



United Way
of Central New Mexico

Center for Nonprofit Excellence



A collaboration of United Way of Central New Mexico's Corporate Cornerstone companies and the Albuquerque Community Foundation.
Working to build the capacity of nonprofits.

ACCOUNTING FOR GRANTS

Janice Moen, CPA, Finance Director, ARCA

The Center's PDF toolkits are designed to provide you with an easy to access, printable, abridged version of our live trainings.

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Accounting for Grants

[Grants](#)

[Government grants](#)

[Non-government grants](#)

[Exceptions](#)

[Federal Awards](#)

[Resources](#)

[Helpful Websites](#)

[About the Author](#)

Grants

- Grants for nonprofits typically come from private foundations, donors or governmental agencies.
 - **Government grants:** The majority of grants from governmental agencies are considered conditional grants because they involve an exchange transaction. In most cases the governmental agency is responsible to the community to provide the service. With their grant to the nonprofit they contract with the nonprofit to perform the service for them. Exchange transactions are not recorded as contributions and are typically considered unrestricted revenue. The terms of the grant agreement generally guide the recording of revenue.

[Back to the top](#)

- **Non-government grants** are most often considered contributions. This is because the grantor is not receiving any benefit in exchange for the grant. Grant awards that are considered contributions are to be recorded when the promise is made, which is often the date of the award letter. These grants can be considered unrestricted or temporarily restricted base on the terms of the grant agreement.

[Back to the top](#)

- **Exceptions:** Grants are considered conditional when:
 - The donor has a condition on the grant that is dependent on some future event that has a more than remote chance of not occurring.
 - The grantor has a right to call back the grant.
 - The exception clause rarely applies to non-government grants, so it is important to have your auditor or accountant review the grant documents to help determine if the grant is an exception.

[Back to the top](#)

- Contracts/Agreements – many grant awards require signing a contract or agreement specifying the conditions required for the grant award. It is very important the contract terms are carefully read and understood. These terms often include:
 - Expenses that can or cannot be spent with grant funds.
 - The budget for the grant award, which describes what can or cannot be spent for each budget line item.
 - The contract period, which is the period of time expenditures can be made from grant funds.
 - Reporting requirements of program and financial results.
 - How to submit reimbursement requests for reimbursement grants.

- Reimbursement grants are grants that require an organization to make the expenditures before receiving grant funds for those expenditures.

- Advancement grants are grants that release grant funds before expenditures are made.

- Monitoring grants is very important for the nonprofit. A nonprofit could lose their ability to obtain further grants if program activities, grant funds expended and reporting requirements are not aligned with the requirements of the grant.
 - Program activities should be documented and reviewed to ensure they are the activities stated in the grant contract.
 - Expenses should be tracked to ensure they are allowable expenses as stated in the grant contract. Also a nonprofit cannot apply the same expense to more than one grant.
 - Many grants require reporting of program activity along with financial activity for specified periods during the grant. These reports should be reviewed by someone in authority to ensure they are accurate and timely filed.

Federal Awards:

- Federal awards include, but are not limited to, direct or indirect grants, contracts and loans from the federal government.
 - A direct award is received directly from a federal governmental agency.
 - An indirect award is a federal award received through another agency, including state, county, city and even other nonprofits. It is important to inquire of the awarding agency if the award is considered a pass-through federal award.

- Federal cash assistance to individuals is not considered federal grants and they include, but are not limited to, Medicare and Medicaid.

- Internal controls over federal awards provide:

- Reasonable assurance operations are effective and efficient.
 - Financial reports are reliable.
 - All applicable laws and regulation are complied with.
- Government documents that are key in understanding federal award compliance requirements are OMB Circulars A-110, A-122 and A-133. They can be found at:
 Circular A-110: <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
 Circular A-122: http://www.whitehouse.gov/omb/circulars/a122/a122_2004.html
 Circular A-133: http://www.whitehouse.gov/omb/circulars/a133_compliance/07/07toc.html
- Financial and program management requirements:
- Activities allowed or unallowed – are generally stated in the grant contract and also include any laws or regulations pertaining to the federal award program.
 - Allowable costs – are the costs allowed as specified in the grant. Additional guidance for allowable costs can be found in OMB Circular A-122. Generally costs must be:
 - Reasonable for the performance of the grant.
 - Be consistent with the organizations and federal policies and procedures.
 - Be treated in accordance with generally accepted accounting principles (GAAP).
 - Not be included as a cost in any other federal grant.
 - Be adequately documented.
 - Cash management – relates to federal funds received in advance. The nonprofit must have procedures in place to reduce the time the funds are received and the time they are used.
 - Davis Bacon Act – relates to labor rates on federally funded construction projects.
 - Eligibility – relates to the eligibility requirements of those receiving services from the program funded by the grant.
 - Matching – relates to the amount stated in the contract the nonprofit must contribute with their funds towards the project.
 - Level of effort – relates to the level of service to be provided as stated in the grant.
 - Earmarking – relates to the stated minimum or maximum amount of percentage of the program's funding that must be used for specified activities.
 - Program income – relates to the program income required to be earned by the nonprofit from grant activities. An example of program income is the amount charged to the participants in the program.
 - Period of availability of federal funds – relates to the grant period stated in the grant contract. Expenses cannot be charged to the grant that have occurred outside of the grant period.

- Property standards – relates to property management of property acquired with federal grants. OMB Circular A-110 covers these requirements.
- Procurement standards – relates to specific procurement standards required for purchases of property with federal grant dollars. OMB Circular A-110 covers these requirements.
- Reporting requirements – relates to the required program and financial reporting as stated in the grant.
- Subrecipient Monitoring – relates to the requirements of the nonprofit if they pass federal funds on to another nonprofit to assist in the performance requirements of the grant.
- Single Audit Act requires an external audit if the total of federal awards in one year is equal to or greater than \$500,000.

[Back to the top](#)

Resources:

Hartfield, Cheryl A. and Paschall, Winford L., PPC's Nonprofit Financial and Accounting Manual, Practioners Publishing Company, Fort Worth, Texas. October 2006.

[Back to the top](#)

Helpful Websites

BoardSource: www.boardsource.org

Council on Foundations: www.cof.org

National Council of Nonprofit Associations: www.ncna.org

[Back to the top](#)

About the Author:

Janice Moen has over 25 years of accounting experience, twelve years of which were as Chief Financial Officer or Chief Executive Officer of nonprofit agencies. Janice is currently the Finance Director of ARCA, a nonprofit providing service to individuals with developmental disabilities. Janice also has five years experience as an external auditor of governmental and nonprofit agencies. Janice received her BBA and Master in Accounting from the Anderson School of Management at the University of New Mexico. Janice was awarded the 2007 Outstanding Member in Corporate Practice Award by the New Mexico Society of CPA's in 2007. She was also

recognized as one of the Business Weekly's Top CFO's in 2007. Janice is a member of the American Institute of CPA's and currently serves on the New Mexico Society of CPA's Member Marketplace Committee and the Anderson School of Management's Accounting Department Advisory Committee.

ARCA, working together to open doors for people with developmental disabilities to be valued members of the community. www.arc-a.org

[Back to the top](#)

United Way of Central New Mexico's 2008 Corporate Cornerstone Companies



Vertex Level (\$1,000,000 +)

Intel Corporation

Sandia Peak Ski & Tram Company
The Payroll Company
UPS
Wagner Equipment Co



Summit Level (\$275,000- \$999,999)

Vista Level (\$175,000 - \$274,999)

PNM

Rio Grande Level (\$5,000 - \$9,999)

American Home
Bank 1st
Blue Cross Blue Shield of New Mexico
Bradbury Stamm Construction
Deloitte & Touche
Delta Dental
Enterprise Builders
Excel Staffing Companies
First Financial Credit Union
HUB International Southwest
LandAmerica Albuquerque Title
Landgraf Enterprises
Moss Adams LLP
Mountain States Mutual Casualty Company
National Heating & Ventilating Co. Inc. & C.A. Systems
New Mexico Bank & Trust
New Mexico Educators Federal Credit Union
Northrop Grumman Corporation
Qwest
REDW
Smith's Food & Drug Center – District Office
Southwest Re
Summit Electric Supply
Target Corporation
TriCore Reference Laboratories
United Blood Services
US New Mexico Federal Credit Union
Wal-Mart #831 – San Mateo



Pinnacle Level (\$100,000 - \$174,999)

Lovelace Health System
Ethicon Endo-Surgery
General Mills, Inc.
Presbyterian Health Plan
Wells Fargo



Mesa Level (\$50,000 - \$99,999)

First Community Bank
Comcast
Victoria's Secret Direct
Bank of Albuquerque
Lockheed Martin/Sandia National Laboratories
Cardinal Health Shared Services



Valley Level (\$25,000 - \$49,999)

Bank of America
Big J Enterprises LLC
Chaparral Electric Company
Enterprise Rent-A-Car
GE Companies
Morgan Stanley
Sprint Nextel
Wal-Mart Distribution Center – Los Lunas



Corporate Partners in Philanthropy

Brycon Construction
Comcast
COSTCO Wholesale
First Community Bank
HUB International Southwest
Klinger Constructors, LLC
Lockheed Martin/Sandia National Laboratories
Miller Stratvert, P.A.
New Mexico Bank & Trust
New Mexico Educators Federal Credit Union
New Mexico Mutual
Qwest
Sandia Peak Ski & Tram Company



Bosque Level (\$10,000 - \$24,999)

Bank of the West
Brycon Construction
Charter Bank * Mortgage * Insurance
Citi Cards
Compass Bank
COSTCO Wholesale
Don Chalmers Ford
French Mortuary
JB Henderson Construction
JCPenney Companies
Journal Publishing Company
Klinger Constructors, LLC
Miller Bonded Inc.
Miller Stratvert, P.A.
Molzen-Corbin & Associates
New Mexico Mutual



VICTORIA'S SECRET DIRECT



As of 3/1/08