

## ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

### CHAPTER 13. GRANTS AND SUBSIDIES

#### Section 1.0 General

This Chapter provides general guidance on accounting for grants and subsidies awarded to institutions of higher education, hospitals, other non-profit, and commercial organizations. The following are Commerce's bureaus involved with grants, subsidies, and contributions:

- a. The Economic Development Administration (EDA) provides grants for public works and development facilities, and other financial assistance needed to alleviate hardships in economically distressed areas and regions;
- b. The International Trade Administration (ITA) issues grants and cooperative agreements for the purpose of promoting exports of U.S. firms;
- c. The Minority Business Development Agency (MBDA) promotes private and public sector investment in the development of competitive minority-owned businesses in this country;
- d. The National Institute of Standards and Technology (NIST) supports the extension of technology to American industry and fosters the development of broad based high risk technology by industry;
- e. The National Oceanic and Atmospheric Administration (NOAA) issues grants and subsidies to support Coastal Zone Management Programs. It also supports efforts to enhance the productivity and improve the sustainable yield of domestic marine fisheries resources; and
- f. The National Telecommunications and Information Administration (NTIA) awards grants to noncommercial entities for the planning and construction of public broadcasting facilities throughout the United States. It also provides financial assistance for the development of the National Telecommunications and Information Infrastructure.

## Section 2.0 Authority

The policies and procedures contained in this Chapter are issued pursuant to the following laws, regulations, and guidelines:

- a. [CFR, Title 2, Grants and Agreements \(2 CFR\)](#);
- b. [Department Administrative Order \(DAO\) 203-26, Department of Commerce Grants Administration](#);
- c. [GAO Principles, Standards, and Requirements, Title 2 Standards Not Superseded by FASAB, Standard G10](#);
- d. [OMB Circular A – 11, Part 4, Instructions on Budget Execution](#);
- e. [OMB Circular A – 21, Cost Principles for Educational Institutions](#);
- f. [OMB Circular A – 87, Cost Principles for State, Local, and Indian Tribal Governments](#);
- g. [OMB Circular A – 102, Grants and Cooperative Agreements with State and Local Governments](#);
- h. [OMB Circular A – 110, Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations](#);
- i. [OMB Circular A – 122, Cost Principles for Non-profit Organizations](#); and
- j. [OMB Circular A – 133, Audits of States, Local Governments, and Non-profit Organizations](#).

## Section 3.0 Definitions

- a. A grant is an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee. Grants exclude technical assistance or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Also, grants do not include financial assistance such as a fellowship or other lump sum award, for which the recipient is not required to account.
- b. Grants-in-aid: For purpose of budget, grants-in-aid consist of budget outlays (expenditures) by the Federal Government to support State or Local programs of governmental service to the public. These grants do not include purchases from State or local government, e.g., payments for research or support of

Federal prisoners. Although Commerce does not deal with grants-in-aid, the definition of grants-in-aid is included in this chapter to help in making a distinction between different types of grants.

- c. **Grantee:** Grantee means the recipient to which a grant is awarded and who is accountable for the use of funds provided. The grantee can also be an institution of higher education, a hospital or other non-profit organization, or, in some cases a for-profit entity.
- d. **Subsidy:** A subsidy is generally a payment by the Government or another benefit for which no current service is rendered and which is designed to support the conduct of an economic enterprise or activity. It may also refer to provisions of the tax system that provide certain tax benefits and to the public provisions of loans, goods, services, etc., at a lower price than the recipients would have to pay in the market, such as interest subsidy.
- e. **Cash Contributions:** Cash contributions refer to money contributed to the award by the recipient. It may come from the recipient itself or other public or private sources. When authorized by Federal legislation, Federal funds received under other assistance agreements may be considered as grantee or sub-grantee cash contributions.

#### Section 4.0 Accounting for Grants and Subsidies

##### .01 Obligations

Grants will be recorded as obligations on the basis of an approved, signed, and accepted application. Under [31 U.S.C. Sec. 1501](#), “Documentary Evidence Requirement for Government Obligations,” an amount shall be recorded as an obligation of the U.S. Government only when supported by documentary evidence of a grant or subsidy payable:

- a. From appropriations made for payment of, or contributions to, amounts required to be paid in specific amount fixed by law or under formulas prescribed by law;
- b. Under an agreement authorized by law; or

- c. Under plans approved consistent with and authorized by law.

.02 Costs

Grants will be recorded as costs:

- a. At the time payment is made where the grantee does not have to provide for a specific performance in order to be eligible for the grant;  
or
- b. Each accounting period (month) when periodic performance reports are required. If payments are made prior to submission of performance reports, such payments will be recorded as advances until performance occurs.

.03 Subsidies

Subsidies will be recorded each accounting period as estimated costs are incurred by the grantee. Estimated costs shall be adjusted to actual at the time significant progress is reported under the terms of the contract. Full cost of the subsidy should be recorded with offsetting liability for retained percentages.

.04 Accrued Expenditures

Cost and accrued expenditures shall be recognized based upon performance by the recipients. Accrued expenditures shall be determined, whenever reasonably practicable, on the basis of actual performance. Whenever it is not practicable to obtain timely performance reports, projections, estimates, or extrapolations based on experience, statistical sampling or mathematical models may be used.

.05 Financial Statement Disclosure

Amounts of assistance awards to be made in future periods shall be disclosed in the footnotes to the financial statements.

Section 5.0 Advance Financing

Department of the Treasury regulations require the use of advance financing techniques where practicable for certain types of grants, contributions, and other programs. Control and subsidiary accounts for advances issued shall be established within the accounting system(s).

#### Section 6.0 Grants Management

The Office of Acquisition Management (OAM) is responsible for developing, issuing and overseeing the implementation of policies and procedures for the administration of DOC financial assistance programs. Information on DOC grant and cooperative agreement regulations and forms are available through the Department's [Office of Acquisition Management, Grants Management Division](#).

#### Section 7.0: Bureau Evaluations of Material or Significant Possible or Actual Unusual Accounting Transactions

Bureaus are required to evaluate material or significant possible or actual unusual accounting transactions (e.g. a possible or actual accrued receivable/revenue or accrued payable/expense or asset, a possible, anticipated, or actual transfer, a possible, anticipated, or actual budgetary resource or reduction of budgetary resources, a possible or actual contingency), regardless of whether the item has been apportioned or not apportioned on the SF 132, *Apportionment and Reapportionment Schedule*, and research if a) a proprietary accounting transaction(s) should be recorded; b) a budgetary accounting transaction should be recorded; and c) if yes to either a) or b), the appropriate accounting transactions that should be recorded and when (month/year) the accounting transactions should be recorded.

For these material or significant possible or actual unusual accounting transactions, the bureau's evaluation is required to include consultation with a) the bureau's CFO or equivalent, of both the underlying bureau and that bureau's accounting service provider, if applicable, or his or her designee(s); and b) the Department's Office of Financial Management. As appropriate, consultations should also include c) other bureau or Departmental offices; d) the U.S. Department of the Treasury, the Office of Management and Budget, and/or the Federal Accounting Standards Advisory Board; e) any other federal agencies; and f) any other relevant or applicable sources.