

Accounting for Grants: Restricted, Conditional and Everything In-Between

PRACTICAL APPLICATION CASE STUDIES IN APPLYING ASU 2018-08:

*CLARIFYING THE SCOPE AND ACCOUNTING GUIDANCE FOR
CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE*

REFERENCES & SOURCES

- FASB ASU 2018-08; *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*
- FASB Q&A document; *Subtopic 958-605: Application of the Limited Discretion Indicator and Accounting for Cost-Sharing Provisions in a Grant Agreement*
- AICPA Center for Plain English Accounting; *Clarifying Terms & Concepts in ASU 2021-10 & ASU 2018-08*; Paul H. Koehler, CPA
- AICPA Audit and Accounting Guide: Not-For-Profit Entities
- Real grants from real nonprofit clients

WHAT WE ARE COVERING

Conditional Grants & Unconditional Grants with Donor-Imposed Restrictions

That are subject to a written grant agreement and subject to stipulations communicated by donor

Defining characteristics of each type

Accounting treatment for each type

Case studies to practice deciphering grant language, identifying grantor and grantee obligations, applying professional judgment, and determining the appropriate treatment in application of the accounting standard

WHAT WE ARE EXCLUDING

Topic 606 Exchange Grants

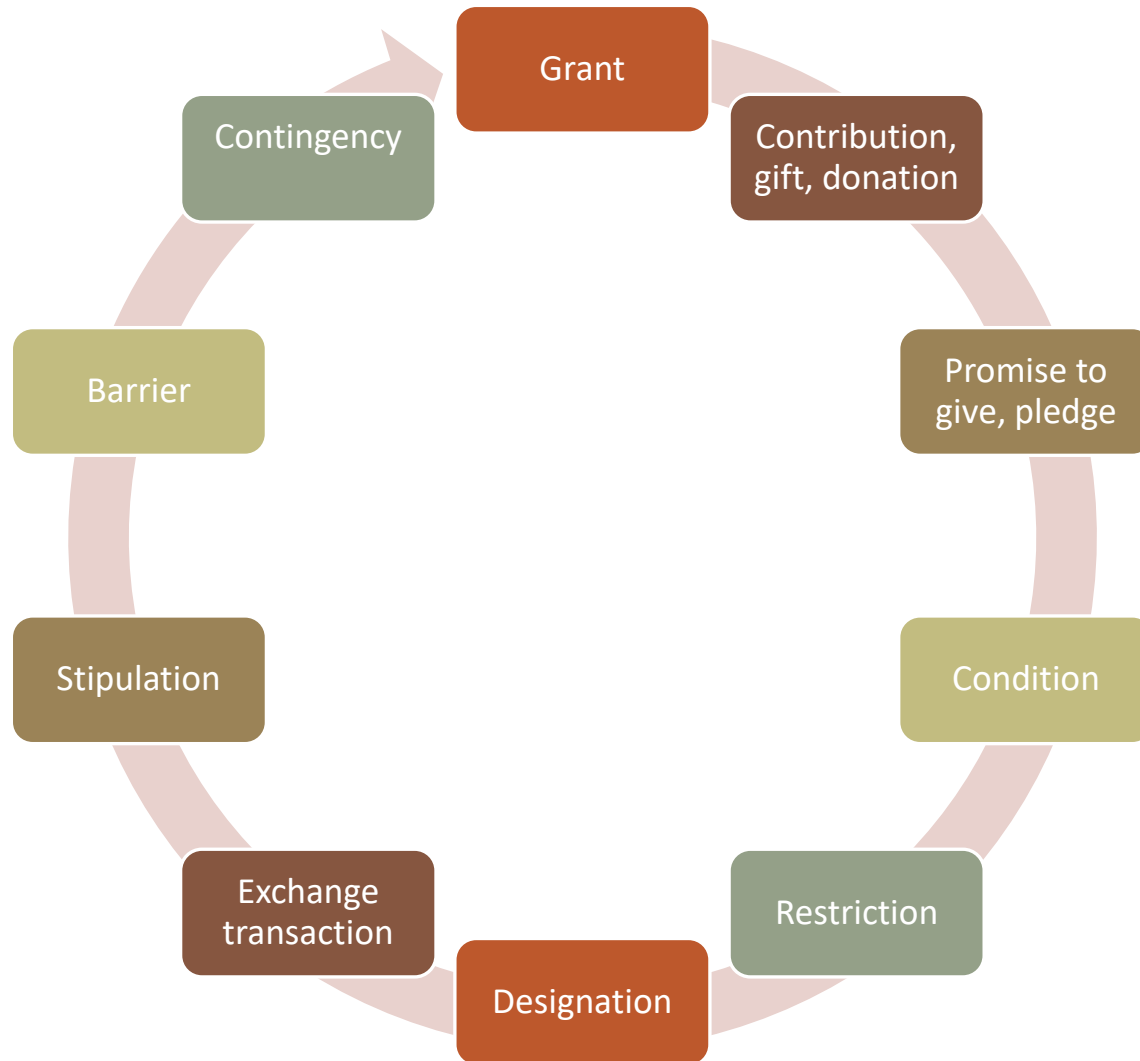
Program Revenue

Fundraising Events

Sponsorships

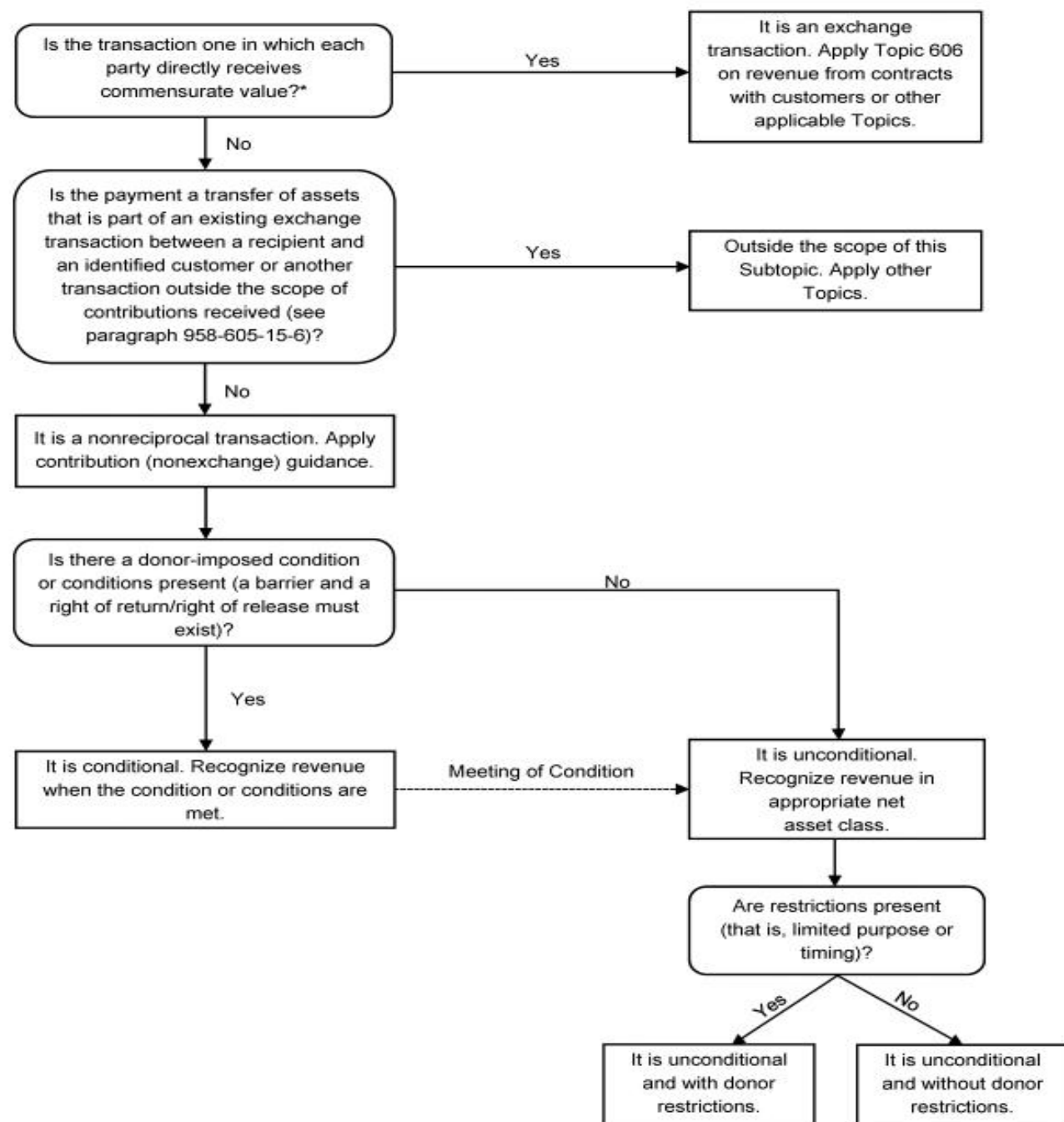
In-kind, Non-cash Contributions

Endowments or Contributions with Permanent Donor-Imposed Restrictions



DEFINITIONS

Decision Tree



*See paragraph 958-605-55-6 for guidance about transactions that are in part an exchange and in part a contribution.

Conditional Contributions in the Form of Grants

Usually subject to a written grant agreement

Why? Because stipulations are often detailed and specific

Must have both a right of release or return of funds to the Grantor and performance barriers that must be overcome before grantee is entitled to the funds

Grant may include a right of return of funds, but it is not a conditional grant if there is no performance barrier to entitlement to the funds

Grant may have a performance barrier, but it is not a conditional grant if there is no right of return of funds to the Grantor

Record revenue when barriers have been overcome; receipts in excess of recognized revenue are recorded as refundable advance liabilities; no receivable recorded when grant is awarded

Right of Release or Return of Funds

ASU 2018-08:

A right of return to the grantor for assets transferred (or for a reduction, settlement, or cancellation of liabilities) or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities).

An agreement does not need to include the specific phrase ***right of return or release from obligation***; however, an agreement should be sufficiently clear to be able to support a reasonable conclusion about when a recipient would be entitled to the transfer of assets.

What is a Performance Barrier??

Measurable performance
of an activity,
accomplishment of a
goal, occurrence of an
event

Limited discretion is
afforded to the grantee
in the conduct of the
activity

Barrier is related to the
PURPOSE of the grant, ie,
not administrative

The above list is not all
inclusive. There may be
other indicators.

Common Questions



Are reimbursement-based grants always conditional?



What do I do about expense tracking?



When do I recognize revenue for overhead or general operating allowances within an otherwise conditional grant?



If I submit a budget with our grant application, does that make a grant conditional?

Unconditional Contributions in the Form of Grants with Donor-Imposed Restrictions

Unconditional contributions are subject to a variety of communications from donor, including written grant agreements

Might be everything from a simple memo on a check to a multi-page grant document containing a detailed description of the restriction

May have a right of return of funds, but it is not a conditional grant if there is no performance barrier to entitlement to funds

May have a performance barrier, but it is not a conditional grant if there is no right of return of funds to the Grantor

Are performance barriers without a right of return of funds just restrictions?

Grantee has discretion

Record revenue when awarded; increase temporarily restricted net assets; release net assets when funds are expended in accordance with restriction

HELP! HOW DO I BUDGET FOR THIS??

Unconditional contributions with donor-imposed restrictions are recognized as awarded

An unconditional promise imposes a social or moral, if not legal, obligation on the promisor/grantor

Grantee has discretion over the “how and/or when”

Restricted grant revenue can be recorded years in advance of the nonprofit’s need to expend the funds

In the year of award, lump sum revenue is recorded, and in subsequent year(s), expenses are recorded

GAAP financials will reflect the release from restriction; however, the bottom line still looks dreadful

How do I budget for this?? My board won’t approve a deficit budget!!

Case Study #1

This Grant Agreement is between **Red & Black Financial Inc.** (the "Grantor") and **The Power Play Learning Center** (the "Grantee"), a nonprofit organization.

Under the terms of this Agreement, Grantor shall make available to Grantee total funds in the amount of \$700,000.00, to be paid by the Grantor to the Grantee upon execution of this Agreement.

The Grantee agrees to the following:

1. PURPOSE AND ADMINISTRATION

The grant shall be used exclusively for the purposes specified in the Grantee's final proposal attached as Exhibit A (the "Grant Description"), the terms of which are incorporated herein and made a part of this Agreement.

2. USE OF GRANT FUNDS

The Grantee shall use the full amount of the grant for the purposes set forth in the Grant Description. Unless otherwise agreed in writing by the Grantor, the Grantee shall return any portion of the grant and the income earned thereon that is not expended for such purposes.

The Grantee shall return to the Grantor any unexpended or unobligated grant funds, if the Grantor, in its reasonable discretion, determines that Grantee has not performed in accordance with this Agreement.

Case Study #1

EXHIBIT A

Requested Cash Amount

\$700,000.00

Project Title

Scaling a Sustainable Model for Inclusive Job Training Opportunities

Focus Area

Diversity in the Talent Pipeline

Category

Education & Economic Empowerment

Grant Request Description

The Power Play Learning Center seeks to build inclusive economic opportunity by scaling a proven model of delivering training through a combination of free classes and post-employment mentoring to people from diverse, low-income communities.

Case Study #2

This Grant Agreement is between **The Lord Stanley Foundation** (the "Grantor") and **The Give a Kid a Puck Club** (the "Grantee"), a nonprofit organization.

Use of Funds. This grant is made solely for the purposes of supporting The Give a Kid a Puck Club so that 875 young people from the Triangle community can access pay-to-play hockey programs at a cost scaled to their economic ability to pay, as described in Grantee's proposal and budget, a copy of which is attached hereto as Attachment 2. Grantee may not use the funds for any other purpose.

The Foundation reserves the right to discontinue funding and may demand the return of all or any unexpended grant funds if at any time Grantee misuses funds or fails to comply with the terms of this Grant Agreement, including reporting requirements.

Any portion of the grant funds paid to Grantee, as well as any interest earned by Grantee on the grant that remains unexpended upon completion of the project shall revert to the Foundation.

Reporting. To enable the Foundation to evaluate the effectiveness of this grant, Grantee shall submit periodic progress reports as well as a final report in accordance with the attached Reporting Guidelines.

Requested Grant Amount: \$500,000 (2 years)

Case Study #2

Attachment 1 – REPORTING GUIDELINES

A. Progress Summary:

- a. Timeline: Describe how the program/project is progressing against the stated timeline. Have there been any significant delays or accelerations?
- b. Goals & Objectives: Describe progress against the goals & objectives as stated in the Proposal.

B. Challenges: Share with us any challenges your organization has faced in achieving the goals & objectives stated in the Proposal.

C. Lessons Learned: For the Final Report only, please share your lessons learned and advice you might give to another organization undertaking a similar project.

D. Financial Report: Input actuals on the budget tab in the Budget and M&E Table submitted with Grantee's grant application at Attachment 2.

E. Measurement & Evaluation Table: Provide progress to date on the goals & objectives outlined in the M&E Table included with this Grant Agreement.

Case Study #3

Grant Resolution

On November 18, 2023, **Top Line Medical Center**'s Board of Trustees resolved to make a two-year emergency health impact grant of \$100,000 to **The Raleigh Emergency Dental Clinic** for general operating support. This grant is for work with Raleigh, North Carolina patients only. This grant is payable at \$50,000 in year one and \$50,000 in year two. This grant is payable beginning in January 2024.

Reporting On Your Grant

Top Line Medical Center Staff will contact grant recipients annually about progress in their work, challenges, opportunities, partnerships, and what they have learned. Our goal is to learn along with you as you conduct the work and to better understand the conditions in which you are working. Top Line Medical Center Staff may request annual financial updates on the use of the grant funds. This is an appropriate time for an organization to let Top Line Medical Center know if it cannot spend the funding during the life of the grant or if it has significantly changed the budget for a project.

Case Study #4

Grant Terms and Conditions

These grant agreement governs the terms by which the **Town of Caneswin** (the “Town”) offers **Broken Stick Recycling** ("Grantee") a grant for the specific amount and for the specific funding purposes as set forth in your submitted grant application and budget.

Request for Information. The Grantee will promptly provide any information and/or documentation related to Grantee's use of the Grant Funds upon request by the Town of Caneswin.

Return of Funds. The Town of Caneswin reserves the right to require a total or partial refund of any Grant Funds if, in the Town’s sole discretion, such action is necessary (i) because you have not fully complied with these Terms and Conditions, (ii) to protect the purpose and objectives of the Town in making this grant, or (iii) to comply with any law or regulation applicable to you, the Town, or the grant.

Broken Stick Recycling is requesting \$40,000 from The Town of Caneswin Recycling Fund.

Grant Application Summary

We are proposing a neighborhood outreach and engagement strategy that leverages the connections we have developed as a community action organization in Caneswin. This project will be designed in collaboration with key partners to reduce duplication of efforts and to ensure targeted outcomes.

Broken Stick Recycling has identified a depository of broken sticks in the Caneswin community in need of clean-up and recycling efforts.

Broken Stick Recycling is proposing a volunteer day of service and community outreach that will involve mobilizing volunteers in the clean-up effort with the goal of recycling at least 200 pounds of broken sticks, including a neighborhood luncheon, t-shirts, and distribution of materials to aid in educating near-by residents in the recyclability of its broken sticks. Broken stick Recycling will seek to engage media and spotlight the Town’s generous community investment in the local area.

Case Study #4

Broken Stick Recycling- Volunteer Project Budget

Project Coordination	\$20,000	
Volunteer Hospitality	\$5,300	15 per box lunch (200); 500 water, beverages, ice, snacks for sites
Tshirts and giveaways	\$3,500	\$10 per/250 shirts and give aways
Partnership Participation	\$3,000	
Engagement	\$2,500	Stipends paid to 10 youth/15 adults
Media/communications	\$2,500	\$500 per mo/3 mos and printing
OTHER		
Sound & DJ	\$1,200	
Signage/Balloons	\$1,000	
Photographer	\$800	
Plaque for resident recognition	<u>\$200</u>	
	\$40,000	Total project budget

Case Study #5

Thank you for your application for **Center Ice Research Association**. We here at **Hat, Trick & Associates Laboratories** are excited about your plans to increase Center Ice's impact on the problem of failing refrigeration systems on human health. And we are happy to support your place-based expansion into New York.

Your grant request in the amount of \$200,000.00 has been approved. We have initiated the funding of an initial disbursement in the amount of \$100,000.00. The grant term is 08/01/2022 to 08/01/2024. Future recommendations for funding are contingent upon the progress of the project based on your submitted reports including an evaluation of stated performance measures. Future grant disbursements will be made subject to our final discretion and approval at the time of disbursement.

Reporting and Evaluation: Grantee will provide financial and narrative reports by the due dates listed. Please include a description of progress made in fulfilling the purposes of the grant. Success will be measured against the outputs and outcomes described in Appendix B. Future disbursement recommendations are always contingent upon our approval of Grantee's operations based on the above reports, and our satisfaction with information they may obtain from other sources.

Case Study #5

APPENDIX B

Outputs And Outcomes

Output: Grantee will employee an additional Director of Research to oversee the research project initiatives by 11/30/22.

Output: Grantee will submit its research findings related to the project by 8/1/2023 for publication.

Output: Grantee will scale its research operations into the State of New York by 08/01/2024.

Case Study #6

FIVE STAR COMMUNITY BANK

GRANT FUNDS AGREEMENT

THIS CONTRACT is entered into by and between **NC Hurricane Relief Fund**, a nonprofit organization, (“Grantee”) and **Five Star Community Bank**, a North Carolina corporation, (“Grantor”).

Purpose of Grant: Through this grant, NC Hurricane Relief Fund will provide emergency relief services and mini-grants to house NC residents displaced by Tropical Storm Ophelia, including direct payment of rent, information and referrals, and related client support services. Grantee will serve approximately two-hundred and thirty-five (235) individuals.

Grantee will primarily serve the following target groups with these grant funds: youth under the age of eighteen (18), the elderly over the age of sixty-five (65) and other vulnerable populations, specifically the mentally and physically disabled.

Time of Performance: In performing the services described in this Contract, it is mutually agreed that time is of the essence. The Grantee shall begin work immediately, and work shall be completed by March 1, 2024.

Contract amount: \$500,324.00

Target Metrics:

235 households with youth, elderly and/or disabled provided emergency housing information and/or referrals.

100 households with youth, elderly and/or disabled provided emergency housing funding of (3) months.

50 households with youth, elderly and/or disabled provided legal consultation or health and human resources referrals.

Case Study #6

Eligible expenses: All costs paid for with this grant are on a reimbursement basis. Grantee must present documentation that expenses were both incurred within the period of the grant contract and already paid for before payment will be made by the Grantor.

Eligible expenses include reasonable allocations of staff time and expenses necessary to conduct the activities of the Grant.

Payment of such compensation specified in this Contract, its continuation or any renewal thereof, is dependent upon and subject to review of staff time logs by the Grantor.

The Grantor may conduct an audit of any services performed and fees paid subject to this Contract. The Grantor may perform such an audit throughout the contract period and for three (3) years after termination thereof or longer if otherwise required by law. The Grantee shall reimburse the Grantor for any overcharges identified by the audit within ninety (90) days of written notice of the audit's findings.

Conclusion

