Grants Management
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Grants Management

Overview
Grant funding helps SWCDs deliver soil and water conservation services to their communities, supports and increases local capacity to implement programs, and provides cost-share with landowners who install conservation practices on their land to benefit state water and soil resources. Based on 2018 data, state funding accounted for 52% of Minnesota’s SWCDs total revenue. Proper grants management is needed to demonstrate fiscal accountability and transparency with public funds. In addition, accurately recording when revenue is earned enables district managers and boards to make better decisions for district management.

Program/Project Logs
Although not required, program/project logs assist the district in tracking grant expenses and can be used as a double-check for the accounting system grant records and to designate funds for future use such as landowner contracts in process. Sample program/project logs are available on the BWSR website at: https://bwsr.state.mn.us/grants-administration-manual-optional-and-example-forms.

Advanced Payment Grants
BWSR provides advanced payments on various grants such as grants advanced 100% upon award or the 50%/40% advanced payments on clean water fund grants. These advanced payments represent a liability of unearned revenue to the district because the monies are received before the related goods and/or services have been provided (earned).

Unearned Revenue
Tracking advanced payments on grants using unearned revenue liability accounts prevents distortion to the district’s net revenue, adds integrity to the accounting process, and provides managers and boards with better financial information throughout the year. Unearned revenue accounts are easier to reconcile with grant spending reported in eLINK (for BWSR grants) and eliminates the need to calculate unearned revenue at year-end.

Unearned Revenue Method for Advanced Payment Grants
For demonstration purposes, the following is a very simplified 50/40/10 clean water fund (CWF) grant example which shows the unearned revenue method of accounting entries for a capital asset purchase, staff time and other direct costs chargeable to the grant. Disclaimers:
- Expenses in alignment with BWSR approved WorkPlan
- Timeline and expenses are exaggerated to provide the grants management overview
- Employees paid monthly
- Conservation practice required match provided by the landowner
- Grant fully executed 1/2/19 and completed by 9/30/19

Best practice is to set up an unearned revenue account for each advanced payment grant.

As transactions occur, pay attention to the Net Income reported on the Profit and Loss report. When using the unearned revenue method, income is only reported when earned.
ADVANCED PAYMENT - Received 50% advanced payment on the $50,000 CWF grant

- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports
DIRECT COST - Purchased $15,000 piece of equipment for CWF grant activities
- Debit: Capital Outlay Expense
  Credit: Checking
Charge CWF grant for the capital asset purchase (in the same accounting entry)
- Debit: Unearned Revenue – BWSR 2019 xxx Grant
  Credit: State Revenue – State-Capital Assets
Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports

Recording as State Revenue – State-Capital Assets allows the district to track capital assets purchased with state dollars within the accounting system. Accounting standards require capital purchases recorded as Capital Outlay expense.
DIRECT COST - Reimburse landowner for expenses on a conservation practice covered by CWF grant
- Debit: State Project Expenses – State-Advanced Payment Grants or State Project Expenses
  Credit: Checking
Charge CWF grant for landowner costs (in the same accounting entry to prevent overlooking this entry)
- Debit: Unearned Revenue – BWSR 2019 xxx Grant
  Credit: State Revenue – State-General
Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports

NOTE: 50% advanced payment is now fully spent. Update eLINK and request 40% payment.
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ADVANCED PAYMENT - Received 40% advanced payment on the $50,000 CWF grant
- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports
DIRECT COST - Signage for CWF project

- Debit: State Project Expenses – State-Advanced Payment Grants or State Project Expenses
- Credit: Checking

Charge CWF grant for signage cost (in the same accounting entry to prevent overlooking this entry)

- Debit: Unearned Revenue – BWSR 2019 xxx Grant
- Credit: State Revenue – State-General

Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports
SWCD PAYROLL - staff time for the month ended 9/30/19 (for demonstration purposes only, all staff time during the month chargeable to the CWF grant - $15,000 wages plus $3,333 fringe)

- **Debit:** Employee Wages
  Payroll Taxes, PERA Expense, Employee Benefits
  Credit: Checking

  NOTE: Unable to provide payroll printout to demonstrate payroll processing

DIRECT COSTS OF STAFF TIME - Charge CWF grant for staff time directly related to workplan activities

- Grant could be charged by pay period, monthly, or quarterly (recommend by pay period or monthly to align with reporting to the district board)
- Grant activity categories detail provided in eLINK (administration, technical assistance, project development) align with detail in the program/project log for the CWF grant
- **Debit:** Unearned Revenue – BWSR 2019 xxx Grant
  Credit: State Revenue – State-Personnel

Effect to Balance Sheet and Profit and Loss reports

CWF grant for $50,000 is now fully expended and workplan activities are complete. Unearned revenue account shows a negative $5,000, which is the final 10% payment due. Net income represents overhead and admin costs included in BWSR billable rate calculations. Separating out State Revenue – State-Personnel allows district to track total staff time paid with state dollars (includes overhead/admin).
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FINAL PAYMENT - Update final reporting in eLINK (must be done within 30 days of completion of grant activities) and request final 10% reimbursement. Received 10% payment on the $50,000 CWF grant.

- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports

Final grant payment has been received and the grant closed in eLINK. Unearned Revenue - BWSR 2019 xxx Grant account has a zero balance and can be inactivated within the accounting system.

Unearned Revenue - BWSR 2019 xxx Grant account detail to be reviewed during financial reconciliation.
QuickBooks Class Tracking for Advanced Payment Grants

QuickBooks tracking by class can be an effective tool for grant management although it requires all accounting entries (district, county, federal, state, etc.) to be classed. QuickBooks classes are very versatile but be careful to select how to filter, sort, and total by class. Subclass levels work well to track activity category (administration, project development, technical assistance, etc.). To enable class tracking:

- Edit menu – Preferences – Accounting – Company Preferences (be sure to check both boxes because the “Prompt to assign classes” is a helpful reminder)

To create classes in advance:
- Lists menu – Class List – New Class

To set up a class when needed during the invoicing process:

When entering transactions, the system will show a reminder if a class hasn’t been assigned. However, it’s very easy to tab through the reminder since the default is “Save Anyway:”
Recommend running the Profit & Loss Unclassified report periodically to identify unclassed entries:

To print the Profit & Loss by Class report:
For demonstration purposes, the following is a very simplified 50/40/10 clean water fund (CWF) grant example using QuickBooks class tracking including unearned revenue accounting entries for a capital asset purchase, staff time, and other direct costs chargeable to the grant. Disclaimers:

- Expenses in alignment with BWSR approved WorkPlan
- Timeline and expenses are exaggerated to provide the grants management overview
- Employees paid monthly
- Conservation practice required match provided by the landowner
- Grant fully executed 1/2/19 and completed by 9/30/19

Best practice is to set up an unearned revenue account for each advanced payment grant.

Only revenue type accounts (county, local, federal, state, etc.) needed since specific funding is identified by a class code. Breakout of various revenue accounts no longer needed:

Only expense type accounts (county, local, federal, state, etc.) for program and project expenses needed since specific expenses are identified by a class code. Breakout of various expense accounts no longer needed:

If all classes detail were requested, the challenge would be to print a report wide enough to display all classes (20+ classes) but the report can be exported to Excel:

As transactions occur, pay attention to the Net Income reported on the Profit and Loss report. When using the QuickBooks class tracking including unearned revenue method, income is reported when earned.
ADVANCED PAYMENT - Received 50% advanced payment on the $50,000 CWF grant

- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports
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DIRECT COST - Purchased $15,000 piece of equipment for CWF grant activities
- Debit: Capital Outlay Expense
- Credit: Checking

Charge CWF grant for the capital asset purchase (in the same accounting entry)
- Debit: Unearned Revenue – BWSR 2019 xxx Grant
- Credit: State Revenue

Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports

Can record directly to State Revenue since class tracking reports capital assets funded with state dollars.
Accounting standards require capital purchases recorded as Capital Outlay expense.
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DIRECT COST - Reimburse landowner for expenses on a conservation practice covered by CWF grant

- Debit: State Project Expenses
  Credit: Checking

Charge CWF grant for landowner costs (in the same accounting entry to prevent overlooking this entry)

- Debit: Unearned Revenue – BWSR 2019 xxx Grant
  Credit: State Revenue

Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports

NOTE: 50% advanced payment is now fully spent. Update eLINK and request 40% payment.
ADVANCED PAYMENT - Received 40% advanced payment on the $50,000 CWF grant

- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports
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DIRECT COST - Signage for CWF project
- Debit:  State Project Expenses
  Credit:  Checking

Charge CWF grant for signage cost (in the same accounting entry to prevent overlooking this entry)
- Debit:  Unearned Revenue – BWSR 2019 xxx Grant
  Credit:  State Revenue

Remember to pay the invoice in the accounting system (QB: Pay Bills)

Effect to Balance Sheet and Profit and Loss reports
SWCD PAYROLL - staff time for the month ended 9/30/19 (for demonstration purposes only, all staff time during the month chargeable to the CWF grant - $15,000 wages plus $3,333 fringe)

- Debit: Employee Wages
  Payroll Taxes, PERA Expense, Employee Benefits
- Credit: Checking

Unable to provide payroll printout to demonstrate payroll processing

DIRECT COSTS OF STAFF TIME - Charge CWF grant for staff time directly related to workplan activities

- Grant could be charged by pay period, monthly, or quarterly (recommend by pay period or monthly to align with reporting to the district board)
- Grant activity categories detail provided in eLINK (administration, technical assistance, project development) align with detail in the program/project log for the CWF grant

- Debit: Unearned Revenue – BWSR 2019 xxx Grant
- Credit: State Revenue

Effect to Balance Sheet and Profit and Loss reports

CWF grant for $50,000 is now fully expended and workplan activities are complete. Unearned revenue account shows a negative $5,000, which is the final 10% payment due. Net income represents overhead and admin costs included in BWSR billable rate calculations. Using class tracking allows the district to track total staff time paid with state dollars.
FINAL PAYMENT - Update final reporting in eLINK (must be done within 30 days of completion of grant activities) and request final 10% reimbursement. Received 10% payment on the $50,000 CWF grant.

- Debit: Checking
- Credit: Unearned Revenue – BWSR 2019 xxx Grant

Effect to Balance Sheet and Profit and Loss reports

Final grant payment has been received and the grant closed in eLINK. Unearned Revenue - BWSR 2019 xxx Grant account has a zero balance and can be inactivated within the accounting system.

Unearned Revenue - BWSR 2019 xxx Grant account detail to be reviewed during financial reconciliation.
Reimbursement Grants
A grant agreement is a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when the principle purpose of the relationship is to transfer cash or something of value to the recipient to support a public purpose authorized by law. Grants issued on a reimbursement basis require the costs to be incurred to provide the goods and/or services prior to requesting repayment. Staff time tracking is required to support the reimbursement requested.

Invoicing for Services/Goods Provided
Invoices to government entities should be created in Accounts Receivable – Due From Other Governments (QB: Customers – Create Invoices) after the services or goods have been provided, including holdbacks. Tracking manually is not advised since the risk of forgetting/losing revenue is high and/or good records do not exist for the audit.

- When invoicing for services provided and the funding source is known, accounting standards recognize revenue by funding type (i.e. state, county, local, federal, etc.).

- There is no need to break out reimbursement grants by grant within the Chart of Accounts although it may provide better tracking of revenue and expenses. Class tracking in QuickBooks already records to the specific funding source. To set up a new account in QuickBooks:
  - Company menu – Chart of Accounts – New Account – Account Type: Income
  - After setting up the new account, consider creating the “item” for invoicing purposes. To set up a new item in QuickBooks, click on Customers menu – Item List – New Item:
Items can also be created during invoice generation:

- Create a new revenue account, if tracking revenue for the project/program
  - District preference
  - Not applicable if using QuickBooks class tracking
- Create a new item to use when invoicing (within QuickBooks)
  - Not applicable if using QuickBooks class tracking
- When generating the invoice within QuickBooks:

For example, the district is not the grantee/fiscal agent for a state grant but working with partners on a 1W1P planning grant. Revenue should be recorded as state revenue and not charges for services. To invoice xxSWCD for staff time worked on a reimbursement grant, as outlined in the approved grant workplan, the QuickBooks process would be as follows:

- Pay Pheasants Forever invoice
  - Debit: 6400 State Project Expenses – BWSR FarmBill
  - Credit: 1020 - Checking
- Invoice BWSR for services rendered using Accounts Receivable (QB: Customers – Create Invoices – process outlined above)
  - Debit: 1200 Accounts Receivable – Due From Other Governments
  - Credit: 4440 State Revenue – Reimb.-BWSR FarmBill
Reimbursement Contracts
A contract is an agreement to provide a good or service that legally binds two or more parties. Contracts issued on a reimbursement basis require the costs to be incurred to provide the goods and/or services prior to requesting repayment.

Invoicing for Services/Goods Provided
Invoices to government entities should be created in Accounts Receivable – Due From Other Governments after the services or goods have been provided, including holdbacks. Tracking manually is not advised since the risk of forgetting/losing revenue is high and/or good records do not exist for the audit.

- When invoicing for services provided and the funding source is known, accounting standards recognize revenue by funding type (i.e. state, county, local, federal, etc.).

- There is no need to break out reimbursement contracts by contract within the Chart of Accounts although it may provide better tracking of revenue and expenses. Class tracking in QuickBooks already records to the specific funding source.

For example, charging for services provided on a reimbursement contract related to an easement delivery work order to be funded by the state. In June, $750 of easement delivery work orders were completed:

- Debit: 1200 Accounts Receivable – Due From Other Governments
- Credit: 4441 State Revenue – Reimb.-BWSR Easements