

Clarifications to Policy on “Multi-Year Support Using Contingent Grants”

1. What is the purpose of the contingent grant mechanism and is it mandatory or optional?

OSF is making this mechanism available as a response to increasing interest from programs across the institution to fund their core grantees through multi-year grants rather than on an annual or incremental basis. The new policy is an option for those programs who want to make multi-year grants without having to accrue the full grant amount upfront (that is, to the budget for the year in which the award was made). It can also be beneficial by making the grant payment approval process in year 2 and following less extensive than they would be for one-year grants made several years in a row, thus reducing the administrative burden on OSF staff and grantees alike. Please also see the response to Q.6.

Please note that, while optional, the contingent mechanism is avored for grants of two years duration or longer where there are annual payment installments of at least \$100,000. If you will be recommending a multi-year grant of these characteristics but decide not to use the contingent mechanism, in your docket write-up you will have to add one or two sentences that explain why you recommend accruing the full grant amount upfront.

2. Does the new policy apply to project grants and general support grants?

It applies to both types of grants.

3. Is the policy taking effect immediately or is there a transition period?

The contingent grant mechanism is available immediately to those programs who want to engage in this type of funding.

4. Which types of grants can benefit from this mechanism?

The contingent grant mechanism is intended for grants to organizations of two years duration or longer where there are annual payment installments of at least \$100,000.

5. What will trigger contingent payments?

The initial payment will be triggered by receipt of the countersigned grant letter. In the case of project support grants, subsequent payments will be triggered by Grant Officer approval of grantee reports as required currently for installment payments, possibly complemented by an abbreviated program approval memo (please see Q.6.below). For general support grants, reports beyond what a general support grantee would normally issue should NOT be required, but some level of substantive, internal programmatic review, documented for the grant file (see Q.6. below), will be needed.

6. What is the nature of the OSF review and approval required before each payment of a multi-year grant?

General Counsel’s office is in the process of working with Grants Management, with input from programs, to devise a non-onerous mechanism for review and approval. Review and approval will remain with program staff (staff will not be expected, for example, to prepare additional write-ups or meet with Mr. Neier). The “substantive review” mentioned in Mr. Neier’s memo would normally be based on interim reports due in advance of the payment, but may be based on a site visit or other monitoring activity in the case of general support

grants or other scenarios where interim reporting is inappropriate. These could be complemented, for example, by a brief internal memo from program directors stating that the grantee has met the requirements and therefore approving contingent payments.

The use of contingent grants is new to OSF and some implementation details – such as approval of contingent payments – are still being ironed out. If you have strong ideas or good suggestions around this, please let us know and we will make sure that those are transmitted to General Counsel and Grants Management.

7. What level of monitoring will be required for multi-year general support grants that decide to use the contingent grant mechanism?

Reports beyond what a general support grantee would normally issue should NOT be required, but some level of substantive, internal programmatic review, documented for the grant file (see #6 above), will be needed. Contingent grant letters for general support will indicate that OSF intends to provide specified support in the subsequent years “provided that OSF is satisfied in its sole discretion with the work, operations and management of the grantee, and subject to our standard grant approval processes....”

8. How can we make allocations to future budgets when those have not yet been approved?

A contingent grant expresses an intent, not a commitment, to fund for more than one year. The statement of our intent to continue funding in Year 2 and beyond is not legally binding; hence our ability and the grantee’s responsibility, not to accrue the entire multi-year amount in Year 1. The budget preparation will require tracking of subsequent year commitments to enable program management to differentiate between committed and uncommitted grant funds for planning purposes. Finance and Grants Management are working to ensure both the financial and grants systems readily provide that information as required.

How will contingent grants appear in the budget?

Technically speaking, the commitment ledger is a separate ledger or section of the database, like the budget ledger and the actual spending ledger. The annual budget will list the total amount for contingent grants and will specify the percentage of grants made under this mechanism. Consecutive years will be included in the budget, but clearly listed as “place holder” contingent to grantee performance.

9. How will we keep track of contingent grants?

Program staff will be able to clearly identify contingent grants in Grant Tracker. Contingent grants will be assigned and tracked under a program code specially created for each fund and campaign. Budget reporting tools available through the Business Center, such as QlikView and eReports, will also display future year contingent amounts. Finance will track and provide monthly/yearly reports specifying commitments made against future budgets, upon request.

10. Will I be able to indicate in Grant Tracker if a grant is a contingent grant?

Yes. GT already includes a “contingent amount” field. The field has been activated and staff should use it whenever they are working with a multi-year, contingent grant.

11. Can we make 3-year grants?

Yes. The contingency mechanism is strongly favored for grants of two years duration or longer where there are annual payment installments of at least \$100,000.

12. Do we need to make any changes to our write-ups to reflect that a grant is a contingent grant?

Yes, but the changes are minor. In the cover page of your write-up you will need to specify if the grant is contingent or not (a yes or no answer will suffice). In the substantive recommendation section, in the rationale subsection, you will need to add one or two sentences explaining the reasoning behind recommending a contingent grant. If you are recommending a multi-year grant but decide not to use the contingent mechanism, you will also have to add one or two sentences that explain why you recommend accruing the full grant amount upfront. Please refer to the write-up guidelines or feel free to reach out to Grantmaking Operations.

13. How do we communicate this new policy to our grantees?

Each program has discretion to identify and notify grantees likely to be affected by this policy. It is very important to ensure that any written correspondence does NOT lead the grantee to believe there is a promise for the future funding years. A Q&A summary similar to this one can be compiled to guide you through those conversations if there are specific questions you anticipate. For starters, you may respond to this email with any such questions.

14. How would grantees report on contingent grants?

Contingent grants should be listed by grantees as required by generally accepted accounting practices. In the year a contingent grant letter is issued, the grantee should report as revenue in tax filings or financial statements only the amount committed for the first year of the grant (the upfront promise will show on their Statement of Activities, under Contributions/Awards and possibly as a receivable on the Balance Sheet if we have not funded it fully). Subsequent year amounts should be recorded only as they are received. While annual reports or other public information about fundraising should be consistent with the grantees accounting treatment, the grantee might indicate in appealing to specific donors amounts that are "anticipated" from OSF in future years.

Clarifications to Policy on “Paying Large Grants in Installments”

1. Will staff still be accommodated when they request special exceptions to this policy?

Yes. The grantee may receive a larger portion of the grant funds due, if they can prove that they need to pay it out, or to prove a matching program. The objective of this funding policy is to keep OSI’s investment income at OSI and not at the grantees. Investment income should not be an objective of the grant funding, either directly nor indirectly.

If you feel that a grant merits exception to this policy, you need to raise this issue with your grants officer and provide information that will support a waiver. This information usually relates to the grantee’s cash flow projection, project timeline, or other evidence in the proposal or budget indicating that they will expend funds unevenly during the project period.