



The Basics Series

Basics of Nonprofit Grant Management 2025 Update

Presented by James Conrad, CNAP

Overview

- What are grants, and why are they important?
- What information do we need to report?
- What requirements do we need to meet?
- Will we need to get an audit?

Learning Objectives

- Identify and analyze various types of grants available for nonprofit organizations
- Define grant reporting and compliance requirements
- Discover and compare grants that work for your organization
- Distinguish the ways grants can trigger reviews, audits and tax status changes for an organization



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James joined Wegner CPAs in 2020 after several years of working with Madison-area and national nonprofit organizations. He has experience with a wide range of nonprofits, including human service providers, enthusiast clubs, and religious denominations. James currently serves as the Treasurer for the Verona Area Performing Arts Series and is the former Vice-Chair and Secretary of the Leadership Board at The Church at Christ Memorial in Fitchburg.



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What is a Grant?

- Funds given from one entity to another for a public benefit
 - Funder is not expecting a reciprocal benefit
 - Reciprocal benefits = exchange transaction, not grant
- Solicited, not given
 - Unsolicited funding = contribution
 - Grants and contributions in same section on Form 990
- Not expected to be paid back (i.e. not a loan)
- Usually given to a charitable organization or nonprofit
- Come in different forms from different sources

Common Sources of Grants

- Individuals
 - Applying for funding from a person
- Foundations
 - Giving funds, Endowments
- Corporations
 - Donations straight from for-profit entities
- Government
 - Local, State, and Federal

Individuals

- A person wants to fund a purpose
 - An organization applies to a call
 - The person sends funds
 - Don't forget donor acknowledgement! (Written letter for \$250+)
- Beware of conditions and restrictions
 - Failure to follow donor instructions allows a donor to take back their donation, and can ruin your nonprofit's reputation in the community

Foundations

- Foundations come in various forms
 - Philanthropist forms their own private foundation
 - Pooled resources from multiple donors
 - Madison Community Foundation
 - Charitable arm of for-profit entities
 - Brewers Community Foundation
 - Green Bay Packers Foundation
- Foundational grants can come in many forms, from one-time gifts to permanent endowments

Corporations

- For-profit companies can donate to nonprofits to lower their income tax burden and increase their community goodwill
- Companies will often partner with pass-through entities, like United Way, for their employees to easily give through paycheck deductions

Governments

- Frequently given to companies that provide services
 - Drug rehabilitation programs
 - Homeless and hunger relief
 - Wildlife rescue and forestry conservation
- Often competitive, limited funding
- Frequently come with stipulations, like match
- Higher likelihood of requiring an audit

Purposes of Grants

- General Operational
- Building/Capital Project
- Technology
- Disaster Relief
- Small Business Development
- Business Startup
 - Grants can be for virtually anything that a donor wants to fund!
 - Reminder: the donor can restrict the “when” and “where” the funding is spent

Poll #1

- Your nonprofit provides drug and alcohol rehabilitation services. A local philanthropist lost a family member to a drug overdose and wants to donate funds specifically meant for your residential treatment program. Are they allowed to tell you how to use their donation?



- Yes, donors may tell recipients how to use their donation
- No, we may use the donation as we see fit

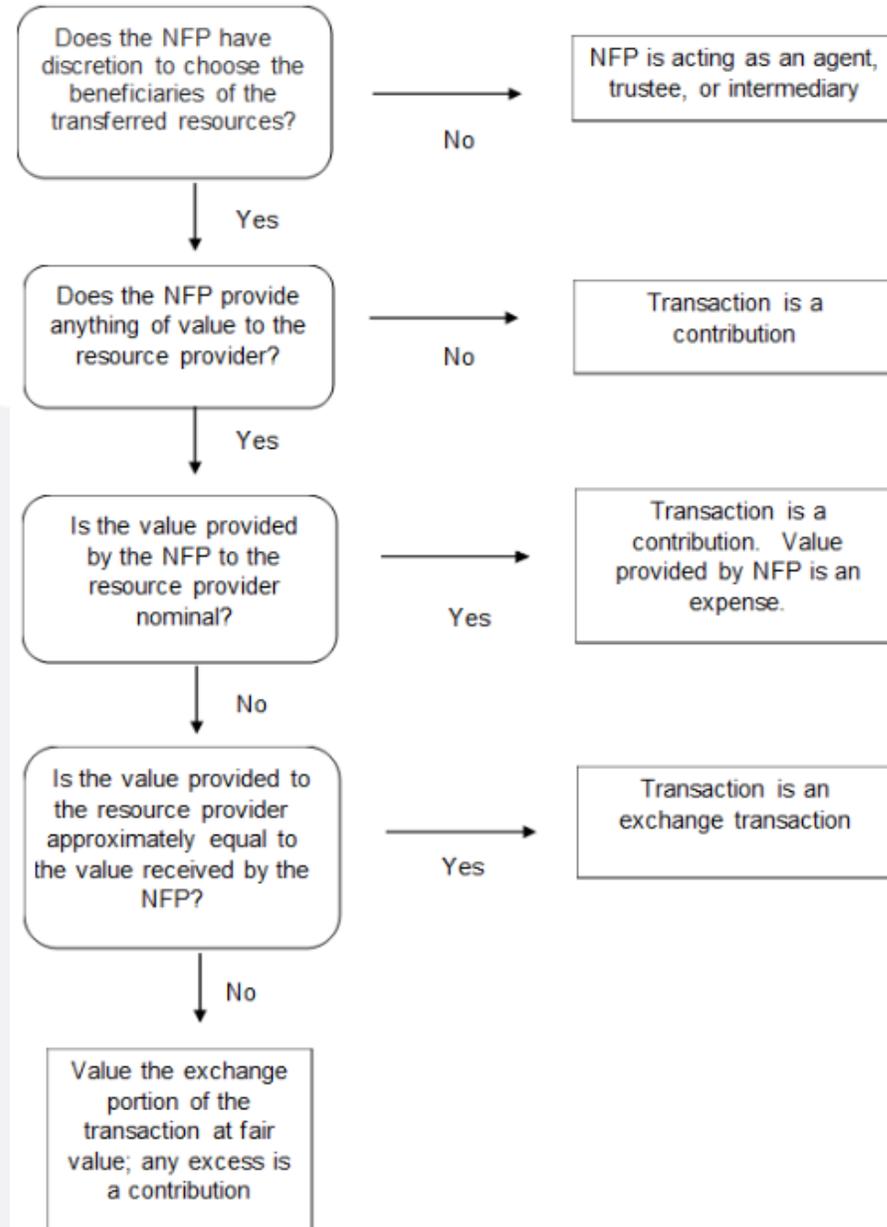
Exchange Transactions vs. Contribution

- **Exchange transactions** are purchases of goods and services from another entity that entail a reciprocal agreement
 - The nonprofit provides a good or service for something or someone that is defined
 - The funder expects something in return that benefits them, not the general public
- **Contributions** are a transfer of assets that is voluntary and nonreciprocal
 - Nothing is expected in return to the donor, other than fulfilling a purpose obligation
 - End beneficiary is the general public
 - Grants can be seen as a solicited contribution

Exchange Transactions vs. Contribution

- Not always cut and dry
- Transactions can be split exchange AND contribution
- Example: Nonprofit Gala Ticket
 - Entry
 - Dinner
 - Silent auction during event
 - Well-known band performance
- What's exchange? What's contribution?

Determining Whether a Transfer to a Not-For-Profit Entity Includes a Contribution



Conditions

- Grants and contributions may require a threshold to be crossed before the organization qualifies for funding
 - Number of meals served per pay
 - Matching funds in a fundraising event
- Revenue for conditional grants depends on when the qualification is met
- This is not the same as a restriction

Conditions

- Government grants are often conditional
 - Reimbursement-style grants: do the work first, the government then pays you back later
 - Units-based, outcomes-based, etc.
 - Caution: government work may be fee for service – who is the beneficiary?

Restrictions

- Donors can impose restrictions on the purpose and timing of the use of their grant
 - Purpose-restricted: the grant can only be used for a certain program, or may not be used for overhead expenses
 - Time-restricted: the grant may be used at some point in the future, like a multi-year Promise to Give

NET ASSETS	
WITH DONOR RESTRICTIONS	
Teen Clinic	<u>33,931</u>
Total assets with donor restriction	33,931
WITHOUT DONOR RESTRICTIONS	
Undesignated	270,676
Change in Net Assets	<u>(23,499)</u>
Total assets without donor restriction	247,177
Total net assets	<u>281,108</u>

Restrictions

- Government grants are frequently donor-restricted
 - Only used for a specific program
 - Only a certain amount of overhead may be charged to it
 - Performance of grant-based activities are put in a specific timeframe

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Restrictions

- What about Endowments?
 - Endowments are donations of money or property made to a nonprofit and resultant investment income is used for a purpose
 - Frequently, the principal (or “corpus”) of the endowment may not be used
 - While the nonprofit owns the endowment, in practice they do not control the use of the endowment
 - Frequently seen at educational and cultural institutions, like colleges and museums

Harvard Declines Federal Pandemic Aid For Third Consecutive Time

The stimulus package allocated around \$40 billion in relief to thousands of colleges and universities across the country to cover pandemic-related expenses. Harvard was eligible to receive an estimated \$25.5 million, according to **an analysis** by the American Council on Education in March.

The bill — signed into law by President Joe Biden on March 11 — prioritized distributing aid to institutions with endowments of less than \$1 million. Even though the University’s endowment is valued at \$41.9 billion, Harvard was still eligible to receive funds.

The move to reject the aid is consistent with the University’s choices to reject two other rounds of federal funds last year.

In April 2020, Harvard was **set to receive nearly \$9 million** from the first aid package, but **moved not to accept the funds** after **Republican lawmakers** and **then-President Donald Trump** criticized the University for taking aid while boasting a multi-billion dollar endowment.

Restrictions

Are there constraints on endowment funds?

Harvard's endowment is made up of more than 14,000 individual funds, the majority of which are "restricted." This means that donors have specified that their gift must support a particular aspect of the University's work, from specific scientific research to named professorships and dedicated scholarships. These philanthropic gifts are critical to many areas of our work, each with a unique person and story behind it.

- What about Endowments?
 - Since many endowments have restrictions, they can't just be spent to plug a budget hole

Restrictions: Religious Organizations

- Tithes and offerings from congregants are not exempt from donor restriction tracking
- Restricted donations are common and frequent
 - Special collections for overseas mission work or disaster relief
 - The Flower Fund, the Building Fund, etc.
- Houses of worship with poor fiscal practices often lose track of their restricted donations
- Members will stop giving if they think you aren't respecting your wishes

Restrictions

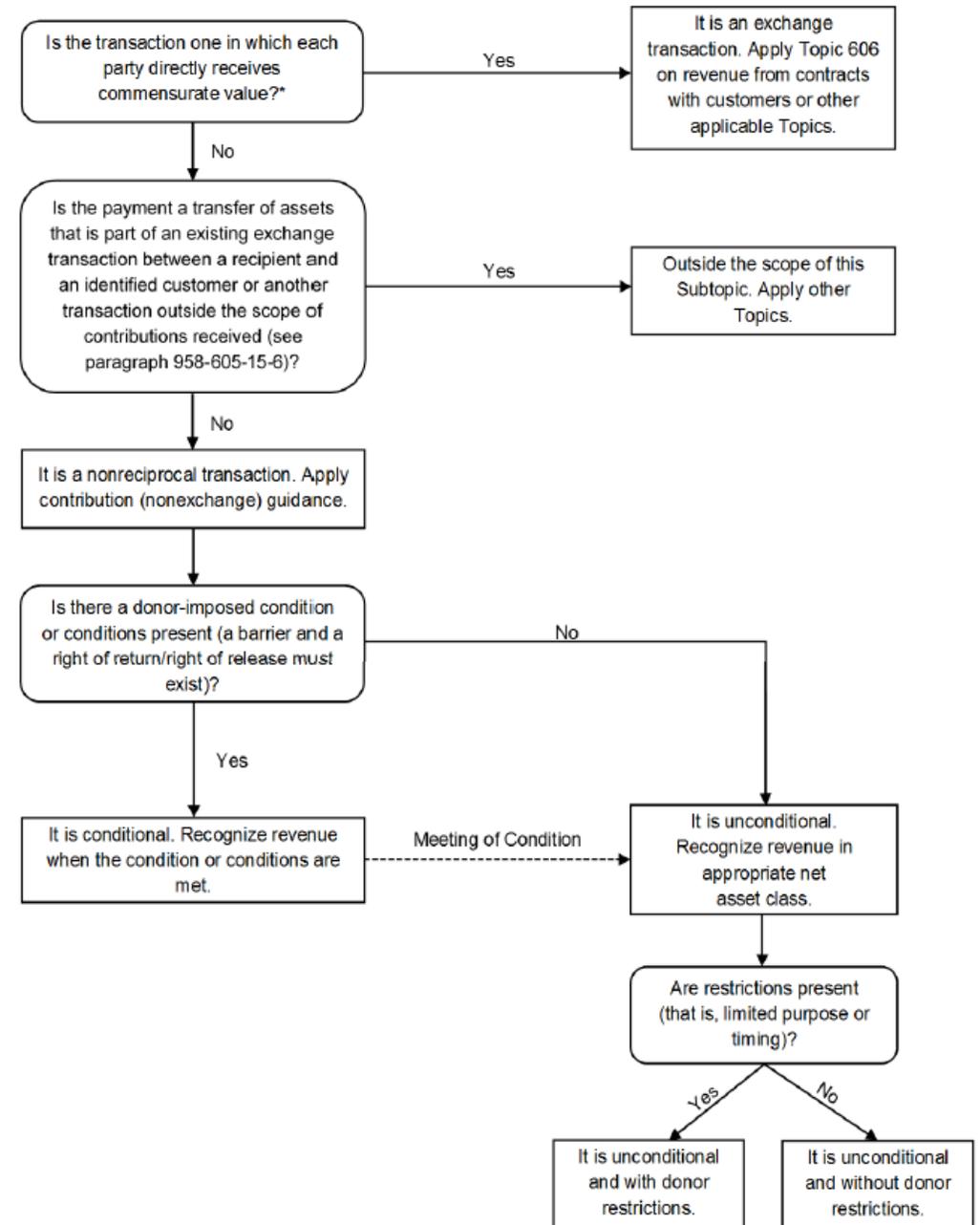
- On Financial Statements, **Net Assets With Donor Restriction** are presented on the Statement of Financial Position (the nonprofit equivalent of a for-profit Balance Sheet)
- As a reminder, Net Assets are what is left over after subtracting what you OWE from what you OWN (the nonprofit equivalent of for-profit Equity)

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Revenue Recognition

Similar to Order of Operations (remember PEMDAS?)

- Exchange or Contribution (Grant)?
- Conditional or Unconditional?
- Restricted or Unrestricted?



Poll #2

- Your nonprofit received a large donation from a local philanthropist, summing \$500,000 in various stocks they owned. The donation is placed into an endowment and stock dividends accumulate in a related money market account. The donor says you can spend the profits on “wherever the greatest need is.”

What is an acceptable use of the endowment?

- Sell all of the stocks and buy a new building
- Use the dividends to fund your programming
- Take out some of the stocks for a desperately needed new company van



Compliance

- The grant agreement is your rulebook!
 - Purpose of the grant
 - Fulfillment rules
 - How you are to provide a good or service
 - What and when you need to report activities and spending
 - What forms you need to submit for proper funding or reimbursement

It cannot be stressed enough: Knowing the rules for your grants is imperative for your organization!

Compliance: Grant Reporting

- Every grant is different when it comes to reporting
 - A grant from an individual may only necessitate the IRS-required donation letter
 - Government grants frequently require specific forms and formats for their report
 - Some grant reporting may make a grant more trouble than it is worth!
 - Are you paid indirect (admin) costs?
 - Do you need to find matching funds?

OMB Number: 4040-0012
Expiration Date: 01/31/2019

REQUEST FOR ADVANCE OR REIMBURSEMENT	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input checked="" type="checkbox"/> REIMBURSEMENT	2. BASIS OF REQUEST <input type="checkbox"/> CASH <input checked="" type="checkbox"/> ACCRUAL
		b. "X" the applicable box <input type="checkbox"/> FINAL <input checked="" type="checkbox"/> PARTIAL	

FORM A - CONSOLIDATED FINANCIAL REPORT

APPENDIX F
COST RESPONSE FORMS



RFP #: 9061
 Title: Laboratory Services
 City Agency: Engineering
 Due Date: Friday, August 27, 2021

Requests for Proposals (RFPs)

- An RFP is a solicitation from a donor looking for goods or services from a specialized source
 - Pricing
 - Methods of Production
 - Historical information
 - Prior experience
 - Can be a grant or fee for service

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RFP #: 9061
Title: Laboratory Services
City Agency: Engineering
Due Date: Friday, August 27, 2021

Requests for Proposals (RFPs)

- RFPs for specialized services
 - Alcohol and drug detox
 - Homelessness reduction
 - Public works projects
- Competition
 - Weighted scoring of
 - Cost
 - Experience
 - Capability
 - Local operations

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CITY OF MADISON
REQUEST FOR PROPOSALS



RFP #: 9061
Title: Laboratory Services
City Agency: Engineering
Due Date: Friday, August 27, 2021

Requests for Proposals (RFPs)

- Be aware of scope and reporting requirements
 - My nonprofit can perform the services, but can our admin or accounting team handle reporting?
 - Are we undercutting our pricing where we will lose money performing the grant request?

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Funding Structures

- Grants are paid out in different ways
 - Reimbursement (remember conditional grants?)
 - Advanced Payment
 - Timed payments (e.g., equal monthly amounts)
- Company cash flow should be considered
 - Strapped for cash? Stay away from reimbursements
 - Advances benefit the organization

Reporting Standards

- ***READ YOUR GRANT AGREEMENT!***
 - Not knowing what is expected will lead to adverse results
 - Grant agreements will tell you the what, when, and how to report
 - Agreements will have the guardrails for performance
 - Successful nonprofits have experts on grant rules and audit regulations

Reporting Standards

- Don't bite off more than you can chew!
 - The scale and knowledge of your staff should be part of the decision to apply for certain awards
- Any grant award can trigger higher-level accounting needs
 - Donors, no matter the size, can make a requirement for reviews and audits
 - Don't have a small donor make you get an audit – it's a money-losing proposition!

Taxes

- Form 990
 - 990-N: Gross Receipts <\$50,000
 - 990-EZ: Gross Receipts <\$200,000 *and* Total Assets \$500,000 at the end of the year
 - 990-PF: Private Foundations (no Ns or EZs)
 - 990: The full report
 - 990-T: Unrelated Business Income Tax
- Wisconsin requires reports similar to Form 990

Taxes: Items to Consider

- Will my organization move up to the next level of 990? Step-up in 990 = more cost
- Is this grant going to be a new significant activity?
- Could activities result in Unrelated Business Income Tax?
 - Often, grants qualify as tax exempt because they fall under the umbrella of mission-based work

Reviews and Audits: Wisconsin

- Wisconsin has dollar thresholds
 - \$300,000 of contributions for a review
 - \$500,000 of contributions for an audit
 - Review/Audit must be performed by an independent CPA
 - Contributions for the purposes of these audit requirements do not include government grants
- Other states have different requirements

Reviews and Audits: Federal

- Single Audit
 - Rigorous financial and compliance testing set forth by the Single Audit Act of 1996
 - Aggregated spending of \$1 million federal assistance in a year as of 2025
 - A \$1 million federal grant may not trigger a Single Audit if spent over multiple years
 - If not Single Audit, may need “Yellow Book” audit
 - Provides assurance to federal government of responsible spending of federal dollars

Poll #3

- You are the pastor of a local church. While the parking lot is filled on Sundays, it is virtually empty the remainder of the week. Since your church is in the city and parking is difficult, you decide to open your lot on the weekdays to commuting workers. What are the tax implications?
 - None. We're a church, we don't need to pay taxes!
 - We'll have to pay taxes, but at a reduced rate compared to the private parking garage down the street
 - We'll have to pay the corporate tax rate on the profits of the parking spot sales

Review

- Organizations can apply for and receive grants from various entities
- The information that needs to be reported to the funder depends on the grant agreement
 - Becoming familiar with each grant agreement is crucial
- Each grant will have different requirements, possibly including additional fundraising like match, or be restricted to specific programs
- Dollar thresholds and grant requirements will determine if a review or audit is necessary, and there are rigorous rules for large federal awards (Single Audit)



Question Time



THANK YOU



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