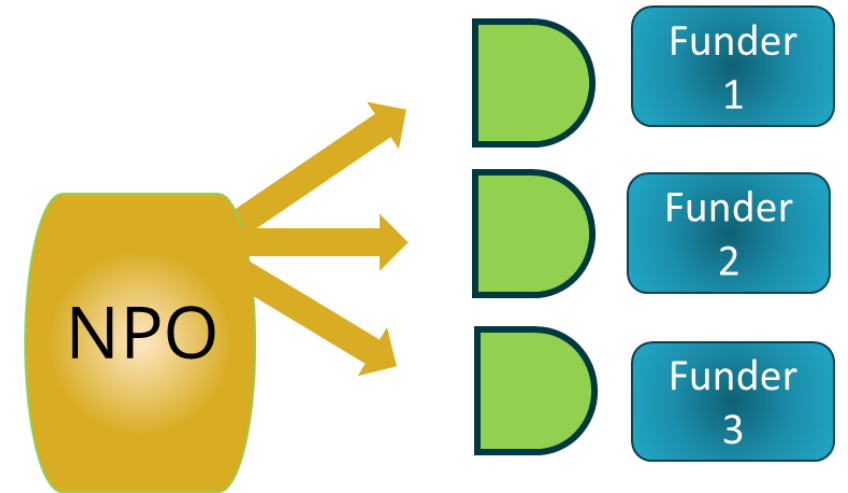


Future with INPAG

General-purpose financial reports



Special-purpose financial reports



How can harmonization bring benefits?

To Funders

- **Stronger assurance** on grant reports – due to linkage and reconciliation to main accounts
- **Easier due diligence** – more relevant information provided in general purpose audited accounts
- **Improved transparency** – on both restricted and unrestricted funding
- **More consistency** – making it easier to train desk officers to understand financial reports

To NPOs

- **Reduced burden** – single format for all funders and country offices, less duplication, streamlined and efficient
- **Demonstrate capacity** – local NPOs on same footing to attract funds
- **Better information** – about financial sustainability, overhead recovery, exchange losses etc
- **Relevant support** – training and software providers can focus and improve products to meet sector needs



Project partners



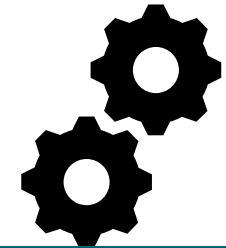
Stakeholder
engagement



- A global nonprofit building and supporting operating models that create equity, resilience, and accountability in the global development sector.



- Chartered Institute of Public Finance and Accountancy
- Unique standard setter roles for local government and charities in UK



Technical rigour

Both NPOs: “*By the sector, for the sector*”



How is INPAG is being developed?

- **Timeline: multi-year initiative, to secure international buy-in**

- ✓ 2019 project launch - 2025 publishing INPAG

- **Input from volunteer advisory and reference groups**

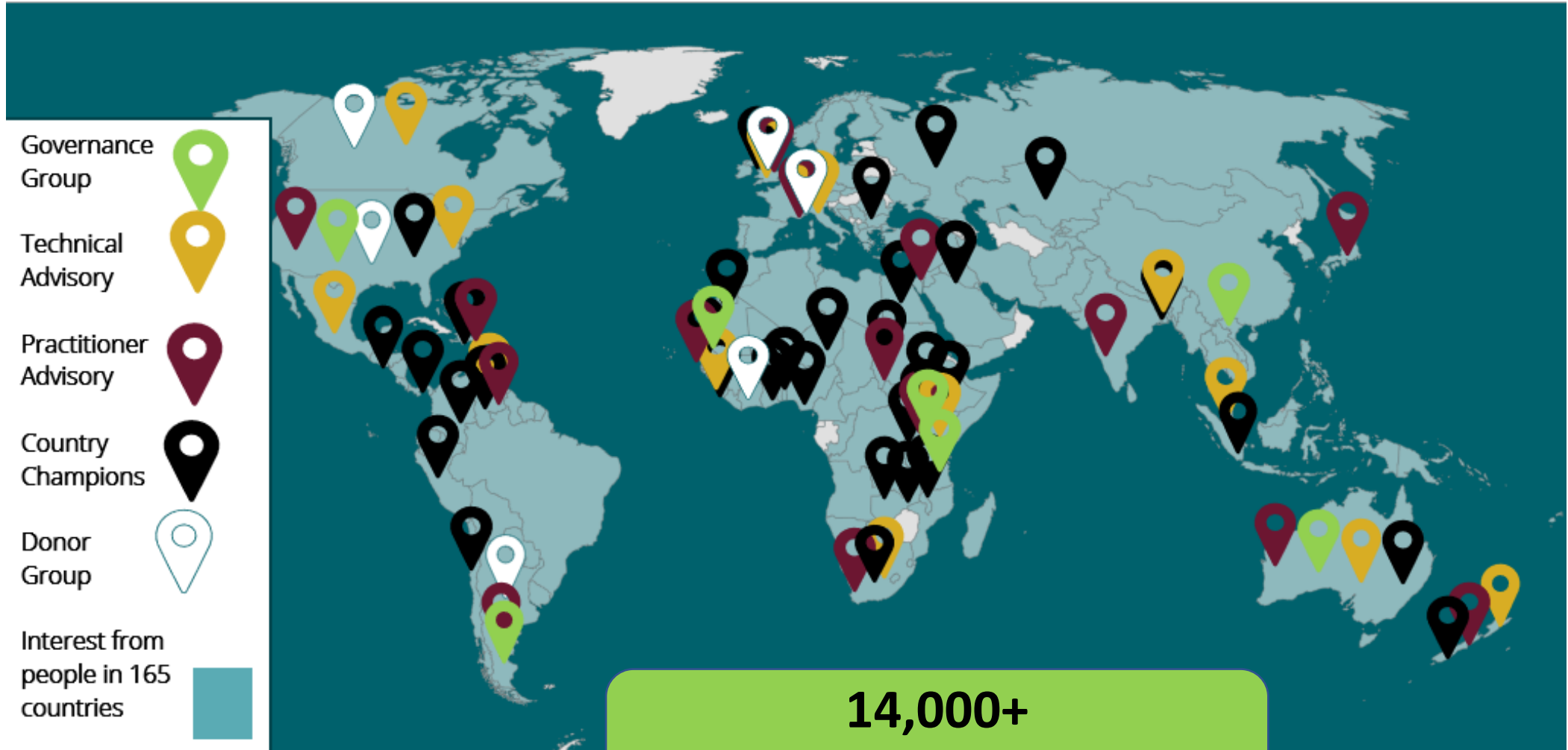
- ✓ [Technical Advisory Group](#) (TAG) – national accounting standard setters from every continent
 - ✓ [Practitioner Advisory Group](#) (PAG) – NPOs, auditors, consultants, academics
 - ✓ [Donor Reference Group](#) with bilateral and multi-lateral funders and foundations.
 - ✓ Engagement supported by 45 volunteer [Country Champions](#)
 - ✓ Oversight by independent [Governance Group](#)



Engagement around the world



INTERNATIONAL FINANCIAL REPORTING
FOR NON PROFIT ORGANISATIONS



14,000+
Newsletter subscribers
+ LinkedIn & YouTube



Donor engagement

- Funding from



FORD
FOUNDATION

OPEN SOCIETY
FOUNDATIONS



- Input from

| | | | | |
|-----------------------------|------------------------------------------------|--------------------|-----------------------------|--------------------------|
| Donor Reference Group | | | USAID | |
| | Hilton Foundation | FCDO (DfiD) | World Bank | |
| | African Development Bank | Global Fund | Gates Foundation | Oak Foundation |
| | Children's Investment Fund Foundation | Ford Foundation | Open Society Foundations | Global Affairs Canada |

Primary audience for INPAG



Tier 1 NPOs – Full IFRS
or equivalent

Tier 2 NPOs - INPAG

Tier 3 NPOs – cash
based likely to be
sufficient

Very small local
CBOs not
primary
audience

NPO Defining characteristics

Provide a benefit to the
public / society

Direct surpluses for the
benefit of the public

Not government or public
sector entities

Guidance development model



*IFRS for
SMEs*
Accounting
Standard
(36 sections)

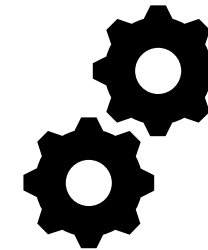
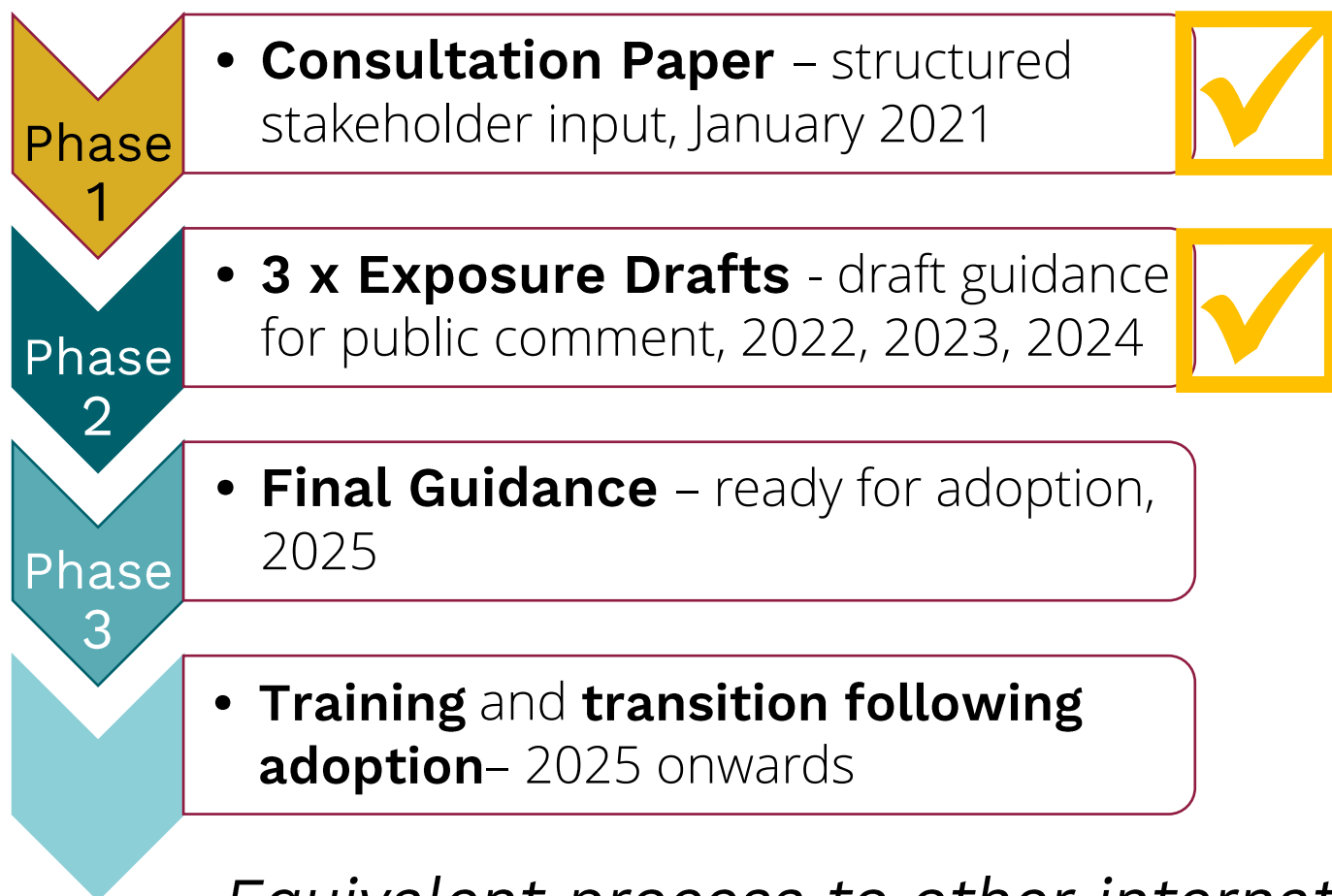
| Section status | Description |
|------------------|---------------------------------------------------------------------------|
| Modified | Fully updated to reflect NPO requirements. |
| Editorial | Updated to align with modified Sections, but not in itself fully reviewed |
| Unchanged | Updated for terminology changes only |
| New | Developed specifically for NPOs. |
| Removed | Not relevant to NPOs |



IFRS, IPSAS &
National
standards

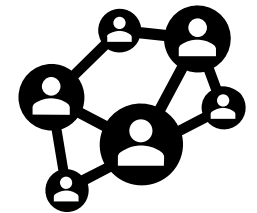


Timeline



Technical rigour

Stakeholder engagement



Equivalent process to other international accounting standards

What can you do?

Calls to action

- Demonstrate your support
- Join the movement - subscribe for email updates

Useful links

- [Statement of support](#)
- Subscribe to newsletter from [website](#)