

# Soothing the Pain Points in Grant Reporting

By Michelle Greanias

As part of its second phase of work, Project Streamline asked both grantmakers and grantseekers to identify and provide solutions to the main “pain points” in grant application and reporting practices. A single – if not simple – question rose to the top:

*How can funders minimize financial reporting requirements for nonprofit organizations to the maximum extent possible, while still carrying out proper financial due diligence?*

The inquiry led us to four core recommendations for funders eager to streamline their grant budget and financial reporting processes, and five tips for how grantseekers can help them. The Project Streamline Grant Budgets and Financial Reports Guide<sup>1</sup> explores these recommendations and tips in detail, but what does streamlining reporting requirements look like in the real world?

As funders take a step back to examine their processes and requirements, many are questioning the value of grant reports for general operating support, wondering if the two main purposes of such reports – compliance and evaluation – apply. For example, an organization receiving general operating support is considered in compliance as long as it operated during the grant period with no major changes to its tax status or mission. And, while the organization’s programs may have specific outcomes, operating support does not

have a direct cause-and-effect connection to them that can be evaluated.

With operating support accounting for 19 percent of grants given by foundations,<sup>2</sup> reducing or even eliminating the report requirement presents a significant streamlining opportunity. Successful strategies to streamline operating support reports include:

## 1. Eliminate financial report requirements

If your organization has received general operating support from the Saint Luke’s Foundation in Cleveland, you no longer have to submit a final budget report.

The shift was made more than a year ago, when staff realized the report was not relevant when it came to general operating support grants. “In the proposal, we already ask them to list their annual operating budget and the lump sum they want from us,” Peg Butler, grants manager at Saint Luke’s, says. “At the end of the grant, we don’t need to know what they’re spending on, itemized.”

- ## 2. Combine reports and new requests
- Some grantmakers have decided to combine the final grant report with the new application when



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# Grant Budget and Financial Reports

## Streamlining Recommendations for Foundations

### 1. Use the information grantees already have.

Nonprofits use budget and financial report formats that fit into their financial systems, yet funders regularly ask them to slice and dice their financial information into funder-specific formats. Using nonprofits' existing materials not only can save nonprofits time and add to the "net grant,"<sup>1</sup> it also can give you important insight into a nonprofit's financial sophistication.

### 2. Align grant schedules with the grantee's timing, not the funders'.

Funders should make sure that two elements of grants – grant start and end dates and reporting periods – align with the grantee's fiscal cycles and project timelines. Too often, these schedules are based on the funder's process, regardless of what makes the most sense for the grant.

general operating support is likely to be renewed, lowering the amount of overall paperwork required.

One example is the Gaylord and Dorothy Donnelley Foundation in Chicago. After participating in the Center for Effective Philanthropy's grantee perception survey, the foundation discovered that its grantees in the arts, the majority of which reapplied every year, gave the foundation much lower scores than the rest of its surveyed grantees when it came to the application process. Donnelley Foundation staff realized that, for these renewing grantees, the standard form was too time-intensive and burdensome.

### 3. Require less reporting than funders typically require of grantees.

We recommend that funders follow three principles:

- Reporting generally should be required on no more than an annual basis.
- When a number of funders jointly support a project or program, one budget and financial reporting format should be used, and all funders should agree to accept reports in that format.
- The smaller a grant is, the simpler the grant budget and financial reporting requirements should be.

### 4. Ask only for the information you will use.

Funders need to know what information to ask for and what they're going to do with it.

By taking information from both application and renewal forms, they were able to create a new combined form<sup>3</sup> for its arts grantees.

The Bush Foundation in Saint Paul also combines year-end and renewal reports for its Regional Arts Development Program grants. These grants are 10-year-long strategic commitments for arts organizations, broken up into initial 12- to 18-month entry grants, then three-year implementation grants. For each grant in this sequence, organizations submit a combined form, which includes a narrative account of any actions taken to overcome the unexpected during the grant period.

According to grants administrator

Erin Dirksen, the change happened in 2004, when Bush Foundation grantees expressed frustration at the redundancy of the final report and renewal application that were both due at the same time. The new single form creates a one-step system in Bush Foundation grantmaking. "When we receive this final form, we mark it as 'done' in our grants database and open a new pending grant request at the same time," according to Dirksen, who says streamlining this part of the application saves staff time and limits grantee frustration.

### 3. Ask just for the existing annual report

For years, the Roy A. Hunt Foundation in Pittsburgh has been using a simple approach to track use of general operating support funds: asking for grantee organizations' annual report publications. "Our general operating support grants are made with the understanding that the trustees must embrace the mission of the organization," said executive director Bea Carter. "The annual reports, over time, tell us if the organization is on or off course."

## SO WHAT CAN GRANTSEEKERS DO TO HELP?

Nonprofit organizations can help funders streamline their budget and financial reporting requirements and processes by:

### 1. Posting your information online:

We encourage nonprofit organizations to post online their most recent Form 990s and audited financial statements so that they can be accessed easily by funders. Some funders may be willing to use these materials in lieu of requiring specific budget and financial information to be sent.

### 2. Watching for any red flags you might have:

Nonprofit organiza-

tions should know and analyze the kinds of things that funders look for in budget and financial information. Be aware of any red flags that might concern a grantmaker, and be prepared to explain them. Ratio analysis tools exist to help nonprofits assess their financial fitness.

**3. Ensuring that your grant budgets and financial information are internally consistent:**

Often, grant application budgets are developed by a nonprofit program staff person, using categories and line items that make sense for that project. Meanwhile, the organization's financial documents, which may use a different set of categories and line items, can be used for grant reporting. It will streamline the process if you align these documents, ideally keeping them consistent with your organization's official accounting system.

**4. Asking if you're not sure about a funder's requirements for financial information:**

Although this tip seems obvious, many nonprofit organizations hesitate to ask for help and clarification – even when they need it and grantmakers are ready to provide it. In turn, many funders' requirements aren't clear, and need your feedback to get them right.

**5. Being upfront and clear about your project's real cycles:**

Be sure to let the funder know the actual start and end dates for the project, your organization's fiscal year, and other pertinent schedule information. Funders might not be aware that you may prefer to submit financial reports in alignment with your organization's timeline, not their own granting cycle.

**ABOUT PROJECT STREAMLINE**

Project Streamline is an effort of funders and nonprofits to improve grant application, monitoring and reporting practices. It is a collaborative initiative of the Grants Managers Network, in partnership with the Association of Fundraising Professionals, the Association of Small Foundations, the Council on Foundations, the Forum of



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Regional Associations of Grantmakers, the Foundation Center, Grantmakers for Effective Organizations and the National Council of Nonprofits.

**ABOUT THE GUIDE SERIES**

The Guide series, each component of which is made available online at no charge, supplies the necessary tools to help grantmakers apply Project Streamline's four principles:

1. Taking a fresh look at information requirements with a special focus on what due diligence grantmakers really need to do in order to make a grant.
2. Rightsizing grant application and reporting requirements.
3. Reducing the burden that grant-seeking places on grantees, with a special focus on improving financial reporting and implementing online systems.
4. Improving communication with and obtaining feedback from grant seekers to support and help direct your streamlining efforts.

For more information and to access the available Guides, visit [www.projectstreamline.org](http://www.projectstreamline.org).

*Michelle Greanias is the executive director of the Grants Managers Network*

**Notes**

1. Available for download at <http://www.projectstreamline.org/sites/projectstreamline.org/files/Grant%20Budgets%20and%20Financial%20Reports%20Guide.pdf>.
2. Foundation Center, *Foundation Giving Trends, 2009* (New York: Foundations Center, February 2009).
3. Available online at: [www.projectstreamline.org/sites/projectstreamline.org/files/Donnelley\\_Foundation\\_General\\_Operations\\_Final\\_Report\\_and\\_Application\\_for\\_Renewed\\_Funding\\_0.pdf](http://www.projectstreamline.org/sites/projectstreamline.org/files/Donnelley_Foundation_General_Operations_Final_Report_and_Application_for_Renewed_Funding_0.pdf).