

## **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. 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.

### **4. What will trigger contingent payments?**

The procedure for the release of contingent payments is as follows:

- a) The program must obtain a workplan and budget detailing the plans for the year to be funded by the contingent payment or payments. This workplan and budget can consist of a confirmation of information submitted in the initial proposal, if those documents detailed activities by year, or a new plan describing work for the upcoming year.
- b) The program must review this workplan and budget, along with any required narrative and financial reports, and the program director must complete and sign an evaluation and authorization sheet.
- c) Grants Management will send a document to the grantee informing them of the decision to release the contingent funds. Although this document will request a countersignature, Grants Management will release the contingent payments upon completion of the evaluation and authorization sheet (provided that there are no overdue reports on any grants to that grantee)

### **5. 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.

**6. 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.

**7. 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.

**8. 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.

**9. 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.

**10. 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).

**11. 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.

**12. 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.