



# 2026 WINTER TRAINING CONFERENCE

*“Rooted in Hope”*

**Beyond the Balance  
Sheet**



[www.nascsp.org](http://www.nascsp.org)

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Kay Sohl Consulting   
*Training and Consulting Services*



# WHO'S HERE

- State Community Services  
Program Director
- Fiscal or Program Monitor
- Other Community Services  
Program staff
- Federal agency staff

- CAA staff
- Technical Assistance provider
- Independent Auditor

# Workshop Topics

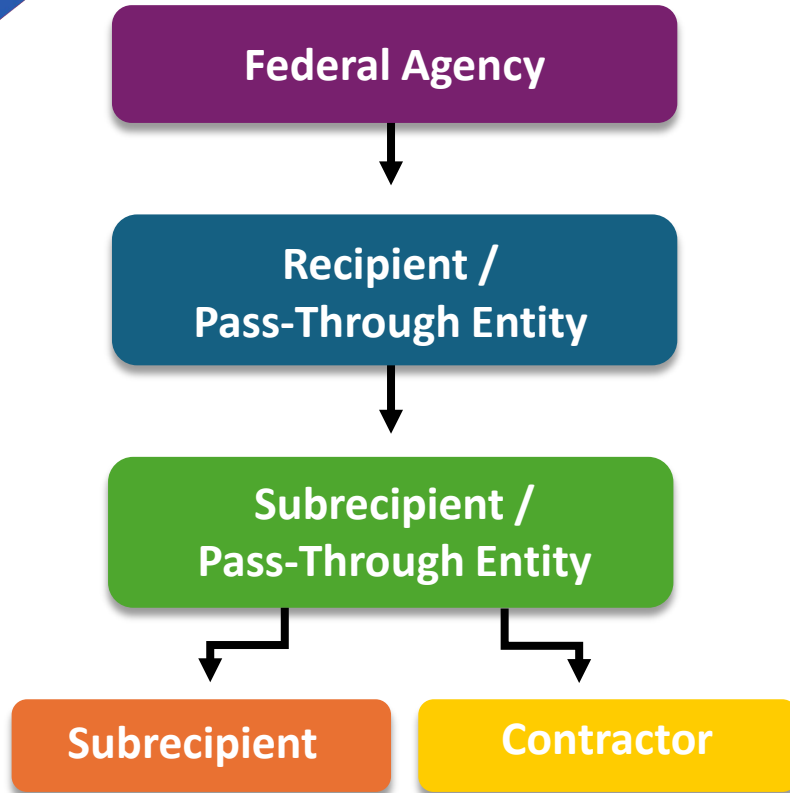
## Part 1

- Context
- Financial Risk Assessment & Monitoring
- Single Audits – key resources
- Financial health indicators
- Internal financial reports
- Cash flow red flags
- Public CAA challenges

## Part 2

- Why CAA budgets matter
- Cost - allocation
- Administrative costs
- Direct charging & indirect cost rates
- Admin cost caps
- Next steps

# Workshop Context



- Nonprofit (Private) CAAs comprise 80 % of CSBG sub - recipients - public entities comprise 20 %
- Assessment and Monitoring challenges of nonprofit and public sub-recipients differ
- Workshop focuses on Nonprofit CAA issues
- Questions on Public CAAs are welcome

# Why State Offices need to know about CAA financial health

States rely on Private (nonprofit) or Public CAA subrecipients to carry out the work

Uniform Grants Guidance - § 2 CFR 200.206 risk assessment section requires pass-through entities to consider an applicant's financial stability and management competence

Initial sub-recipient **risk assessment** must include both financial health and adequacy of financial management

Sub-recipient **monitoring** requires review of both

Recognize the potential reputational damage to state office or national CAA initiatives from weak assessment or monitoring

# Financial Risk Assessment

- NASCSP Tools
- Audit history and findings
- Availability of timely, accurate, complete current financial statements
- Cash position
- Balance Sheet Trends
- Knowledge of and ready access to § 2 CFR 200 and program specific CFRs

- Current, compliant policies: Cost - Allocation, Procurement, Conflict of Interest, etc.
- Compliant approach to documenting and charging administrative costs and other indirect costs
- Demonstrated capacity to submit compliant financial reports to funders
- Compliance with CSBG Organizational Standards Category Eight: Financial Operations and Oversight

# Complications in Evaluating CAA Financial Health

- Auditor shortage – poor quality audits
- Understanding auditor professional standards
- Problematic CAA internal financial reports
- Consolidation of multiple entities
- Housing portfolios
- Social enterprise

# Understand the CAA's Structure for Internal Financial Oversight

- i. Organization Chart
- ii. Role of CEO/ED in financial oversight
- iii. Role of Board of Directors in financial oversight
- iv. Role of Program Managers in oversight

# Key Monitoring Expectation

## Award Master File includes

- i. Executed award agreements and amendments
- ii. Documentation of compliance requirements for the award
- iii. Submitted award financial reports
- iv. General Ledger source for data included in award financial reports
- v. Documentation on services provided
- vi. Previously submitted monitoring reports

# Finance Department Master Files Should Include

- i. Fiscal Policies and Procedures
- ii. Procurement Policies and Procedures
- iii. Other Policies required by UGG
- iv. Dated and Certified Cost Allocation Plan
- v. Description of methodology for charging shared or indirect costs
- vi. If appropriate, provisional and final negotiated indirect cost rate agreements
- vii. If de minimis rate is utilized, documentation of Admin and other Shared Costs that will be recovered through the de minimis rate

# Key Financial Management Capacities

## Indicator

### Clear, Compliant, Current Policies

- 1. Policies include effective date and certification if required*
- 2. Need evidence that policies are followed*

- Accounting
- Cost - allocation
- Use of indirect cost rate
- Investment
- Risk management
- Procurement
- Employment

# Reviewing Single Audit Reports

- i. Review most recent plus 2 or 3 years prior to observe trends
- ii. Auditor's opinion on financial statement fairness and federal compliance
- iii. SEFA
- iv. Report on Internal Controls
- v. Report on Compliance
- vi. Schedule of Findings and Questioned Costs
- vii. Corrective Action Plan

# What NP Single Audits Provide

1

## Audit findings -single audit vs independent audit

1. Focus on internal controls and compliance
2. Schedule of Expenditures of Federal Awards – SEFA

2

## Standard Audit reports may provide more useful info

1. GAAP basis tested f/s
2. Primary accounting choices in first note
3. Notes explaining complexity and donor restrictions
4. Liquidity analysis
5. Going concern

3

## Capacity to record and report timely and accurately financial info

1. Audit looks at year-end, but sound management requires monthly reporting and analysis



Schedule of Expenditures of federal Awards  
December 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Expenditures	Amounts Passed-Through to Subrecipients
U.S. Department of Energy				
Passed through North Dakota Department of Commerce				
Weatherization Assistance for Low-Income Persons	81.042	4322-DOE18-50	\$144,940	-
Weatherization Assistance for Low-Income Persons	81.042	4478-DOE19-50	426,362	-
Total for U.S. Department of Energy			571,302	-
U.S. Department of Health and Human Services				
Direct Award: Head Start				
PA 22	93.6	08CH104006	4,323	-
PA 25	93.6	08CH104006	5,585	-
PA 22	93.6	08CH010729	2,508,383	-
PA 21	93.6	08CH010729	21,483	-
PA 25	93.6	08CH010729	840,457	-
PA 20	93.6	08CH010729	30,871	-
Subtotal for 93.600			3,411,102	-
Passed through North Dakota Department of Commerce:				
Low-Income Home Energy Assistance				
Emergency Furnace Repair and Replacement Program	93.568	4103-LIHEAPEF-16-50	216,677	-
Emergency Furnace Repair and Replacement Program	93.568	4242-LIHEAPEF-17-50	17,024	-
Emergency Furnace Repair and Replacement Program	93.568	4391-LIHEAPEF-18-50	233,737	-
Emergency Furnace Repair and Replacement Program	93.568	4579-LIHEAPEF-19-50	94,739	-
Weatherization Program	93.568	4091-LIHEAP16-50	211,372	-
Weatherization Program	93.568	4235-LIHEAP17-50	84,082	-
Weatherization Program	93.568	4384-LIHEAP18-50	93,829	-
Weatherization Program	93.568	4572-LIHEAP19-50	13,160	-
Weatherization Program	93.568	4084-LIHEAP15-50	150,920	-
Subtotal for 93.568			1,115,540	-
Community Services Block Grant	93.569	4424-CSBG19-50	667,174	-
Passed through Red River Valley Community Action:				
Assets for Independence Demonstration Program	93.602	90EI0852-01-00	23,207	-
Passed through North Dakota Department of Health:				
HIV Care Formula Grant	93.917	G17.619	17,189	-
HIV Care Formula Grant	93.917	G17.1202	59,533	-
Subtotal for 93.917			76,722	-
Total for U.S. Department of Health and Human Services			5,293,745	-
North Dakota Community Action Partnership and North Dakota Coalition for Homeless People, Inc.				
Supportive Services for Veteran Families Program	64.033	VA-SSVF-120516	184,660	-
Total for U.S. Department of Veterans Affairs			184,660	-
Total Expenditures of Federal Awards			\$8,557,646	\$ -

# Liquidity Disclosure

## in Notes to the Financial Statements

### **Note X: Liquidity and Availability of Financial Resources**

*"The organization maintains significant financial assets available to meet its general expenditures for the next 12 months. Our primary liquidity management strategy involves forecasting cash flows, maintaining sufficient operating reserves (including board-designated funds), and leveraging available lines of credit. As of December 31, 2025, we had \$400,000 in financial assets available for general expenditure.*

This amount includes cash, short-term investments, and unrestricted receivables, while excluding restricted funds and portion of quasi-endowment designated for long-term purposes. [Organization Name] also has a \$200,000 line of credit, with \$150,000 available, which serves as an additional buffer for unexpected cash flow needs."

# Format for Single Audit Findings

- Criteria
- Condition
- Cause
- Effect
- Questioned Costs

- Context/Sampling
- Report of Finding from Prior Year
- Recommendation
- Views of Responsible Officials

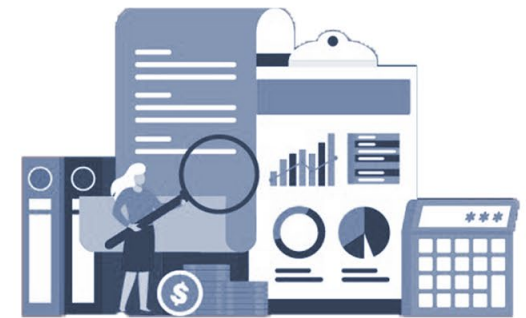
# Single Audit Corrective Action Plan

- Prepared by auditee
- Restates each finding in current audit
- Identifies person responsible
- Describes what auditee will do
- Identifies anticipated completion date
- Identifies findings from earlier years which have not been resolved

# Nonprofit Financial Health- Key Indicators

- **Cash**
- **Net Assets** (nonprofit equivalent of equity or fund balance)
- **Organization -wide net income**
- **Track record** for compliance and reporting

- **Balance Sheet trends**
  - Cash
  - Accounts Receivable (AR)
  - Accounts Payable (AP)
  - Debt
  - Net Assets -Unrestricted and Donor Restricted



# Balance Sheet— Statement of Financial Position

1

Exhibit 26-4

**All Good Things**  
**Statement of Financial Position**  
**September 30, 2023**  
with comparative totals as of June 30, 2023

	9-30-23	6-30-23
<b>Assets</b>		
Cash	\$ 160,000	\$ 300,000
Receivables	401,100	81,100
Land, buildings, equipment, net	1,500,000	1,510,000
<b>Total assets</b>	<b>\$ 2,061,100</b>	<b>\$ 1,891,100</b>
<b>Liabilities and Net Assets</b>		
<i>Liabilities</i>		
Accounts payable	180,000	170,000
Mortgage payable	500,000	500,000
<b>Total liabilities</b>	<b>680,000</b>	<b>670,000</b>
<i>Net Assets without Donor Restrictions</i>		
Available for operations	31,100	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	100,000	100,000
<b>Net assets without donor restrictions</b>	<b>1,131,100</b>	<b>1,121,100</b>
<b>Net assets with Donor Restrictions</b>	<b>250,000</b>	<b>100,000</b>
<b>Total Net Assets</b>	<b>1,381,100</b>	<b>1,221,100</b>
<b>Total liabilities &amp; net assets</b>	<b>\$ 2,061,100</b>	<b>\$ 1,891,100</b>

# Balance Sheet

## Statement of Financial Position

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# Balance Sheet Trends

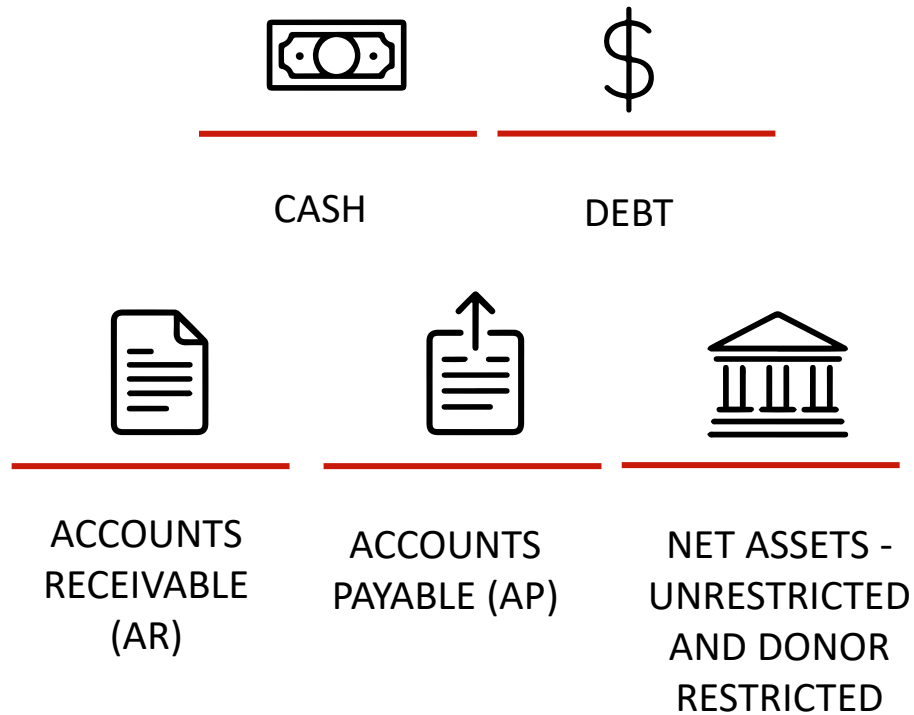


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# Reviewing the Balance Sheet

- Comparative BS essential
  - Compare current month-end with prior month-end or prior year end
  - Monitor Trends – increasing or decreasing
    - AR and AP
    - Cash
    - Net Assets

BALANCE SHEET			
	12/31/2019	9/30/2019	Change
<b>ASSETS</b>			
Cash	300,000	475,000	(175,000)
Accts Rec	425,000	406,529	18,471
Prepaid Exp	56,865	52,735	4,130
Fixed Assets	4,684,333	4,691,551	(7,218)
<b>TOTAL ASSETS</b>	<b>5,466,198</b>	<b>5,625,815</b>	<b>(159,617)</b>
<b>LIABILITIES</b>			
Accts Pay	95,586	105,000	(9,414)
Accrued Sal/Ben	321,692	277,290	44,402
Notes Pay	4,273,920	4,273,920	-
<b>TOTAL LIABILITIES</b>	<b>4,691,198</b>	<b>4,656,210</b>	<b>34,988</b>
<b>NET ASSETS</b>			
<b>Without donor restrictions</b>			
Available for operations	50,000	151,974	(101,974)
Board Designated	100,000	200,000	(100,000)
Net Prop/Equip	410,413	417,631	(7,218)
<b>Total w/o Donor Restriction</b>	<b>560,413</b>	<b>769,605</b>	<b>(209,192)</b>
With donor restrictions	214,587	200,000	14,587
<b>TOTAL NET ASSETS</b>	<b>775,000</b>	<b>969,605</b>	<b>(194,605)</b>
<b>LIAB + NET ASSETS</b>	<b>5,466,198</b>	<b>5,625,815</b>	<b>(159,617)</b>

# Red Flags Mini Challenge #1

- Turn to your neighbor
- Look Another CAA's Balance Sheet
- Identify the red flags you see
- How would you respond as a monitor?

Spot the Problems

**Another CAA**  
**Statement of Financial Position**  
**September 30, 2024**  
with comparative totals as of June 30, 2024

	<u>9-30-24</u>	<u>6-30-24</u>
<b>Assets</b>		
Cash	\$ 100,000	\$ 300,000
Receivables	400,000	81,100
Land, buildings, equipment, net	1,500,000	1,510,000
<b>Total assets</b>	<b><u>\$ 2,000,000</u></b>	<b><u>\$ 1,891,100</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	300,000	170,000
Mortgage payable	500,000	500,000
<b>Total liabilities</b>	<b><u>800,000</u></b>	<b><u>670,000</u></b>
<b>Net Assets without Donor Restrictions</b>		
Available for operations	(50,000)	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	-	100,000
<b>Net assets without donor restrictions</b>	<b><u>950,000</u></b>	<b><u>1,121,100</u></b>
<b>Net assets with Donor Restrictions</b>	<b><u>250,000</u></b>	<b><u>100,000</u></b>
<b>Total Net Assets</b>	<b><u>1,200,000</u></b>	<b><u>1,221,100</u></b>
<b>Total liabilities &amp; net assets</b>	<b><u>\$ 2,000,000</u></b>	<b><u>\$ 1,891,100</u></b>

# Why Cash Matters

## Why Cash Matters

- Ability to meet obligations and continue operations
- Not having sufficient cash can disrupt operations and distract staff
- Cash flow crisis impacts all services and all funders

# How Much Cash is Enough

## How Much is Enough Cash?

- Depends on ratio of direct federal \$ available through Treasury drawdown to reimbursing sources
- Timeliness of reimbursements
- Certainty/uncertainty of other cash sources
- Restrictions

# Days of Cash Matters Most

- Growth or contraction changes amount of cash required
- Use of Days of Cash on Hand permits meaningful comparison of relative liquidity over time
- Days of Cash trend data facilitates recognition of trends

# Estimating 1 Day Cash Demand

Annual expense budget (**excluding depreciation**)

÷ 365 Days

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Estimated per Day of Cash Demand

# Estimating Days of Cash on Hand

Month-end Cash Balance

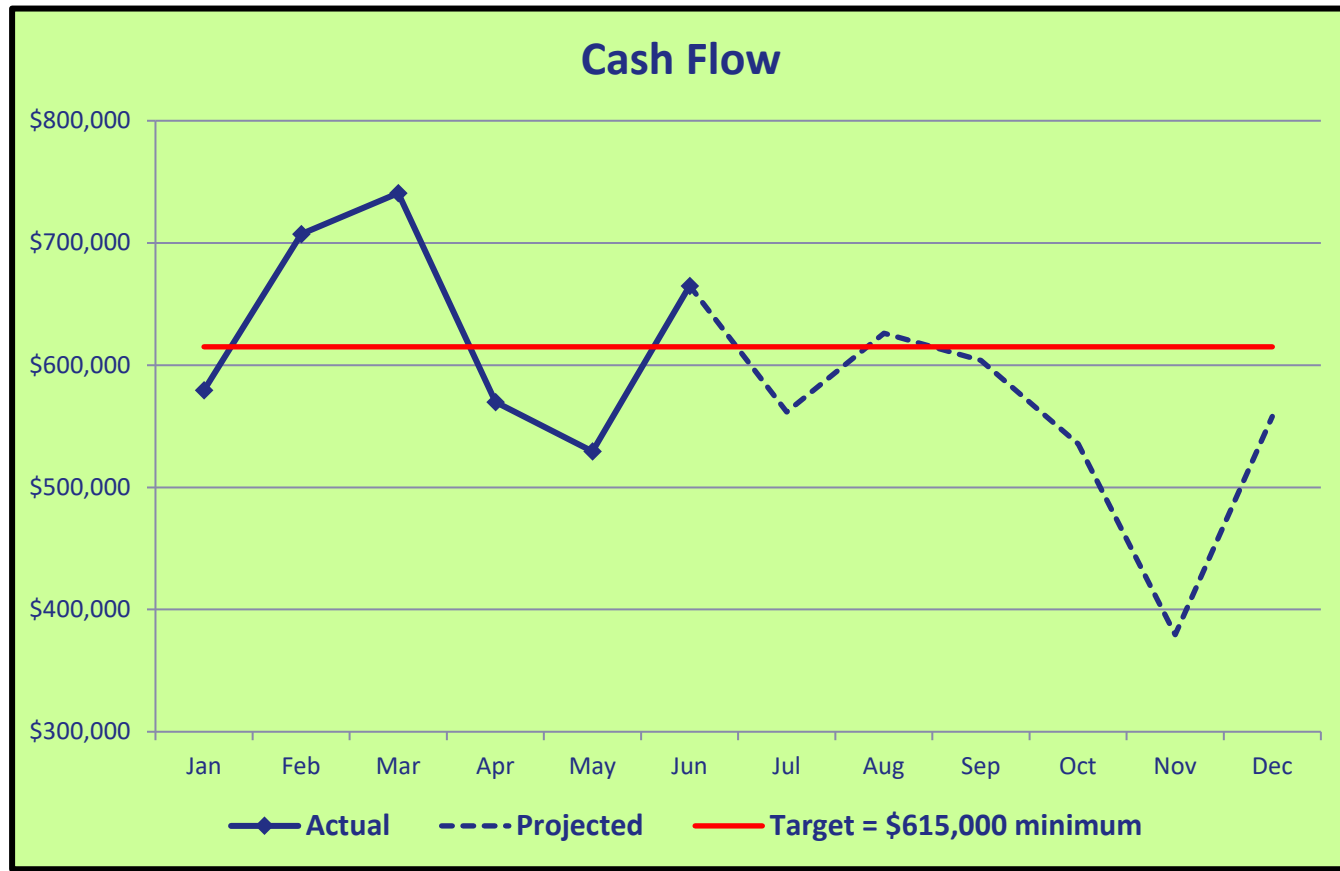
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1 Day of Cash

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# Days of Cash on Hand

# Cash on Hand in Relation to Cash Dema



# Cash Flow Projection

<b>Cash Flow Projection Worksheet</b>						
<b>7-01-09 to 12-31-09</b>						
	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>Opening Cash</b>	<b>7,000</b>	<b>29,350</b>	<b>6,100</b>	<b>200</b>	<b>(5,250)</b>	<b>(23,350)</b>
<b>Expected Receipts</b>						
Client fees	8,000	8,200	6,000	4,000	4,000	3,500
Gov Contract #1	10,000	10,000	10,000	10,000	10,000	10,000
Gov Contract #2	22,500	0	0	22,500		0
Donations	500	200	200	500	800	15,000
Foundation grants	20,000	0	20,000	0	0	30,000
<b>Subtotal Receipts</b>	<b>61,000</b>	<b>18,400</b>	<b>36,200</b>	<b>37,000</b>	<b>14,800</b>	<b>58,500</b>
Loans Received						
<b>Total Cash Available</b>	<b>68,000</b>	<b>47,750</b>	<b>42,300</b>	<b>37,200</b>	<b>9,550</b>	<b>35,150</b>
<b>Expected Disbursements</b>						
Payroll	28,000	28,000	28,000	23,000	23,000	23,000
Employer taxes	2,800	2,800	2,800	2,300	2,300	2,300
Fringe benefits	3,000	3,000	3,000	2,400	2,400	2,400
Professional services	500	4,000	4,500	500	2,000	200
Rent	2,000	2,000	2,000	1,500	1,500	1,500
Utilities	400	400	400	300	400	600
Office supplies	200	100	200	100	200	100
Program supplies	1,000	800	500	100	100	100
Insurance	0	0	0	12,000	0	0
Printing	200	100	200	100	600	100
Postage	50	50	50	50	300	50
Transportation	400	400	350	100	100	100
Other	100	0	100	0	0	100
Loan repayments	0					
<b>Subtotal Disbursements</b>	<b>38,650</b>	<b>41,650</b>	<b>42,100</b>	<b>42,450</b>	<b>32,900</b>	<b>30,550</b>
<b>Ending Cash</b>	<b>29,350</b>	<b>6,100</b>	<b>200</b>	<b>(5,250)</b>	<b>(23,350)</b>	<b>4,600</b>

# Cash Flow Problem Cause

1. Delays in executing contracts
2. Reimbursement based systems rather than draw down, advance or installment
3. Insufficient reserves to meet contract requirements for major outlays like rent assistance
4. Slow submission of claims
5. Slow processing and payment
6. Failure of to meet unit-based requirements despite incurring costs
7. Impact of foundation grants

# How Funders Can Help Sub Recipients Avoid Cash Flow Crises

1. Consider cash flow capacity before contracting
2. Avoid delays in executing contracts
3. When possible, make advances available
4. In reimbursement systems, process requests as quickly
5. Consider expedited reimbursement of specific cash-intense items like rent assistance
6. Consider whether 12 equal monthly payment systems match actual cash demand
7. Monitor pace of meeting unit-of-service requirements and alert sub-recipient that contract funds may be reduced if targets not met regardless of incurring expenses
8. Encourage use of lines of credit



# Revenue and Expense Reporting

# Revenue and Expense Statements

Cost centered based reporting by program or award

3

Year-to-date revenue and expense reports are based on fiscal year records

4

Numbers reported on Year-to-date statements correspond to the financial statements in the audit

5

# Revenue and Expense Reporting

## Requirements & Challenges

### 1. CSBG Organizational Standard 8.7

“The governing board receives financial reports at each regular meeting that include the following:

- Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program, and
- Balance sheet/statement of financial position

2. Many CAAs focus on individual grant reporting – fail to produce org - wide reports

3. May see org - wide revenue and expenditures report only in the audit

4. Reports need to show the impact of costs that cannot be charged to various awards

5. Financial reports need to **show how those “unallowable” or “excess” costs are being funded**

# Revenue and Expense Report

## Orgwide Statement of Activities



Exhibit 26-6

**All Good Things  
Statement of Activities  
7/1/23 through 9/30/23**

*Stacked Format*

	7/1/23 -- 9/30/23	Annual Budget	% Budget Realized	Projected Year End
<b>Support &amp; Revenues w/o Donor Restrictions</b>				
Foundation and corporate grants	\$ 85,000	\$ 30,000	2.83	\$ 90,000
Governmental grants & contracts	240,000	830,000	0.29	800,000
Contributions from individuals	15,000	60,000	0.25	50,000
Events net of expenses	5,000	50,000	0.10	20,000
Investment income	1,300	5,000	0.26	3,000
	<u>346,300</u>	<u>975,000</u>	<u>0.36</u>	<u>963,000</u>
Net assets released from restrictions	100,000	225,000	0.44	225,000
<b>Total support and revenue without donor restrictions</b>	<u>446,300</u>	<u>1,200,000</u>	<u>0.37</u>	<u>1,188,000</u>
<b>Expenses w/o Donor Restrictions</b>				
Personnel	329,000	920,000	0.36	950,000
Prof Services	35,000	40,000	0.88	40,000
Occupancy	22,300	45,000	0.50	50,000
Other expenses	50,000	170,000	0.29	165,000
<b>Total Expenses w/o donor restrictions</b>	<u>436,300</u>	<u>1,175,000</u>	<u>0.37</u>	<u>1,205,000</u>
<b>Increase in Net Assets w/o Restrictions</b>	<u>10,000</u>	<u>25,000</u>	<u>0.40</u>	<u>(17,000)</u>
<b>Support with Donor Restrictions</b>				
New Donor Restricted Grants Received	250,000	360,000	0.69	325,000
Released from Donor Restrict	(100,000)	(225,000)	0.44	(225,000)
<b>Increase in Net Assets with restrictions</b>	<u>150,000</u>	<u>135,000</u>	<u>1.11</u>	<u>100,000</u>
<b>Increase in Total Net Assets</b>	<u>160,000</u>	<u>160,000</u>	<u>1.00</u>	<u>83,000</u>
Net Assets, Beginning of Year	<u>1,221,100</u>			
Net Assets, End of 1st Qtr.	<u>\$ 1,381,100</u>			

Exhibit 26-5

**All Good Things  
Statement of Activities  
7/1/23 through 9/30/23**

*Columnar Format*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation and corporate grants	\$ 85,000	\$ 250,000	\$ 335,000
Governmental grants & contracts	240,000	-	240,000
Contributions from individuals	15,000	-	15,000
Events (net of expenses)	5,000	-	5,000
Investment income	1,300	-	1,300
<b>Total support and revenue</b>	<u>346,300</u>	<u>250,000</u>	<u>596,300</u>
Net assets released from restrictions	100,000	(100,000)	-
<b>Total support and revenue</b>	<u>446,300</u>	<u>150,000</u>	<u>596,300</u>
<b>EXPENSES</b>			
Personnel	329,000	-	329,000
Prof Services	35,000	-	35,000
Occupancy	22,300	-	22,300
Other expenses	50,000	-	50,000
<b>Total expenses</b>	<u>436,300</u>	<u>-</u>	<u>436,300</u>
<b>INCREASE IN NET ASSETS</b>	<u>10,000</u>	<u>150,000</u>	<u>160,000</u>
<b>NET ASSETS, Beginning of Year</b>	<u>1,121,100</u>	<u>100,000</u>	<u>1,221,100</u>
<b>NET ASSETS, End of 1st Qtr.</b>	<u>\$ 1,131,100</u>	<u>\$ 250,000</u>	<u>\$ 1,381,100</u>

# Stacked Format

## Statement of Activities

Exhibit 26-6

### All Good Things Statement of Activities 7/1/23 through 9/30/23

*Stacked Format*

	<u>7/1/23 -- 9/30/23</u>	<u>Annual Budget</u>	<u>% Budget Realized</u>	<u>Projected Year End</u>
<b>Support &amp; Revenues w/o Donor Restrictions</b>				
Foundation and corporate grants	\$ 85,000	\$ 30,000	2.83	\$ 90,000
Governmental grants & contracts	240,000	830,000	0.29	800,000
Contributions from individuals	15,000	60,000	0.25	50,000
Events net of expenses	5,000	50,000	0.10	20,000
Investment income	1,300	5,000	0.26	3,000
	<u>346,300</u>	<u>975,000</u>	<u>0.36</u>	<u>963,000</u>
Net assets released from restrictions	<u>100,000</u>	<u>225,000</u>	<u>0.44</u>	<u>225,000</u>
<b>Total support and revenue without donor restrictions</b>	<u><b>446,300</b></u>	<u><b>1,200,000</b></u>	<u><b>0.37</b></u>	<u><b>1,188,000</b></u>

# Stacked Format Statement of Activities

<b>Expenses w/o Donor Restrictions</b>				
Personnel	329,000	920,000	0.36	950,000
Prof Services	35,000	40,000	0.88	40,000
Occupancy	22,300	45,000	0.50	50,000
Other expenses	50,000	170,000	0.29	165,000
<b>Total Expenses w/o donor restrictions</b>	<b>436,300</b>	<b>1,175,000</b>	<b>0.37</b>	<b>1,205,000</b>
		-		
<b>Increase in Net Assets w/o Restrictions</b>	<b>10,000</b>	<b>25,000</b>	<b>0.40</b>	<b>(17,000)</b>
<b>Support with Donor Restrictions</b>				
New Donor Restricted Grants Received	250,000	360,000	0.69	325,000
Released from Donor Restrict	(100,000)	(225,000)	0.44	(225,000)
<b>Increase in Net Assets with restrictions</b>	<b>150,000</b>	<b>135,000</b>	<b>1.11</b>	<b>100,000</b>
<b>Increase in Total Net Assets</b>	<b>160,000</b>	<b>160,000</b>	<b>1.00</b>	<b>83,000</b>
<b>Net Assets, Beginning of Year</b>	<b>1,221,100</b>			
<b>Net Assets, End of 1st Qtr.</b>	<b>\$ 1,381,100</b>			

# Columnar Format Statement of Activities

Exhibit 26-5

**All Good Things**  
**Statement of Activities**  
**7/1/23 through 9/30/23**

*Columnar Format*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation and corporate grants	\$ 85,000	\$ 250,000	\$ 335,000
Governmental grants & contracts	240,000	-	240,000
Contributions from individuals	15,000	-	15,000
Events (net of expenses)	5,000	-	5,000
Investment income	1,300	-	1,300
Total support and revenue	<u>346,300</u>	<u>250,000</u>	<u>596,300</u>
Net assets released from restrictions	100,000	(100,000)	-
Total support and revenue	<u>446,300</u>	<u>150,000</u>	<u>596,300</u>
<b>EXPENSES</b>			
Personnel	329,000	-	329,000
Prof Services	35,000	-	35,000
Occupancy	22,300	-	22,300
Other expenses	50,000	-	50,000
Total expenses	<u>436,300</u>	<u>-</u>	<u>436,300</u>
<b>INCREASE IN NET ASSETS</b>	<b>10,000</b>	<b>150,000</b>	<b>160,000</b>
<b>NET ASSETS, Beginning of Year</b>	<u>1,121,100</u>	<u>100,000</u>	<u>1,221,100</u>
<b>NET ASSETS, End of 1st Qtr.</b>	<u>\$ 1,131,100</u>	<u>\$ 250,000</u>	<u>\$ 1,381,100</u>

# Statement of Functional Revenues and Expenses

Exhibit 26-8

**All Good Things**  
**Functional Statement of Revenues and Expenses without Donor Restriction**  
**July 1, 2023 through September 3, 2023**

	7/1/23 thru 9/30/23	Admin	Fund Raising	Prog X	Prog Y	Prog Z
<b>Support and Revenues without Donor Restrictions</b>						
Foundation grants	\$ 85,000			\$ 45,000		\$ 40,000
Government contracts	240,000			35,000	85,000	120,000
Individual gifts	15,000		15,000			
Events net of expenses	5,000		5,000			
Investment Income	1,300		1,300			
Released from Temp Restrictions	100,000			28,000	40,000	32,000
<b>Total support and revenue without Donor Restrictions</b>	<b>446,300</b>	<b>-</b>	<b>21,300</b>	<b>108,000</b>	<b>125,000</b>	<b>192,000</b>
<b>Direct Expenses</b>						
Personnel	329,000	60,000	20,000	79,000	80,000	90,000
Prof Services	35,000	15,000			10,000	10,000
Other expense	50,000	3,730	7,030	6,240	13,000	20,000
<b>Sub-total direct expenses</b>	<b>414,000</b>	<b>78,730</b>	<b>27,030</b>	<b>85,240</b>	<b>103,000</b>	<b>120,000</b>
<b>Allocated Expenses</b>						
Occupancy	22,300	2,030	2,000	11,500	2,325	4,445
<b>Direct and allocated expenses</b>	<b>436,300</b>	<b>80,760</b>	<b>29,030</b>	<b>96,740</b>	<b>105,325</b>	<b>124,445</b>
<b>Allocation of administrative expenses</b>	<b>-</b>	<b>(80,760)</b>	<b>6,004</b>	<b>23,718</b>	<b>24,018</b>	<b>27,020</b>
<b>Expenses after allocation of administrative expenses</b>	<b>436,300</b>	<b>-</b>	<b>35,034</b>	<b>120,458</b>	<b>129,343</b>	<b>151,465</b>
<b>Excess (deficit) of support &amp; rev over total expenses</b>	<b>\$ 10,000</b>	<b>0</b>	<b>\$ (13,734)</b>	<b>\$ (12,458)</b>	<b>\$ (4,343)</b>	<b>\$ 40,535</b>

# Balance Sheet and Income Statement must Connect

- Net Income on Statement of Activities must tie to changes in Net Assets on the Balance Sheet
- Seeing this “tie” is essential quick test of whether the books are in balance

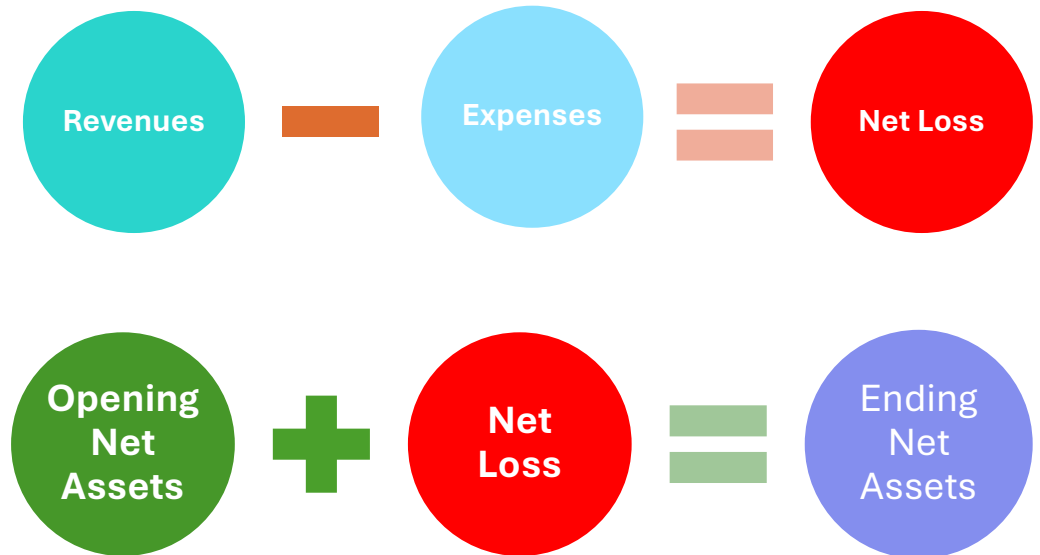


Exhibit 26-5

**All Good Things  
Statement of Activities  
7/1/23 through 9/30/23**

*Columnar Format*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation and corporate grants	\$ 85,000	\$ 250,000	\$ 335,000
Governmental grants & contracts	240,000	-	240,000
Contributions from individuals	15,000	-	15,000
Events (net of expenses)	5,000	-	5,000
Investment income	1,300	-	1,300
Total support and revenue	<u>346,300</u>	<u>250,000</u>	<u>596,300</u>
Net assets released from restrictions	100,000	(100,000)	-
Total support and revenue	<u>446,300</u>	<u>150,000</u>	<u>596,300</u>
<b>EXPENSES</b>			
Personnel	329,000	-	329,000
Prof Services	35,000	-	35,000
Occupancy	22,300	-	22,300
Other expenses	50,000	-	50,000
Total expenses	<u>436,300</u>	<u>-</u>	<u>436,300</u>
<b>INCREASE IN NET ASSETS</b>	<b>10,000</b>	<b>150,000</b>	<b>160,000</b>
<b>NET ASSETS, Beginning of Year</b>	<u>1,121,100</u>	<u>100,000</u>	<u>1,221,100</u>
<b>NET ASSETS, End of 1st Qtr.</b>	<u>\$ 1,131,100</u>	<u>\$ 250,000</u>	<u>\$ 1,381,100</u>



Exhibit 26-4

**All Good Things  
Statement of Financial Position  
September 30, 2023**  
with comparative totals as of June 30, 2023

	9-30-23	6-30-23
<b>Assets</b>		
Cash	\$ 160,000	\$ 300,000
Receivables	401,100	81,100
Land, buildings, equipment, net	1,500,000	1,510,000
<b>Total assets</b>	<u>\$ 2,061,100</u>	<u>\$ 1,891,100</u>
<b>Liabilities and Net Assets</b>		
<i>Liabilities</i>		
Accounts payable	180,000	170,000
Mortgage payable	500,000	500,000
<b>Total liabilities</b>	<u>680,000</u>	<u>670,000</u>
<i>Net Assets without Donor Restrictions</i>		
Available for operations	31,100	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	100,000	100,000
<b>Net assets without donor restrictions</b>	<u>1,131,100</u>	<u>1,121,100</u>
<i>Net assets with Donor Restrictions</i>		
	<u>250,000</u>	<u>100,000</u>
<b>Total Net Assets</b>	<u>1,381,100</u>	<u>1,221,100</u>
<b>Total liabilities &amp; net assets</b>	<u>\$ 2,061,100</u>	<u>\$ 1,891,100</u>

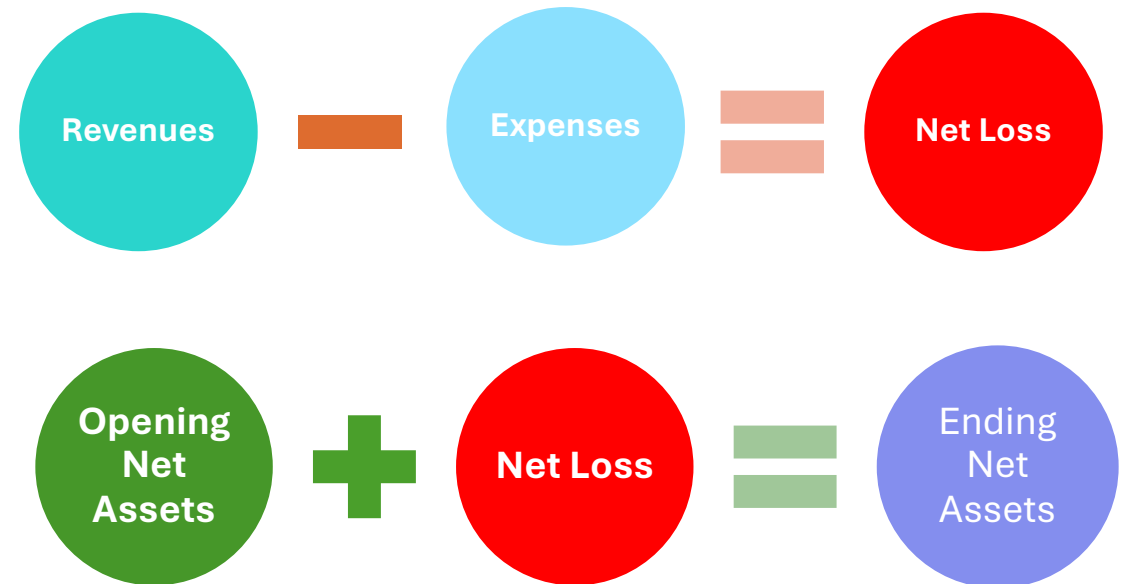
**Beginning Net Assets \$1,221,100 + Increase in NA \$160,00**

=

**Ending Net Assets \$1,381,100**

# Red Flag Mini Challenge # 2

- Turn to your neighbor
- Look at the Balance Sheet & Statement of Activities on the Red Flag # 2 slide
- Do you see a problem?
- Why would the problem matter?



# Red Flag Mini Challenge # 2

## Sample CAA Financial Statements

**Testing the Tie**

**Sample CAA**  
**Statement of Activities**  
**7/1/23 through 9/30/23**

*Columnar Format*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Foundation and corporate grants	\$ 85,000	\$ 250,000	\$ 335,000
Governmental grants & contracts	210,000	-	210,000
Contributions from individuals	15,000	-	15,000
Events (net of expenses)	5,000	-	5,000
Investment income	1,300	-	1,300
Total support and revenue	<u>316,300</u>	<u>250,000</u>	<u>566,300</u>
Net assets released from restrictions	100,000	(100,000)	-
Total support and revenue	<u>416,300</u>	<u>150,000</u>	<u>566,300</u>
<b>EXPENSES</b>			
Personnel	329,000	-	329,000
Prof Services	35,000	-	35,000
Occupancy	22,300	-	22,300
Other expenses	50,000	-	50,000
Total expenses	<u>436,300</u>	<u>0</u>	<u>436,300</u>
<b>INCREASE IN NET ASSETS</b>	<b>(20,000)</b>	<b>150,000</b>	<b>130,000</b>
<b>NET ASSETS, Beginning of Year</b>	<u>1,121,100</u>	<u>100,000</u>	<u>1,221,100</u>
<b>NET ASSETS, End of 1st Qtr.</b>	<u>\$ 1,101,100</u>	<u>\$ 250,000</u>	<u>\$ 1,351,100</u>

**Testing the Tie**

**Sample CAA**  
**Statement of Financial Position**  
**September 30, 2023**  
with comparative totals as of June 30, 2023

	9-30-23	6-30-23
<b>Assets</b>		
Cash	\$ 160,000	\$ 300,000
Receivables	401,100	81,100
Land, buildings, equipment, net	1,500,000	1,510,000
<b>Total assets</b>	<u>\$ 2,061,100</u>	<u>\$ 1,891,100</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	180,000	170,000
Mortgage payable	500,000	500,000
<b>Total liabilities</b>	<u>680,000</u>	<u>670,000</u>
<b>Net Assets without Donor Restrictions</b>		
Available for operations	31,100	11,100
Invested in fixed assets	1,000,000	1,010,000
Board designated reserves	100,000	100,000
<b>Net assets without donor restrictions</b>	<u>1,131,100</u>	<u>1,121,100</u>
<b>Net assets with Donor Restrictions</b>	<u>250,000</u>	<u>100,000</u>
<b>Total Net Assets</b>	<u>1,381,100</u>	<u>1,221,100</u>
<b>Total liabilities &amp; net assets</b>	<u>\$ 2,061,100</u>	<u>\$ 1,891,100</u>

# Grants Reporting

## Grant-to - Date Management Report

**Grant – to - Date** report present expenses incurred from the beginning of a grant award to the end of the current month

	Grant-to-date	Grant Budget	Actual as % of gran budget	Project grant end
Income				
Expenses				
Net Income				

# Grants Reporting

## Year to Date Grant Management Report

**Grant - to - Date** report matches portion of grant included in organization - wide statements & budget.

	Year-to-date	Annual Budget	Actual as % of gran budget	Project year end
Income				
Expenses				
Net Income				

# Grants Reporting

## Grants Management Reports

- Grant reports must **match underlying documentation** of allowable expenses charged to awards
- Internal grant expense reports must **match reports submitted** to funding sources

# Revenue and Expense Reportin

## Meaningful Revenue and Expense Comparisons

### 1. Year-to-Date actual compared to :

- Annual Budget
- Year-to-date Budget
- Actual as % of Budget or
- Variance – Amount remaining to be generated or expended

### 1. Reporting needs of:

- Program Manager
- Executive Director
- Finance Committee
- Full Board

# Revenue and Expense Reporting

## Most Common Revenue and Expense Reporting Problems

1. Internal reports don't tie to reports submitted to funding sources
2. Allocation of costs or application of indirect rate unclear
3. Reports to board and ED don't identify problems and propose solutions

# Revenue and Expense Reporting

## Report Period Choices

1. Single period reports useful to Program Managers but not sufficient for organization as a whole
2. Year-to-date and grant-to-date reports: essential for budget comparison



# Public entity challenges

# Public CAA Realities

1. Public Entity CAA Program does not set most financial policies – county or other governmental entity does
2. CAA total funding is decimal dust to the whole county budget
3. CAA staff may have little ability to request financial information in formats that would be useful for monitoring or for reporting
4. CSBG Organizational Standards



<https://nascsp.org/csbg/csbg-resources/performance-management/organizational-standards/>

# Assessing Public CAA Financial Health

1. Most public systems focus on award tracking cost centers
2. Reports may or may not permit comparison of actual to budget
3. Balance Sheet for specific awards or programs often not available
4. Public entity may or may not report the CAA Cash, AR, AP, Fund Balance separately
5. Public entity may or may not report CAA trends or comparisons

# Key Public Entity Documents

- Because Public Entity controls treatment of admin and indirect costs for the CAA program, must review entity policies
- Entity - wide determination of indirect cost rate
- Entity - wide cost allocation policies
- May use multiple layers of charges to CAA awards to recover administrative and other indirect costs

# Audits of Public Entities

- May be done by state agency or independent firm
- Reports include findings on compliance and controls as well as SEFA schedule
- Because CAA programs are typically small in relation to other public entity programs, audits may not provide detail on CAA awards compliance or expenditures

Please scan the  
QR code to share  
your feedback.





# 2026 WINTER TRAINING CONFERENCE

*“Rooted in Hope”*



# PART II

# Budget Challenges:

Why they matter in Risk Assessment and Monitoring

# Budget Challenges

## Organizationwide Budgeting is Essential

- I. CSBG Organization Standards 8.9
  - I. “The governing Board annually approves and organization-wide budget”
- II. A **single** column budget does not provide the info Board and management need to understand the planned sources and uses of funds
- III. Use of budget matrix format identifies the expenses associated with each major program or grant award and the sources of income that will support those costs
- IV. Budget matrix format must match the accounting **Cost Center** structure
- V. Most common Cost Center Structures
  - Award
  - Program

# Cost Center Structure Options

## AwardBased Cost CENTER Structure

	Total	Award 1	Award 2	Award 3	Award 4	Unrestricted
Personnel						
Prof. Services						
Occupancy						
Allocated Admin						
Total Expenses						

# Cost Center Structure Options

## Program Based Cost Center Structure

	Total	Manager	Fund Raising	Energy Assist	WAP	Early Childhood
Personnel						
Prof. Services						
Occupancy						
XXXXX						
Total Expenses						

# Budget Challenges

## Multiple Award Periods

Line Item	Total Award/Contract	Prior RY Portion	Current FY Portion	Next FY Portion
Personnel				
Fringe Benefits				
Travel				
Equipment				
Contractual				
Other				

- Award periods do not match the CAA's fiscal year
- Fiscal year budget must show only the portion of each award that will be available for that fiscal year
- Approved award budgets may not identify expenses to be incurred in CAA's fiscal year
- CAA must be able to demonstrate the tie between the approved award budget and the amounts attributed to that source in the fiscal year budget

# Budget Challenges

## Cost Allocation and Indirect Costs

- VI. Budget reflects cost - allocation plan and selection of indirect cost recovery method
- VII. Budget shows treatment of:
  - Unallowable or unfunded costs
  - Caps on administrative costs
  - Awards that do not allow recovery of any administrative or shared costs



**Complex  
Regulations**



**Allocation  
Problems**



# Cost - allocation and indirect cost challenges



# Cost- Allocation:

## Estimating Benefit Provided to Each Cost Objective

- Allocation method must be reasonable and cost effective to use
- May use different approaches to allocating different types of costs
- Must be consistent in use of an approach for similar types of costs

# Budget Challenges

Definitions of direct and indirect costs in the Budget must match those used Accounting

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## Direct

**Readily identifiable**

**Directly assignable to federal grant activity relatively easily and w/high degree of accuracy**

## Indirect/shared

**Incurred for common or joint purpose**

**Benefits more than one cost objective**

**Not readily assignable to cost objective specifically benefitted, without effort disproportionate to results achieved**

# Administrative Costs Include

- Personnel performing admin functions
- Allocated share of employer paid taxes and fringe benefits
- Allocated facilities, supplies, and other costs necessary for staff to perform admin functions
- Professional services associated with administrative functions

# Shared or Common Costs

- Costs which benefit multiple cost objectives – programs, functions, awards
- Includes but not limited to Administrative costs
- Impossible to track the exact benefit to each program or function – benefit must be estimated

# Agencywide Admin or Management Costs

- May be recovered either through direct charging through cost - allocation or as part of indirect cost rate
- Core Admin/Management Functions:
  - Executive Oversight
  - Board Support
  - Financial Management
  - HR Management IT Management

# Admin Costs Not Identical to Indirect Costs

- Admin costs can be direct or indirect:
- Administrative functions that benefit only one or a limited number of programs/awards may be treated as Direct Costs
- Example of direct admin cost:
  - Accountant performing only Head Start functions



# 4 ways to Recover Admin & Indirect Costs Per Uniform Grants Guidance

		Indirect Cost Rates	
<b>Direct Charge Allocated Costs</b> 2 CFR 200.405 (d)	<b>15% de minimis</b>	<b>Federal NICR</b>	<b>Pass-through NICR</b>

All 4 methods require distinguishing costs directly attributable to a specific cost objective from costs that benefit more than one cost objective

# 2 Significantly Different Ways to Charge Agency-wide Admin Costs to Federal Awards

## ■ Indirect Cost Rate

- Use **2 CFR Part 200, Appendix IV** specific provisions for determining an indirect cost rate to recover agency - wide administrative costs
- May include other shared costs in indirect rate calculation or use cost - allocation methods to allocate these costs
- Recover these costs through charging them as Indirect Costs
- This approach includes use of de minimis rate

## ■ Direct Charge agency - wide administration and other shared costs

- Create written cost - allocation plan justifying allocation methods
- Apply allowable allocation method to distribute agency - wide administration and other share costs to cost objectives
- Recover allocated costs by charging them as Direct Costs

# Key Differences

- Direct Charge- Cost - Allocation
- 2 CFR 200.405 (d)

- Allocates **individual cost items** based on estimated benefit provided to each cost center
- May use **different estimating methods** for different types of costs
- Must justify methods
- Requires **cost - allocation plan**
- Results in **direct charging** of **allocated costs**

- Indirect Cost Rate
- Appendix IV to Part 200

- Distinguishes **indirect** from **direct** costs
- Computes **%** that indirect costs comprise of a **base** of direct costs
- **Applies that %** to the base of direct costs in **each cost objective**

# Direct Charging through Cost Allocation

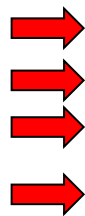
## Direct Charge - Cost - Allocation

- Allocates individual cost items based on estimated benefit provided to each cost center
- May use different estimating methods for different types of costs
- Must justify methods
- Requires cost - allocation plan
- Results in direct charging of allocated costs

# Allocating Shared Costs to Direct Charge



	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent				60,000	60,000
Audit				20,000	20,000
Maintenance Staff				60,000	60,000
Utilities				10,000	10,000
TOTAL	2 Million	1 Million	500,000	150,000	3,250,000



	Prog 3	Prog 2	Prog 1	Shared	Total
Total Direct Costs	2 Million	1 Million	100,000		3.1 Million
Rent	39,000	19,200	1,800	0	60,000
Audit	13,000	6,400	600	0	20,000
Maintenance staff	39,000	19,200	1,800	0	60,000
Utilities	6,500	3,200	300	0	10,000
TOTAL	2,097,500	1,048,000	10,500	0	3,250,000

# Indirect Cost Rate Basics

- Distinguish indirect from direct costs
- Compute % that indirect costs comprise of a base of direct costs
- Apply that % to the base of direct costs in each cost objective

# Indirect Cost Rate Calculation

$$\frac{\text{Numerator (Top)}}{\text{Denominator (Bottom)}}$$

Numerator Divided by Denominator = Percentage


Examples:  $\frac{1}{4} = 25\%$   $\frac{1}{2} = 50\%$   $\frac{3}{4} = 75\%$

REMEMBER  
FRACTIONS?


# De Minimis Rate

- Available to all nonprofits, with federal expenditures  $\leq$ \$35 Million that don't have a federally negotiated indirect rate (per 2020 UGG Revisions)
- No negotiation required
- **Modified Total Direct Costs** must be used as the base for the calculation & application of rate

		Indirect Cost Rates	
Direct Charge Allocated Costs 2 CFR 200.405 (d)	Use de minimis rate	Federal NICR	Pass-through NICR



15% means 15% of MTDC  
 ... SO  
 first determine MTDC




			Allowable Indirect Costs (15% of MTDC)	MTDC	Prog 1 MTDC	Prog 2 MTDC	Prog 3 MTDC	Non-Federal MTDC Costs
			573,900	3.826 Million	957,00	2.008 Million	670,000	191,000

Direct Charging	15% de minimis rate	Negotiate w/ Pass Through	Federal Negotiated Indirect Rate
-----------------	---------------------	---------------------------	----------------------------------



15% de minimus rate is  
15% of MTDC  
*not* 15% of total costs



Total Expenses	Unallowable Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs (15% of MTDC)	MTDC	Prog 1 MTDC	Prog 2 MTDC	Prog 3 MTDC	Non-Federal MTDC Costs
4,449,900	10,000	40,000	573,900	3.826 Million	957,00	2.008 Million	670,000	191,000

Direct Charging	15% de minimis rate	Negotiate w/ Pass Through	Federal Negotiated Indirect Rate
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# MTDC Direct Cost Base excludes

- Equipment & capital expenditures
- Rental costs
- Participant support costs
- Charges for patient care
- Tuition remission

- Portion of each sub - award in excess of \$50,000\* per 2024 Revised UG
- Other costs that would distort distribution of indirect costs

**\* First \$25,000 before 10-1-24**

# Excluded Costs ??

- Other costs that would distort the distribution of indirect costs may include rental and energy assistance payments
- The de minimis rate may not be charged on the excluded costs
- This type of exclusion will reduce the amount of indirect that can be recovered through an award
- Excluded costs are still charged to the award as allowable - just not included in the MTDC base calculation
- Different federal agencies may have different requirements for the types of costs which must be excluded
- Follow the rules of each award to determine which direct costs you may apply the de minimis rate to

# Applying the 15% MTDC Rate

Total Expenses	Unallow Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs	MTDC	Prog 1 MTDC	Prog 2 MTDC	Prog 3 MTDC	Non-Federal MTDC Cost
4,449,900	10,000	40,000	573,900	3.826 Million	957,000	2,008,000	670,000	191,000
<b>Indirect Rate .15</b>				<b>573,900</b>	<b>143,550</b>	<b>301,200</b>	<b>100,500</b>	<b>28,650</b>
<b>Excluded Costs</b>		<b>-40,000</b>					<b>40,000</b>	
<b>Unallow Indirect</b>	<b>-10,000</b>							<b>10,000</b>
<b>Total Costs</b>					<b>1,100,550</b>	<b>2,309,200</b>	<b>810,500</b>	<b>229,650</b>

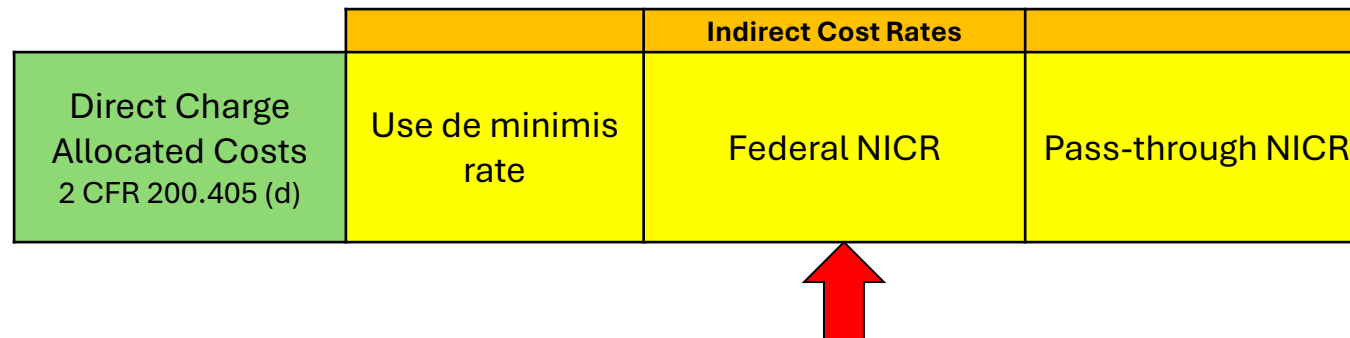


# Impact of Using 15% De Minimis Rate When Actual MTDC Rate is 18.9%

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs	Total MTDC	Prog 1 MTDC	Prog 2 MTDC	Prog 3 MTDC	Non-Federal MTDC Cost
4,450,000	10,000	40,000	700,000	3,700,000	973,000	1,850,000	682,000	195,000
<b>De Minimis Rate 15%</b>			<b>-555,000</b>	<b>555,000</b>	<b>145,950</b>	<b>277,500</b>	<b>102,300</b>	<b>29,250</b>
Indirect Costs Above 15%			-145,000					145,000
Excluded Costs		-40,000					40,000	
Unallow Indirect Costs	-10,000							10,000
<b>Total Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>1,118,950</b>	<b>2,127,500</b>	<b>824,300</b>	<b>379,250</b>

# Federally Negotiated Indirect Cost Rate

- Must have direct federal award to negotiate
- Negotiate with federal agency providing largest portion of direct federal funding
- Choose an indirect cost base
- Submit proposed rate following 2 CFR 200 requirements
- Federal agency determines rate & time period it will cover



# Different Indirect Cost Bases result in different Indirect Cost Rates

## Your choice of indirect cost rate bases:

- **Direct Salaries and Wages** provides smallest denominator and yields highest indirect %
- **Total Direct Personnel Costs** (including employer taxes & benefits) yields next highest indirect %
- **MTDC** yields lowest indirect %

# Admin Cost Cap

- Specific federal programs may impose **statutory caps on administrative costs**
- Caps generally placed on administrative **not** indirect costs
- Check regs to clarify base to use to compute the admin cap - the cap may apply to all direct costs, not MTDC
- Admin caps typically combine allocated and direct admin costs
- 10% Admin Cap computed on total direct costs may result in higher number than 10% of Modified Total Direct Cost
- Negotiated Indirect Cost Rate may include shared costs that are not administrative

# Impact of 5% Admin Cost Limitation

TOTAL Expenses	Unallow Indirect Costs	Excluded Direct Costs	Allowable Indirect Costs	MTDC	Award 1 MTDC	Award 2 MTDC	Award 3 MTDC	Unrestricted Sources MTDC
4,450,000	10,000	40,000	700,000	3,700,000	973,000	1,850,000	682,000	195,000
Indirect Rate 15%			-555,000	555,000	145,950	277,500	102,300	29,250
Indirect costs above 15%			-145,000					145,000
Admin in excess of 5%					-97,300			97,300
Excluded Costs		-40,000					40,000	
Unallow Indirect	-10,000							10,000
Total Costs					1,021,650	2,127,500	824,300	476,550

# Steps to Deal with Admin Cost Caps

1. Use fair allocation methods described in the Cost - Allocation Plan to allocate Agency-wide admin costs to all cost objectives - both those with Admin Caps and those without
2. If use de minimis rate is used, must apply it to all cost objectives
3. If NICR is used, must apply it to all cost objectives
4. Look for direct Admin costs that are charged to specific cost objectives which must be included in calculation of Admin Cost Cap

# Steps to Deal with Admin Cost Caps

5. Add Direct Admin Costs to Allocated Agency - wide Admin or indirect cost rate charged to each cost objective to compute total Admin cost
6. Identify all funding sources with statutory Admin Caps
7. Determine which funders will be prevented from reimbursing the total Admin costs by statutory Admin Cap
8. Identify unrestricted funds to cover the gap between actual Total Admin Costs and amounts reimbursed by funders with statutory Admin caps

# Possible Change Alert !!

- DOE Policy Flasher September 2025 and Financial Assistance Letter FAL 2025-05 described major changes in definition of indirect costs
- Courts challenges have prevented DOE from implementing proposed changes
- Administration may appeal
- Possible revisions will be made to Uniform Grants Guidance rather than individual program regulations

# Your Next Steps

- Review OMB Compliance Supplement for compliance focus areas for programs you manage
- Review Risk Assessment and Monitoring Tools
- Identify most common financial health and management risks among your CAA sub - recipients
- Work with State Association to identify significant training needs
- Identify additional training needed by State Office staff
- If cash flow problems are significant for CAAs in your state, consider how your Office can adopt policies and procedures to assist with resolution.

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