



International Non-Profit Accounting Standard

INPAS and Practice Guide 1: Harmonised Grant Reporting FAQs

Section 1: INPAS

What is INPAS?

INPAS is the first internationally recognized accounting standard specifically designed for the nonprofit sector. Unlike the private and public sectors, there is no current global standard for nonprofit financial reporting. INPAS provides guidance for preparing whole-of-entity financial statements and harmonized grant reports, enhancing transparency, accountability, and trust in non-profit finances globally.

Why was INPAS developed?

Nonprofits face unique financial reporting challenges, including reliance on donor funding and mission-driven operations. INPAS addresses these by offering a globally consistent, credible framework that reduces inefficiencies and administrative burdens while improving financial reporting quality.

How was INPAS developed?

INPAS was created over six years through extensive consultation with direct input from 375 organizations and individuals in over 60 countries. Since 2019, the initiative has amassed a following of 15,000+ individuals from 169 countries. INPAS was developed with input from volunteer advisory and reference groups including:

- [Technical Advisory Group](#) (TAG) – national accounting standard setters from every continent (and [IASB](#) as official observers)
- [Practitioner Advisory Group](#) (PAG) – NPOs, auditors, consultants, academics
- [Donor Reference Group](#) with bilateral and multi-lateral funders and foundations.
- Engagement supported by 50+ volunteer [Country Champions](#)
- Oversight by independent [Governance Group](#)

Who is INPAS designed for?

INPAS was designed to be scalable and accessible for small and medium nonprofits. It is particularly suited for organizations applying accrual accounting to meet the needs of their financial statement users. Built on the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) Accounting Standard, INPAS aims to address key nonprofit financial reporting issues while harmonizing grant reporting formats.

Who can use INPAS?

- **Regulators:** Can adopt INPAS as a mandatory standard for nonprofits.
- **Nonprofit Organizations (NPOs):** Can voluntarily adopt INPAS to enhance transparency and credibility.
- **Funders:** Can promote INPAS and its accompanying Practice Guide 1 (INPAS Guide 1) to align grant reporting with audited financial statements.

What does it mean to 'adopt' INPAS?

- ✓ For regulators, adoption means requiring or allowing certain NPOs within their jurisdiction to prepare whole-of-entity financial reports in accordance with INPAS, promoting transparency, consistency and comparability across the sector.
- ✓ For funders, adoption means requiring or allowing grantee NPOs to prepare grant accountability reports in accordance with INPAS Guide 1, promoting efficiency, accuracy and auditability.
- ✓ For nonprofits, adoption involves preparing financial statements and grant reports according to the requirements of INPAS and/or INPAS Guide 1. First time adoption may involve updating accounting policies, training staff, and aligning internal systems.

What are the benefits of adopting INPAS?

- **Streamline operations:** By eliminating redundant reporting formats
- **Enhance credibility:** By improving financial report quality and assurance
- **Increase funding:** By supporting fundraising and grant-making due diligence
- **Improve transparency:** By enabling clear reporting of unrestricted funds and support costs

- **Strengthening financial resilience:** By tracking and justifying reserves effectively.

How does INPAS differ from other accounting standards?

Unlike national standards for non-profits (such as FASB ASC 958 in USA or Charities SORP in UK), it is globally applicable, designed to be suitable for nonprofits across different countries. Unlike standards developed for the for-profit or public sectors, it addresses the unique non-profit issues. INPAS was developed using *IFRS for SMEs* Accounting Standard as the starting point.

When will INPAS be available?

INPAS is scheduled for publication in September 2025, following years of development under its previous name, INPAG (International Non-Profit Accounting Guidance). INPAS will be updated approximately every five years.

Is adoption of INPAS mandatory?

Adoption depends on local regulations, and each country can determine whether to adopt INPAS by allowing or requiring its use among national NPOs. However, nonprofits may be able to voluntarily adopt it to improve credibility and align with international best practices.

Section 2: INPAS Practice Guide 1 Harmonised Grant Reporting)

What is INPAS Guide 1?

INPAS Guide 1 is an accompanying Practice Guide to INPAS, that provides a harmonized format for grant or project financial reports. It ensures alignment between grant reports and audited financial statements prepared under INPAS, making the reporting process simpler and more efficient for both nonprofits and funders. INPAS Guide 1 provides templates for supplementary statements that present key financial information about projects, grants, or activities in a standardized and reconcilable format.

What does it mean for a funder or NPO to 'adopt' INPAS Guide 1?

Adopting INPAS Guide 1 involves nonprofits and funders agreeing to use its standardized format for grant and project financial reporting.

For nonprofits, this means preparing grant reports using INPAS Guide 1 expenditure headings, and preparing the required reconciliations to their audited financial statements.

For funders, adoption entails suggesting, requiring, or allowing grantees to submit reports in the INPAS Guide 2 format, enabling streamlined review, comparison, and aggregation of financial data across multiple grants. ****Note: to 'adopt' INPAS Guide 1, funders do NOT have to require its use. Adoption can be limited to accepting INPAS Guide 1 formatted reports or recommending the format to grantees.****

Why should funders require, accept, and/or promote the use of INPAS Guide 1?

INPAS Guide 1 provides significant benefits to funders by:

- Improving visibility into how grants are utilized.
- Enhancing transparency and accountability in financial reporting by linking individual grant reports to the whole-of-entity financial statements.
- Enabling more informed funding decisions through standardized reports that allow for easier comparison of nonprofit partners.

How does INPAS Guide 1 address nonprofit financial reporting challenges?

INPAS Guide 1 tackles key challenges in nonprofit financial reporting by:

- Standardizing expenditure headings across funders to reduce inconsistencies.
- Minimizing administrative burdens for nonprofits, freeing up time and resources for mission-driven work.
- Simplifying the overall reporting process to improve efficiency.

Will adopting INPAS Guide 1 increase administrative burdens for nonprofits?

No. INPAS Guide 1 actually reduces administrative burdens by streamlining financial reporting processes. As more funders accept INPAS Guide 1 formatted reports, NPOs will spend less time reconciling different formats and more time focusing on program delivery.

Will adopting INPAS Guide 1 really benefit grantees? Or is this another donor-imposed standard?

INPAS Guide 1 is mutually beneficial - designed to benefit both funders and nonprofits globally by creating a harmonized format for grant reporting. Its development included input from diverse stakeholders in 61 countries, ensuring it reflects the realities of nonprofits operating in different contexts.

INPAS Guide 1 is voluntary and allows for flexibility, enabling nonprofits to adapt it to their specific needs while providing funders with consistent and transparent reporting. Rather than imposing restrictions, INPAS Guide 1 aims to reduce inefficiencies and foster more equitable partnerships between funders and grantees.

Does donor adoption require that all grantee reports must be in the INPAS Guide 1 format?

No. Donor adoption of INPAS Guide 1 does not mandate that all grantee reports must be in the INPAS Guide 1 format. Donors can choose to accept reports in INPAS Guide 1 format while allowing flexibility for other reporting formats as needed.

Can an NGO only use the expenditure headings in INPAS Guide 1 for its budgets if required to do so by a donor?

No. NGOs can voluntarily use the expenditure headings in INPAS Guide 1 for their budgets, even if not required by a donor. The headings are designed to be accessible and adaptable for nonprofits of all sizes.

Does INPAS Guide 1 require that donor grant reports must be published as an annex to the NGO's annual audited financial statements?

No. While INPAS Guide 1 encourages alignment between grant reports and audited financial statements, it does not require that grant reports be published as an

annex. Publishing as an annex may provide benefits for NPOs, donors and external users of the financial statements.

Can an NGO use the INPAS Guide 1 format and reconciliations ONLY if it is fully compliant with INPAS for all its accounting policies?

No. NGOs can use the INPAS Guide 1 format and reconciliations even if they are not yet fully compliant with INPAS for all accounting policies. However, alignment with INPAS enhances consistency and transparency.

Does reporting using the INPAS Guide 1 format mean grantees have to track expenses using a natural classification (by type of input)?

Yes, reporting using the INPAS Guide 1 format involves tracking expenses using natural classifications (e.g., employment, supplies & materials). However, budgets may still be developed using activity based budgeting, and funders may request grantees to prepare a report using activity-based classifications (e.g., program activities) and include it in the notes to provide additional insights.

Does reporting using the INPAS Guide 1 format mean grantees cannot track expenses using an activity-based classification?

No. Grantees can continue to track expenses using activity-based classifications while also providing reports in the INPAS Guide 1 format. Activity-based classifications can complement natural classifications and may be included in supplementary notes.

If a donor accepts grant reports in the INPAS Guide 1 format, does it also have to agree to cover a fair share of indirect costs and exchange losses?

No. Donor acceptance of the INPAS Guide 1 format does not automatically require them to cover indirect costs or exchange losses. These terms are subject to agreement between donors and grantees.

If a donor accepts the INPAS Guide 1 format for end-of-year or end-of-project reports, does it also have to accept it for monthly liquidation or cash requests?

No. Donors can choose to accept the INPAS Guide 1 format for specific reporting periods (e.g., end-of-year or end-of-project) without applying it to monthly liquidation or cash requests. However, many of the time saving benefits would be reduced.

Does a donor adopting INPAS Guide 1 have to move its grant reporting cycle to match its grantee's year-end?

No. Donors adopting INPAS Guide 1 are not required to align their grant reporting cycles with their grantees' year-ends. Reporting schedules remain flexible based on mutual agreements. INPAS Guide 1 reports must always cover the same financial period as the audited financial statements, but may be split into sub-periods, or provide information from prior periods as needed.

For a donor to adopt INPAS Guide 1, must they rely on the audit opinion in the whole-of-entity financial statements?

No. While donors may benefit from relying on audit opinions in whole-of-entity financial statements, adopting INPAS Guide 1 does not mandate this reliance. Donors retain control of their assurance and oversight processes.

INPAS and INPAS Guide 1 will be published in September 2025. For more information visit www.ifr4npo.org/inpas