

Beyond the Award Letter:

Fund Management for
Leaders of Small
Youth-Serving Organizations

Jenifer Gager
Vicky Marchand

The Finance Project

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Introduction	3
Seven Key Steps to Managing Grants and Contracts.	5
Step 1: Review Terms and Conditions	6
Step 2: Meet with Staff Members	8
Step 3: Develop a Work Plan	10
Step 4: Create Administrative Systems	12
Step 5: Monitor and Fulfill Reporting Deadlines.	16
Step 6: Communicate with the Funder	17
Step 7: Wrap Up the Project.	19
Conclusion	21
Appendices	
Appendix 1: Key Terms Related to Grants and Contracts Management.	22
Appendix 2: Sample Program Budget by Funding Source.	23

Introduction

Beyond the Award Letter was created for executive directors, directors of finance and administration, and program managers of small youth-serving non-profit organizations. This guide supports and enhances the systems you use to manage grants and contracts.

Grants from private foundations and contracts from public agencies are the life blood of many small youth-serving organizations. These time-limited sources of funding generally come with clear requirements for how the money will be spent, within what time period, what outcomes are expected, and how you are to report progress. For example:

- Who is responsible for monitoring goals and/or deliverables?
- What are the reporting requirements?
- How often does the funding source require reports? In what formats?
- What data does your organization need to collect? How often?
- Why should you keep paper records for seven years?

Your organization's financial management systems are a key part of supporting your overall mission and program priorities. Comprehensive financial management systems —also known as internal systems or fiscal operations—include program and financial planning, development, evaluation, and human resource management.

Beyond the Award Letter works hand-in-hand with two other non-profit leaders' guides from The Finance Project:

- ***Beyond the Checkbook***: *A Financial Management Guide for Leaders of Small Youth-Serving Organizations* is a guide to building financial management systems.
- ***Beyond the Paycheck***: *A Human Resource Management Guide for Leaders of Small Youth-Serving Organizations* is a guide to managing the entire hiring process: from recruitment, to compensation and benefits, to managing and developing staff.

How to Use this Guide

Whether your organization has a paid financial manager or a volunteer treasurer, sound grant and contract management requires a streamlined accountability system built on effective fund management practices.

A sound accountability system provides program staff members with clear guidelines to accomplish the goals of your project, while meeting obligations to your funding source(s).

This guide is organized to use as a quick self-assessment of your fund management practices:

- seven key steps to strengthen your fiscal operations
- quick tips for success
- common pitfalls
- checklists
- worksheets
- list of key terms
- a sample budget

Beyond the Award Letter focuses exclusively on managing grants and contracts. It does not address managing individual donations or local fund raising efforts. However, The Finance Project offers a wealth of information on grant seeking through its online publications at http://financeproject.org/pub_results.cfm and federal funding database at http://www.financeproject.org/fedfund_search.cfm.

What is the Difference Between a Grant and a Contract?

Grants and contracts each have slightly different considerations for fund management, particularly related to the timing of payments.

- ✗ **Grants** either offer funding in advance of proposed activities or are sometimes dispersed as timed payments.
- ✗ **Contracts** offer reimbursement to the contracted organization based on invoices or delivery of the products or services outlined in the contract.

With granted funds, you may need to be prepared to carry forward funding for program activities that will take place in a future period (month, quarter, or year) from the time at which the funds are disbursed.

For contracted funds, you may need a line of credit to cover your working capital requirements until you receive payment for the services or products delivered to the funder.

For more detail, see Appendix 1: Key Terms Related to Grants and Contracts Management.

7 Steps

Seven Key Steps To Managing Grants And Contracts

Effectively managing a grant or a contract award requires well-coordinated teamwork. It entails a series of tasks—management, program delivery, financial tracking and accounting, and program reporting.

Because these tasks are rarely handled by just one person, it is important that the range of staff members—program managers, fiscal, administrative—who will ultimately play a part in supporting fund management are all well-informed about the steps in a grant or contract management process. This guide helps you match the right staff to the right tasks and offers tools to support organizational teams through the grant or contract management process.

In brief, here are the seven key steps in managing a grant or contract award:

- 1 Review terms and conditions of each contract or notice of grant award with responsible staff members, together.
- 2 Meet with staff members who will have implementation and reporting responsibilities.
- 3 Develop a work plan for achieving grant or contract objectives.
- 4 Create administrative systems to support the work.
- 5 Monitor and fulfill reporting deadlines.
- 6 Communicate with the funder.
- 7 Wrap up the project.

Step 1: Review Terms and Conditions

First, the executive director and the project manager, together, must thoroughly review the terms and conditions of the grant or contract. Even before the award, you probably reviewed and negotiated some items with the funder. *Make sure* that the written documents accurately reflect ALL agreements about activities, deliverables, and desired results. As you read the contract or notice of grant award, pay close attention to the language describing:

- scope of work
- expected results and deliverables
- rules and regulations

These “terms and conditions” outline the commitments made by each party. Ensure that the executive director and other key staff understand and can fully comply with all requirements outlined in the letter and communicate any corrections or clarifications to the funder promptly.

You will be best positioned to assure that funds are used and monitored appropriately if you have answered the following critical questions:

- Are awarded funds designated for a particular use or population?
- Are awarded funds designated for a particular time period?
- How will you receive the money?
- What are the reporting requirements?

Worksheet 1 (on page 7) identifies the tasks and considerations associated with these four key questions. Use this worksheet to plan how your organization will receive, expend, and report on the grant or contract funds.

Worksheet 1: Key Questions After You Get The Award

KEY QUESTIONS	TASKS	CONSIDERATIONS	YOUR NEXT STEPS?
1. Are funds designated for a particular use or population?	<ul style="list-style-type: none"> Determine what activities or functions are specified. Establish a detailed project work plan for implementation. Estimate a monthly project budget. 	<ul style="list-style-type: none"> Are there any restrictions (i.e. geographic or demographic eligibility for services) to specified activities? Are there any additional accountability requirements (such as hiring, procurement procedures and audits) to ensure fair and ethical practices? Are there any restrictions on specific expenditures, such as capital development or equipment purchases? Are there any significant cash flow implications, such as big events or supply purchases? 	
2. Are funds designated for a particular time period?	<ul style="list-style-type: none"> Review accounting practices, such as how transactions are entered (obligations and/or expenditures). Review the funder's policies for amending the project period and/or carrying over unspent funds if tasks are completed early or deadlines are not met. Align grant income and related expenses with your existing financial management system. 	<ul style="list-style-type: none"> Is a project period specified during which the funds must be expended and after which unspent funds must be returned? Does the funder allow any changes, such as "no cost extensions"? Do you need to make adjustments to align the project period with your organization's fiscal year? 	
3. How will you receive the money?	<ul style="list-style-type: none"> Establish the timeline and format for invoices, based on how and when funds will be made available. Review the funder's policies. Do they allow your organization to invest grant funds to earn interest or dividends? 	<ul style="list-style-type: none"> Does the grant provide advance funding for projects? (This is rare for contracts.) If so, is it disbursed in one lump sum or in periodic payments? Will the funder transfer the money to you, either directly into your account or by check? Or is there a "draw-down" system in which you can transfer funds on a defined schedule? (This is more common with funds from the federal government.) 	
4. What reporting requirements are associated with the grant or contract?	<ul style="list-style-type: none"> Establish a project calendar. Specify deadlines for financial, program, or performance reports. Update organization's master calendar and set up a "tickler procedure" to remind appropriate staff when each report is due. Assign a consistent project code so that your accounting software can identify costs associated with each grant or contract. 	<ul style="list-style-type: none"> Does your organization have the necessary infrastructure to comply with all requirements and to achieve results? Do you need to convert your accounting system's data into the funder's required report formats? (Often, each funder may have slightly different reporting requirements.) 	

POTENTIAL PITFALLS



Communicate key requirements of the grant or contract with staff members *early*.

To avoid problems or delays with reimbursements and other payments, you must comply with the exact data tracking and reporting requirements from the very beginning.

Step 2: Meet with Staff Members

After the executive director and key staff have reviewed the grant or contract award letter together, schedule a meeting as early as possible with key staff and the additional administrative and program staff members responsible for implementing the project.

In this meeting, assign a project manager and appropriate staff to develop the work plan based on the stated deliverables, the funder's reporting requirements, and any other key factors, such as grant or contract partnerships. (The work plan is discussed further in Step 3.)

Use Worksheet 2, the “New Grant or Contract Checklist” (see page 9) to ensure that all staff working on the funded project—including program, fiscal, and administrative staff—are well-informed and understand key milestones and timelines. The checklist outlines the tasks that you will likely build into the grant or contract work plan, and the supporting administrative systems. Make sure that the responsible staff members are well-trained to complete all the other tasks.

By starting with clear expectations for staff, reasonable timelines, and a method for managing the flow of information and paperwork, you will lay the foundation for the project's success and enhance your organization's prospects for future funding. By successfully communicating key requirements early, you help to build staff awareness and compliance with data tracking and reporting requirements that are tied to reimbursements and other payments.

In many cases, organizations combine multiple grants and contracts with individual donations to fully implement projects. For this reason it is especially important to be clear about how time and expenses are recorded, and who is responsible for what deliverables and reports for each funding source.

WORKSHEET 2: NEW GRANT OR CONTRACT CHECKLIST

Financial Management Staff

- Review and respond to “Key Questions” about the grant or contract. (See page 7.)
- Include project budget in organization’s budget planning and financial statements.
- Develop and install project-specific accounting codes (telephones, copier, postage machine, accounting software). Notify staff of new codes.
- Put budget report dates in work plan.
- Update master calendar grant schedule to include reporting deadlines and payment dates.
- Create new grant or contract file.
- Create subcontractor/consultant files as necessary.
- Update grants and contract directory to include new project data.
- Write award acknowledgment and thank-you letters.

Program Staff

- Review contract terms and conditions.
- Conduct initial conversation/meeting with funder to discuss project.
- Develop work plan and timeline. (See sample work plan, page 11.)
- Meet with project staff to go over work plan and timeline.
- Discuss expected needs for additional staff or other resources with relevant staff.
- Give reporting dates to staff responsible for budget or program report deadlines.
- Give copies of the proposal and grant or contract award letter to relevant staff.
- Develop subcontracts as necessary.
- Discuss work plan and timelines with subcontractors.
- Design electronic and paper files. (See Step 4.)
- Write thank-you letters to supporters.
- Review expected “crunch” times with holidays/vacations/other absences.

Administrative Staff

- Meet with program staff to discuss work plan and timeline.
- Arrange for additional resources during expected “crunch” times.
- Set up electronic files.
- Set up paper files. (See Step 4.)
- Review expected “crunch” times with holidays/vacations/other absences.

Step 3: Develop a Work Plan

In the next step, the project manager develops a detailed monthly work plan based on the objectives and deliverables specified in the grant or contract. The work plan outlines the key activities associated with the funding source, and identifies responsible staff and appropriate timelines for each task.

Make note of timing considerations that might affect deliverables and/or payments. For example:

- deadlines for deliverables in the grant or contract
- organizational events that involve significant staff support such as fundraisers or board meetings
- issues related to cash flow, especially if the funding source is a performance-based contract that will trigger invoices
- key staff vacations/holidays

As noted in Worksheet 2, be sure to note on the work plan if the funds for your award are restricted to certain populations, geographic areas, or activities.

Worksheet 3 (see page 11) is a sample work plan, documenting what your staff members must do to achieve grant objectives each month, including reconciling the project budget and completing invoices.

Since the work plan lays out tasks and timelines from start to finish, you can see where multiple deadlines or staff absences are concentrated and make adjustments to remain on track. The work plan also helps you track tasks to be carried forward to future reporting periods, and to manage work flow around unanticipated obstacles.

You may be partnering with other organizations to complete deliverables for some grants and contracts. In that case, the work plan is even more important to ensure that every organization is on the same page for key milestones and timelines. If you are depending on partner organizations to complete certain tasks before you can complete others, a detailed, common work plan can be a life saver.

Worksheet 3: Six-Month Work Plan for Project Code # _____

Funding Source: _____

Amount: _____ Project Period: _____

Restrictions on Use of Funds: _____

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTHS 7-12
Key Milestones and Deliverables							
Tasks to Complete Milestones/ Deliverables							
Responsible Staff							
Considerations and Challenges							
Invoice to be submitted							

TIPS FOR SUCCESS



Keep these files for up to 7 years

- Proposal and Award Letter, including budget as approved by funder
- Budget showing how the grant or contract will be processed through your accounting system, including expenditure reports and reconciliations
- Correspondence with funder
- Work Plan
- Financial Reports
- Program Progress Reports
- Audit and Closeout Documentation

Step 4: Create Administrative Systems

Funders expect grantees and contracted entities to be accountable for awarded funds, and to meet reporting requirements thoroughly and on time.

With a sound and professional fund management system, you don't let paper pile up or miss deadlines for reports or invoices. A well-organized and complete project file is the first step to creating an effective administrative system.

Record Keeping

After you receive a grant or contract, your first step is to create a project file. This file will contain paper copies of all documents related to major actions, from application to award to closeout. The file is a ready resource for tracking progress and expending funds.

Many organizations include a timeline or calendar in the project file to track milestones and deliverables.

Accounting

Assign a "project code" or unique identifier to track activities and expenses related to the grant or contract. A code will help communicate expenses within each fund to all staff, from administrative to senior management.

Unique project codes can be used effectively in your existing financial management system. You can create the code on your financial software to allow for immediate entry when any expenses associated with a particular project are incurred. Senior management and program staff can communicate efficiently with administrative staff by indicating project code(s) on every invoice, purchase order, receipt, time card, etc.

Contract payments are typically structured to pay for services after they are provided. This can be challenging. Small non-profit organizations need to have adequate cash on hand to maintain operations pending reimbursement. Even if you submit timely and accurate invoices and adequately document expenses, the funder's review and authorization process can sometimes delay payments, or result in partial payments.

Some grant funds may be available before costs are incurred. However, it has become increasingly common for foundations to make staged payments. If this is the case for your grant, you must plan for the administrative obligations associated with additional periodic reports on the expenditure of funds. You need to be proactive in obtaining and monitoring staged payments, and filing scheduled reports. Your reports trigger your payments, and this duty is the responsibility of the grantee, not the foundation.

To account for costs accurately, stay up-to-date on applicable regulations and relevant thresholds for different expenditures. For example, the current general rule for federal funding states that purchases which exceed \$5,000 per unit are considered equipment.¹

Make sure to make any necessary adjustments between your organization's fiscal year and the project year associated with the grant or contract. For example, if your organization operates on a calendar fiscal year (January 1–December 31) and you receive a one-year grant for July 1–June 30, some funds could be “temporarily restricted” to become available for operations after January 1, in your new fiscal year.

If your accounting software can't track this sort of activity already, you may need to supplement it with other logs and tracking procedures.

Managing Multiple Grants and Contracts

Non-profit organizations and public agencies are accountable for how money is spent—not how much revenue was earned. So non-profits utilize fund accounting to track detailed revenues and expenditures from different funding streams. Most small non-profit organizations have different types of revenue to be integrated into an operating budget, and tracked to show how each funding source is spent.

A good accounting system allows you to enter transactions across all activities and report on income and expenses both as a single entity and by program and/or funding source. However, for the system to be effective, your financial management staff must create “funds” (identified by unique account codes as described in the previous section) when revenues are received and to enter codes accurately for each transaction involving direct program costs.

TIPS FOR SUCCESS



Keep the project in sync with your fiscal year

The fiscal year you normally use for your organization's budgeting and reporting may be misaligned with the grant or contract period for the project award.

If so, pay special attention to tracking and monitoring these funds.

¹ For details, see OMB Circular A-110 “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations” <http://www.whitehouse.gov/omb/circulars/a110/a110.html>

TIPS FOR SUCCESS



Record direct expenses immediately

Ordering supplies, renting space, and other purchases often cut across programs in efficient non-profits.

To help contain overhead – or indirect – costs which are subject to caps by funders, record direct expenses immediately rather than allocating these costs as indirect expenses later.

To operate efficiently, staff may make purchases which cross projects, such as ordering supplies or renting space. Whenever possible, record direct expenses immediately rather than allocating these costs as indirect expenses later.

Organizations often combine multiple grants and contracts with individual donations to fully implement a project or program in your organization. Thus, each program code can be associated with more than one fund code to reflect the grants, contracts, and other revenue that fund that project. As your operations grow and become more complex, all staff members must understand allocation practices and track costs, including time for staff who work on more than one program. Successful managers maintain a process for regular reconciliation for each fund (ideally on a monthly basis) to catch errors and flag areas where line items are out of line with budgets.

TIPS FOR SUCCESS



Reconcile once a month

Multiple funding sources are always welcome—but they can be confusing.

To catch errors and flag areas where line items are out of sync with budgets, reconcile each fund every month.

If a particular grant or contract is limited to certain populations or activities, categorize the funds as “restricted” and monitor them carefully. For example, grant funds awarded for capital projects should be segregated from operating funds so that they cannot be used to cover operating shortfalls or cash flow challenges.

If funds are designated for a building renovation, your organization is not permitted to use them for any other purposes. If a particular project were short on funds during the renovation, it cannot access cash restricted for the renovation. To address the shortfall, it would have to increase revenue or reduce expenses in other ways—or you could risk your funding.

Allocating Costs

If your non-profit organization has more than one funding source, you probably already have a system for assigning direct and indirect costs (also referred to as overhead). It is most helpful to maximize the direct expenses

attributed to specific project or program delivery expenses by allocating as much as possible to direct costs. For example:

- time used for project management
- supplies and materials
- space-related costs
- technical resources (phone, printing, internet, utilities, etc.)

The majority of a grant or contract budget consists of the expenses incurred as a result of providing a service or implementing a project activity or initiative. (See Appendix 2.)

Each grant or contract budget also includes some portion of overhead (or indirect) costs related to your organization's general management activities. These costs are typically treated differently because they cut across many, if not all, of the core functions of your organization.

Most funders have strict rules regarding what costs can be allocated to overhead, and it is not uncommon for funders to set caps on the percentage of a project budget attributable to overhead on a given grant or contract. There is no single method for allocating overhead costs across programs and funders differ regarding the categories of eligible costs. Therefore, it is essential to define a methodology for allocating overhead to each project and to maintain an effective financial management system to document costs accurately and consistently across projects and funding sources.

You have three methods of allocating overhead costs across programs.

- 1 **Activity-based** assigns indirect costs to specific programs or activities by determining the actual overhead costs for each.
- 2 **Indirect cost rate** (e.g., percentage of budget, percentage of labor, percentage of space used) allocates indirect costs based on a set rate or proportion of budget, labor or space used.
- 3 **Activity-based** allocates overhead in a two-step process, blending the activity-based method and the indirect cost method.

Select the method best suited to your organization's accounting systems, type of service delivery, organizational culture, and funder portfolio. Note that in some cases, funders may require the use of specific indirect cost allocation methods.

Step 5: Monitor and Fulfill Reporting Requirements

Your organization may already have regular reporting processes in place. For example, you may send a monthly reporting package to your board of directors so they can approve budgets and monitor the financial health of your organization. It is also helpful to have a system in place to respond to funders' specific requirements for program and financial reports—which may differ from your internal reporting package. This system is key to ensuring that your organization fulfills funders' expectations and requests for information at each key point within a grant or contract cycle.

Different funders have different reporting requirements. They may also have different schedules: semi-annually, quarterly, or at specific benchmarks. Your reporting system must enable your organization to meet each unique set of reporting requirements for each grant or contract.

Ideally, you included all key reporting milestones in the monthly work plan that you developed in Step 3. In addition to ensuring that you have systems in place to track and respond to reporting deadlines, be certain that your reports conform to the funder's precise report format.

Sometimes, funders include sample report formats along with the grant or contract award letter, or make these formats available on their websites. If a format is specified, set up your data collection systems to respond to specific reporting requirements and formats. If a format is not specified, ask your program officer or contact person what format they want you to use. Then be sure to share this information with your administrative and program staff members responsible for the grant or contract.

Streamline your data collection and reporting processes wherever possible. For example, are there elements in the monthly reporting package for your board that you can also aggregate and analyze for funders' required

reports? While your reports to funders are likely to require a certain amount of project-specific information, you can probably create efficiencies in collecting and reporting on areas that are common across funders.

Step 6: Communicate with the Funder

Communications for Effective Fund Management

Government grants and contracts often have explicit rules in legislative language or other regulations for your program. In foundations, funding priorities and strategies are regularly reviewed by the board of directors. They have the discretion to stay the course with you or make significant shifts in direction.

As part of your project file, create a system to keep track of all contacts and correspondence with funders. The funder will assign key contacts or project officers for your grant or contract. Ask your key contacts about their expectations for informal updates. Do they prefer phone calls or e-mails? How often? If key contacts change over the course of the grant or contract period, re-establish preferences and protocols for communication with the new staff.

Keep your funders informed about potential changes to your project's activities or possible delays in implementation in your progress reports. Stay connected informally through phone and email. Help funders understand the realities of your project implementation and why you request any significant changes.

If you ask, many funders will allow you to expand or enhance a project when funds are unspent because you realized unanticipated savings or completed the work early. Make sure that funders know about your efficiency: it may help you obtain additional grants or contracts.

If you fall behind schedule, you might apply for a "no-cost extension," which is an unfunded extension of your award beyond the original expiration date. If you must apply for a no-cost extension, be sure that you understand the funder's specified procedures. Usually, no-cost extension applications must be submitted 30 to 60 days before the end of the grant or contract period.

As you near the end of your project, gauge the interest of your funder for continuing or additional funding. If you have a multiple year grant or contract:

- Do you need to submit a continuation report or apply to receive funds for the next period?
- Can the grant or contract be extended or re-awarded without a competitive application process?
- What new grant proposal will a funder consider as the next investment in your organization?

Communications to Build Relationships

Whether they work for government agencies, large foundations, or corporations, the staff who manage grant and contract funds are responsible for knowing where their investments are going. They generally take a strong interest in improving conditions and outcomes for youth and families.

Your organization will benefit by nurturing relationships with both current and prospective funders. Therefore, consider ways that your organization can enhance and expand your current and future relationships with funders. Invest some time to make sure that everyone in your organization realizes the importance of interaction with current and potential funders.

It is essential to treat each funding relationship as unique. What might be wildly successful with one funder might be wholly inappropriate for another. Once you've established a line of communication with a funding contact, build on your own understanding of how best to nurture that relationship. Ask for that person's preferences. Share feedback with your staff and ask them for ideas.

TIPS FOR SUCCESS



How to build relationships with funders

Understanding where funders' priorities align with your work can benefit both parties.

- ✘ Submit multiple hard copies of grant or contract deliverables, as appropriate, so that they can be shared with others.
- ✘ Publish your results or case studies in print and on the web.
- ✘ Include funders on e-blast lists. (Consult each funder as to their preference.)
- ✘ Create a press release for each deliverable.
- ✘ Join relevant listservs.
- ✘ Make presentations at local, regional, and/or national conferences, and keep an eye out for new venues.
- ✘ Where appropriate, attend industry events such as grant-maker association meetings.

Step 7: Wrap Up the Project

Closeout and Final Reports

At the end of the project, funders should identify clear guidelines for wrapping up the project, often called “closeout.” At closeout, you will submit final reports and relevant documentation so that the funder knows that all required work has been completed.

In addition to completing all formal documentation, send letters of thanks to everyone you worked with in the funder organization, describing how their investment benefited the youth and families in your community.

Whether or not you conduct a formal organizational audit, it is important to maintain a complete project file for each grant for *at least seven years* after the work is closed out.

Incomplete records are the most common hazard for small non-profit organizations. Gaps may cause expenses to be “disallowed.” If you receive this kind of project audit conducted by the funder, you may be required to return funds—and nobody likes to give money back. Months or years later, it is often impossible to adequately document that your staff completed required authorizations and provided appropriate services. Complete, accurate, permanent records are your best defense.

Audits

An audit is a process, usually done annually, to verify the accuracy and completeness of information presented in an organization’s financial statements.

As the end product of an audit, an independent certified public accountant (CPA) issues a formal opinion on the accuracy of your financial statements and whether they comply with generally accepted accounting principles (GAAP). If the auditor’s statement is “unqualified” or “clean,” the auditor did not identify any problems or potential problems. “Qualified” statements may include comments or warnings addressed to the funder’s board of directors and managers.

POTENTIAL PITFALLS



Incomplete records may result in expenses being “disallowed.”

You may have to return funds after a project audit conducted by the funder. Be sure to keep complete project files for at least seven years after the work is closed out.

TIPS FOR SUCCESS



Audits can keep you out of trouble

Depending on the amount of contributions you receive and your state, you may be legally required to obtain an audit. Many states require an audit for non-profits which receive contributions over certain amounts. Non-profits who hire paid fundraisers may also face audits.

Know your legal obligations cold. Seek legal advice or contact the Secretary of State or Office of the Attorney General in every state where you operate or raise money.

Also, if your organization spends \$500,000 annually in total federal funds, *including* federal funds passed through state or local government agencies, you must submit to a more detailed audit, sometimes referred to as an A-133 audit in reference to the U.S. Office of Management and Budget (OMB) Circular that describes it.²

Some non-profits are legally required to obtain audits. Many states require an audit for non-profits which receive contributions over a specified amount (the amount varies from state to state) and/or non-profits who hire paid fundraisers. If you don't already know for certain, find out your exact legal obligations by seeking legal advice or contacting the Secretary of State or Office of the Attorney General in every state where you operate or raise money. See the side bar on page 20 for more on when to conduct an audit.

You may choose to obtain an audit even if you are not legally required to do so. The audit process can be valuable to your organization, since it confirms your financial picture and helps you strengthen internal control procedures. While some funders may accept statements prepared in-house, many funders commonly request independent audited financial statements.

² For details, see OMB Circular A-133: <http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Conclusion

Most youth-serving non-profit organizations rely on grant and contract revenue to support their work. To make the most of these funding sources, you must have sound grant and contract management systems in place, no matter how small your organization is.

By paying close attention to the internal systems that connect the programmatic activity with funds tracking and reporting, you can better sustain your organization and help your community. Using the worksheets in this guide, you can develop management processes that strengthen both your internal operating systems and your external relationships with funders and partners.

By developing careful fund management practices, you can effectively maintain revenue streams for your organization. You may also increase your organization's exposure to prospective funders, maintain staff morale, and enhance your ability to help young people and families.

Appendix 1: Key Terms Related to Grants and Contracts Management

TYPES OF REVENUE

Contracts are agreements between agencies for the provision of specified services. Contracts may be structured as reimbursement for costs or fee-for-service agreements and may set specific performance standards.

Grants are awarded for a specific project by public and private entities. They are usually time-limited. Funds are typically available on a schedule in anticipation of costs incurred and do not need to be repaid.

Donations are the result of an organization's fundraising efforts with individuals, businesses, and other partners. They are generally for unrestricted operating funds (i.e., they can be used for whatever purpose is needed), and their use is not normally monitored by the donor.

TYPES OF EXPENSES

Project or program expenses are costs directly related to specific program activities which may include but are not limited to staff salary and benefits, supplies, equipment, printing, and evaluation.

Fundraising expenses are costs related to specific functions or activities aimed at building and sustaining your organization, including costs associated with board development, grant writing, sustainability planning, collaboration, partnership-building, and fundraising data systems.

Overhead (indirect) expenses are costs that relate to the general management activities of the organization, rather than the direct provision of services.

OTHER TERMS

Deliverable is a tangible (item, article, report) or intangible (event, service, relationship, idea) object produced as a result of project execution.

Fiscal Year A 12-month period for which an organization plans the use of its funds. This period may be a calendar year but can be any 12-month period. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization.

Fund Accounting, often used by non-profit organizations and by the public sector, is a method of segregating resources into categories, (i.e. funds) to identify both the source of funds and the use of funds.

No Cost Extension is an extension of the time period for completing a project which has been authorized by the funder. No additional funds are awarded.

Obligations indicate the amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.

Outlays or expenditures indicate charges made to the project or program. They may be reported on a cash or accrual basis.

Appendix 2: Sample Program Budget by Funding Source

Introduction: This sample program budget demonstrates one presentation format to track revenues and expenses by funding source. While the majority of your project costs will be direct, some portion of your budget will be indirect. Both must be documented accurately. Each funder might have different allowable indirect costs.

	SOURCE 1 GRANT A Code #	SOURCE 2 GRANT B Code # Equipment Purchase	SOURCE 3 SERVICE CONTRACT A Code #	SOURCE 4 General Operating Funds (donations)	Total
Personnel					
Executive Director .20 FTE	\$12,000				\$12,000
Program Director .75 FTE	\$30,000				\$30,000
Program Staff 2.0 FTE	\$32,000		\$27,667*		\$59,667
Program Assistant .25 FTE	\$6,000				\$6,000
Financial Manager .20 FTE	\$7,500				\$7,500
Computer Consultant	\$2,500			In-Kind	\$2,500
Fringe Benefits @ 33%	\$30,000		\$13,333		\$43,333
SUBTOTAL	\$120,000		\$40,000		\$160,000
Other Expenses					
Computers & Peripherals		100,000			\$100,000
Transportation					
Curriculum Cost					
Classroom Space	\$18,000				\$18,000
Utilities and Insurance	\$4,000				\$4,000
Program Supplies	\$2,000				\$2,000
Postage				\$200	\$200
Telephone	\$2,000				\$2,000
Printing/Copier	\$3,000				\$3,000
SUBTOTAL	\$29,000	\$100,000		\$200	\$129,200
Indirect Costs					
Office Space	\$1,000				\$1,000
Accountant				\$2,800	\$2,800
Computer Fees				In-Kind: valued at \$3,000	\$3,000
Staff Training				\$4000	\$4,000
SUBTOTAL	\$1,000			\$9,800	\$10,800
TOTAL	\$150,000	\$100,000	\$40,000	\$10,000	\$300,000

* Clinical services contracted for 80 participants up to 5 visits per participants @ \$100/visit; requires 10% match.

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ABOUT THE FINANCE PROJECT

The Finance Project is an independent non-profit research, training, consulting, and technical assistance firm for public- and private-sector leaders nationwide. It specializes in helping leaders plan and implement financing and sustainability strategies for initiatives that benefit children, families, and communities. Through a broad array of tools, products, and services, The Finance Project helps leaders make smart investment decisions, develop sound financial strategies, and build solid partnerships. To learn more, visit www.financeproject.org.