

INPAS At-a-Glance Series

Section D2: Grant Expenses

Accounting for grants and donations made by NPOs



April 2026



International Non-Profit
Accounting Standard



INPRF

International
Non-Profit
Reporting
Foundation

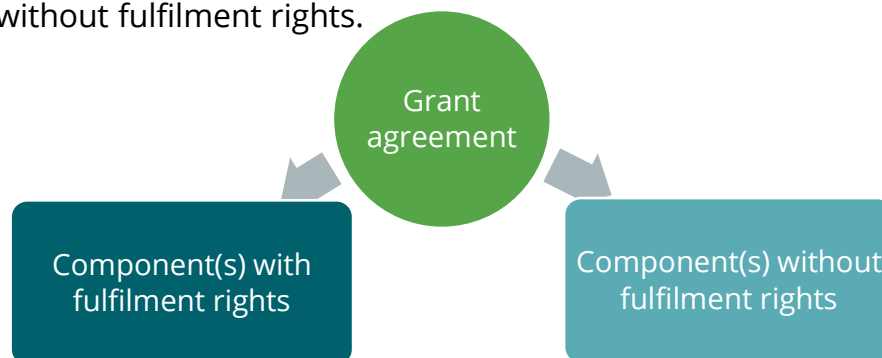


What is INPAS D2 Grant expenses about?

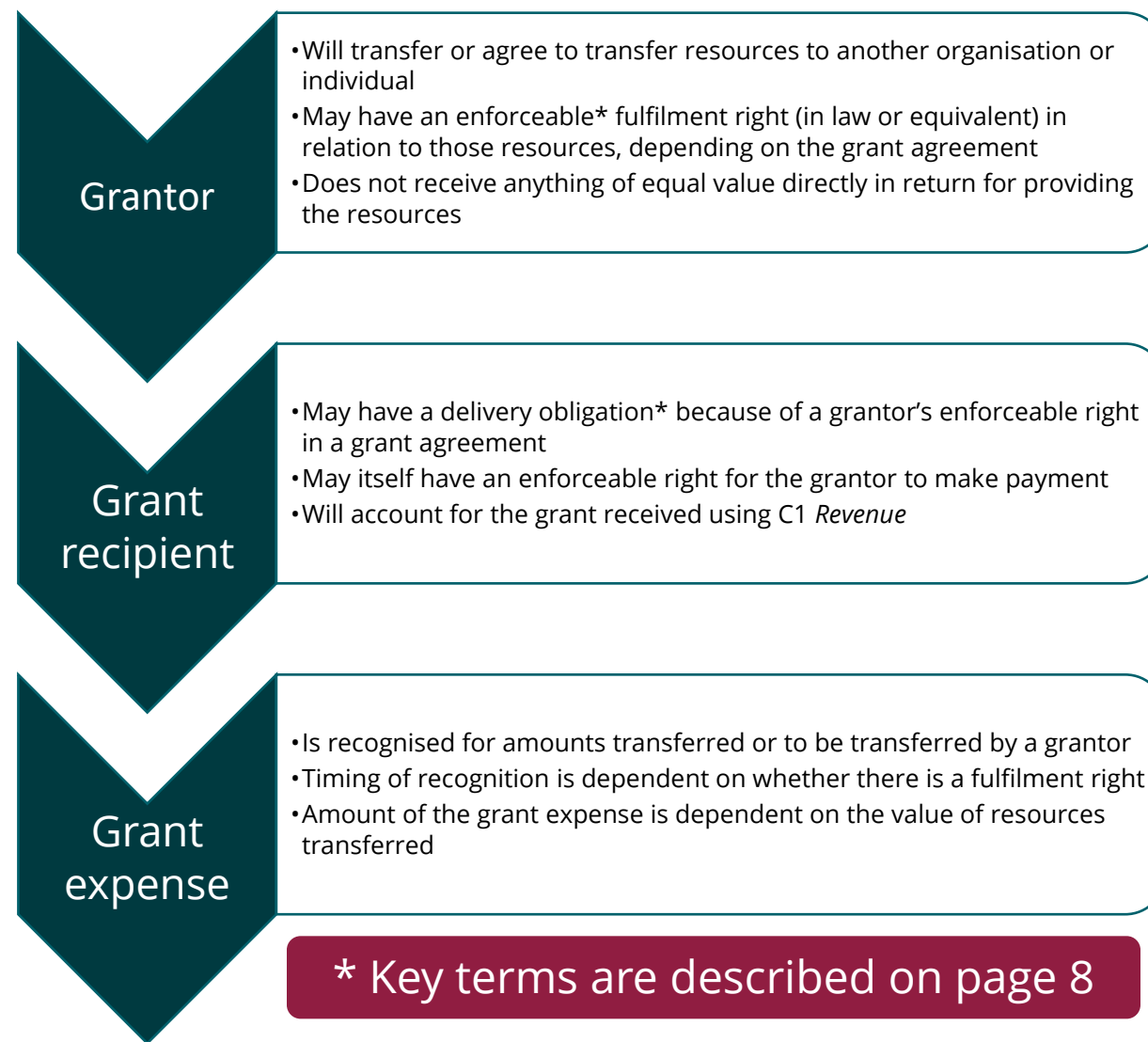
- D2 *Grant expenses* provides guidance for Non-Profit Organisations (NPOs) that give grants or donations to others (grantors*). Guidance for grants or donations received by an NPO are covered in C1 *Revenue*.
- In short, a grant expense* occurs when an NPO transfers resources (cash, goods or services) to another organisation or individual without receiving anything directly in return.
- While the section is titled 'grant expenses', it covers all grants and donations given to others.

Types of grant expenses

- The accounting treatment for grant expenses is driven by the requirements in the grant agreement. If the grant agreement gives the grantor an enforceable right over how the grant recipient uses the resources, the grantor has a 'fulfilment right*'.
 Grant agreement
- Grant agreements can include components with fulfilment rights and those without fulfilment rights.



Key features



* Key terms are described on page 8



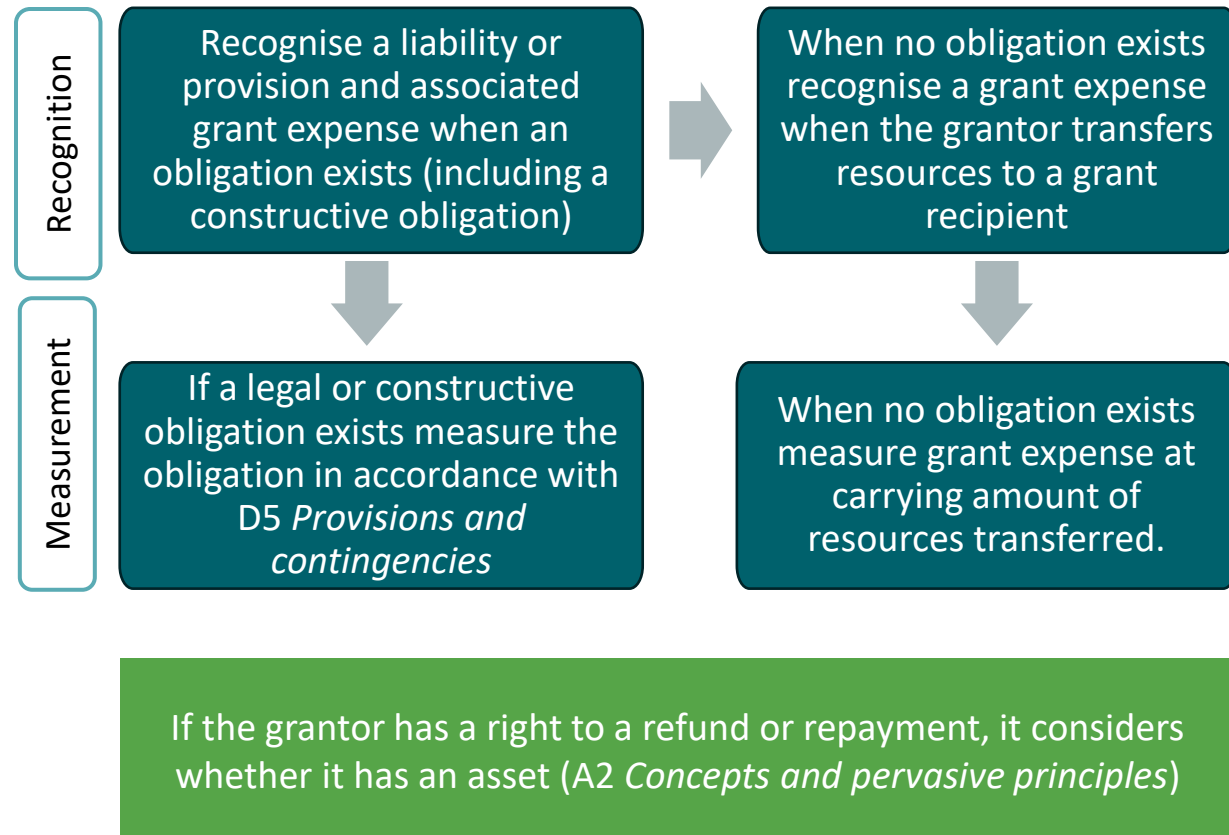
Recognition and measurement – grant expense transactions without fulfilment rights

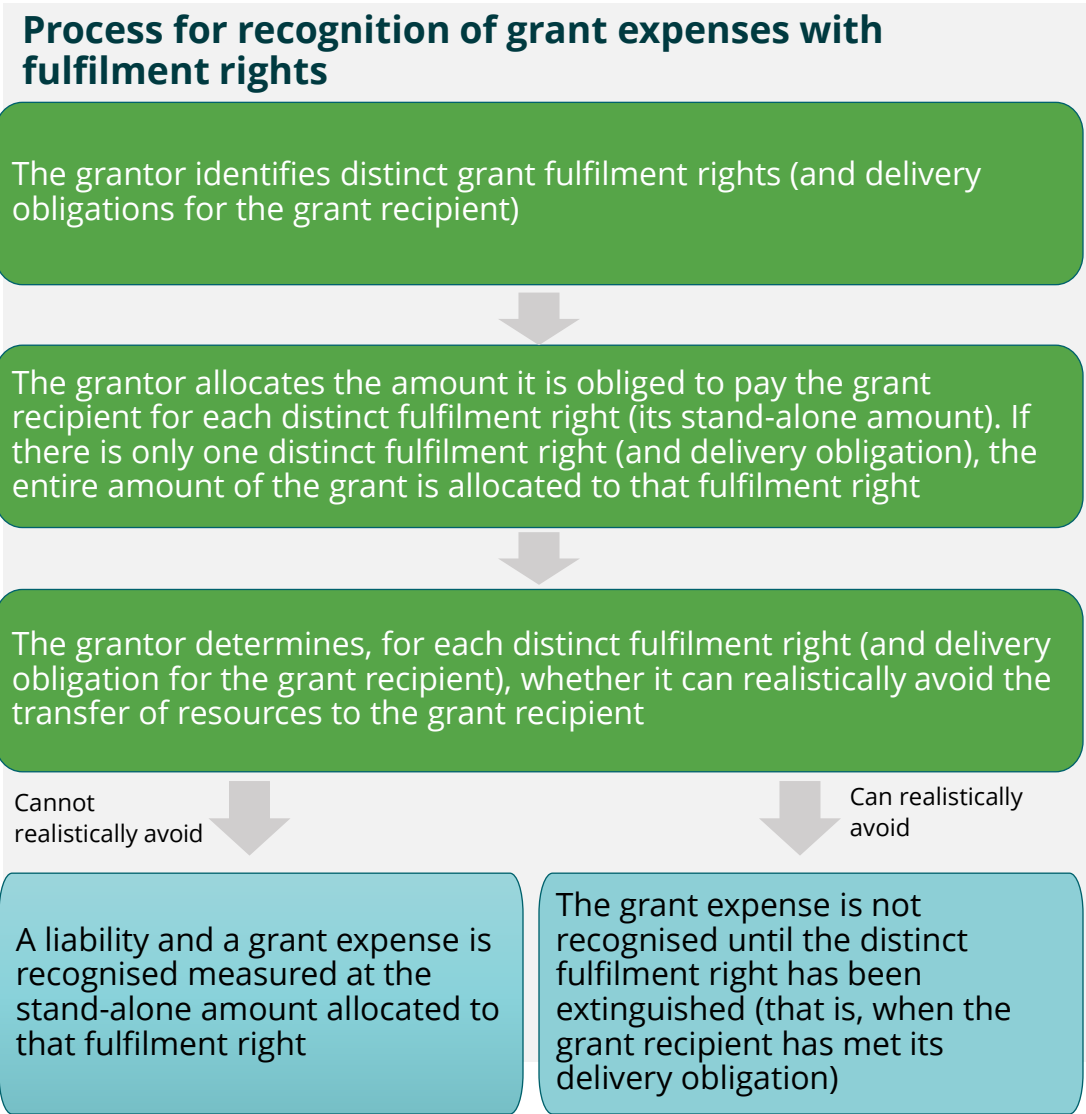
Recognition

- A grantor will recognise a grant expense when a legal or constructive obligation exists. A constructive obligation occurs when the grantor creates a valid expectation that it will discharge an obligation.
- When there is no related legal or constructive obligation, the grantor recognises a grant expense when it transfers resources to the grant recipient and ceases to control those resources.
- If a legal or constructive obligation exists and resources have not been transferred, an NPO will create a liability or provision.
- A grantor will also need to consider whether the rights it has in the grant agreement give rise to an asset. This may be when it has a right to a refund or repayment, for example, because the grant recipient has failed to satisfy the requirements and the grant agreement creates a present obligation for the grant recipient.

Measurement

- When the grantor has a legal or constructive obligation it will be measured in accordance with INPAS D5 *Provisions and contingencies*.
- When the grantor does not have a legal or constructive obligation, the grant expense is measured at the carrying amount of the resources that it previously controlled.







Payment of grants over more than one reporting period

- A fulfilment right may span multiple reporting periods. Grantors are not required to recognise a grant expense until their fulfilment right has been extinguished.
- The stand alone amount for each distinct fulfilment right must be recognised in the period that the grant recipient satisfies the delivery obligation.
- When the grantor has a present obligation to transfer resources at the reporting date, both a liability and grant expense must be recognised for the total amount of resources to be transferred to the grant recipient. The grantor's present obligation will therefore reflect the delivery obligations satisfied by the grant recipient at the reporting date.
- If the grantor has the discretion to avoid grant expenses, for example, when there are review or break clauses in the grant agreement, the grantor is not required to recognise a liability as it does not have a present obligation to transfer resources.

Capital grants

- A grant agreement that requires the grant recipient to acquire or construct a non-current asset that the grant recipient then controls is described as a capital grant.
- A grant agreement for a capital grant follows the same accounting principles as with any other grant made by a grantor.
- The grantor may have a fulfilment right, if the grant is required to be used to acquire or construct specific non-current assets.
- As with other grant agreements with fulfilment rights, the grantor will need to determine the distinct fulfilment rights from the grant agreement and assign a stand-alone amount to each of those fulfilment rights.
- A grant expense is recognised by the grantor when each fulfilment right is satisfied, measured at its stand-alone amount.

Time limited grants

- A grantor may specify that the grant that it provides must be used within a timeframe specified in the grant agreement.
- If this is the only requirement, the grantor recognises the grant expense when it transfers the resources to the grant recipient or is obligated to transfer the resources.
- If the grant recipient does not use the grant within the specified time period, the grant recipient may have an obligation to refund all or part of the grant. When the grant recipient has a present obligation to return all or part of the grant, the grantor will recognise an asset or a receivable depending on the circumstances.



Principal and agent

- When the grantor controls an economic resource, it is a principal in the transaction.
- When the grantor is the principal the recognition and measurement requirements for grant expenses apply.
- When the grantor does not control an economic resource, it is acting as agent.
- A grantor may be acting as an agent when it is transferring cash or other assets to a grant recipient on behalf of another entity. In such circumstances the grantor will not be able to determine who receives a grant and will be acting on the instructions of the other entity.
- When the grantor is an agent the recognition and measurement requirements for grant expenses do not apply.

Present
ability to
direct the
use of
resources
and obtain
benefits



NPO has
control of
the
economic
resources



Principal



Recognise
grant
expenses

Acting on
behalf of
another
entity



NPO does
not have
control of
the
economic
resources



Agent



Do not
recognise
grant
expenses

Financial Statement and note disclosures (financial)

Statement of Income and Expenses	- Amount of grant expenses - Analysis of grant expenses - Analysis aligned with the significant activities of the grantor
Statement of Financial Position	Separately present any grant prepayment assets

Agent information including:

- Analysis funds received and paid, balances and details of entities.
- Related party and arrangements for safe custody.

Financial statement and note disclosures (narrative)

General information	Sufficient information about each grant specifically the: - Purpose of the grant - Significant payment terms - Nature of resources - Information on variable consideration*
Sensitive information	- An NPO is required to consider whether the disclosures for specific grants made could disclose sensitive information. - When this is the case, it refers to the prescriptions on sensitive information in Section A3 <i>Narrative Reporting</i> to report the analysis of expenses.



Grant expenses – Key terms

Grant expense	An expense arising from a transaction in which a grantor provides, or is obliged to provide, resources to a grant recipient (which may be an entity or an individual) by transferring cash or a service, good or other asset to that grant recipient without directly receiving any cash, service, good or other asset in return.
Grantors	An NPO that provide resources to others (grant recipients).
Grant recipients	Those that receive resources from another NPO, entity or individual.
Extinguish	A fulfilment right is extinguished when (or as) a grantor no longer has enforceable rights in a grant transaction or agreement. This will include when the grant recipient has satisfied its delivery obligation
Fulfilment rights	A grantor's right to have a grant recipient satisfy a delivery obligation in a manner specified in the grant agreement. Fulfilment rights must be enforceable and measurable. Restrictions on the use of funds do not necessarily give rise to fulfilment rights.
Delivery obligations	Undertakings by a grant recipient to achieve a specified outcome, to carry out a specified activity, to use distinct services, goods or other assets internally for a specified purpose or to transfer distinct services, goods, cash or other assets to a service recipient. Delivery obligations must be enforceable and measurable. Restrictions on the use of funds do not necessarily give rise to delivery obligations.
Enforceability	The ability to require the grant recipient to complete the agreed obligations or be subject to remedies for not doing so, and the grant recipient is able to require the grantor to transfer the amount agreed. Enforceability may be through legal systems for example via a contractual grant agreement, or there may be alternative processes that have equivalent effect, depending on the parties involved in the grant agreement and the jurisdictions in which they are based
Variable consideration	The amount by which the grant amount may vary because of incentives, penalties or other similar items. It may also vary if the grantor's obligation to provide resources is contingent on the occurrence or non-occurrence of a future event.