

SWCD Training Program | *January 2011*

Module 8:

Financial Training



Available Funding Mechanisms

- Per Alaska Statute, SWCDs are able to accept funding regardless of source.
- In addition, SWCDs may work through their non-profit organization, AACD. In some cases this is significant as many grants are limited to only 'non-profit' recipients; hence, as a state agency, the SWCD itself would not qualify...but AACD can apply for those same funds, then funds can flow to the SWCD through the AACD. In this instance, the SWCD would need to compensate AACD for their time and costs associated with the administration of those funds, to be negotiated and agreed upon in a MOU or agreement between AACD and the SWCD governing those funds.

*SWCDs are tax exempt government entities of the State of Alaska under Section 170(c)(1) of the Internal Revenue Code, Contributions to SWCDs are tax deductible if made exclusively for a public purpose.

- **Funding requests**

- Funding requests for projects may be submitted to any funding source, including the DNR Commissioner (through the NRCDB), the Governor's Office of Management and Budget (OMB), and the Alaska Legislature.
- What does a funding request look like? (CIAP format as Sample)
 - Researched, complete and competent budget, including indirect and administrative costs.
 - Project description, including pictures and graphics to illustrate the project, goals, etc.
 - Project goal(s) - what will this project address, fix, improve, etc.?
 - Project timeline - how long will this project take to complete?
 - Who is affected by this project? Does it help a single landowner, multiple landowners, an entire watershed of landowners...etc
 - Contact information for the person responsible for the project at the SWCD.

- **Grant Writing and Related Resources List**

- **Tips from the Environmental Protection Agency:**

- <http://www.epa.gov/ogd/recipient/tips.htm>

- **The Foundation Center:** <http://foundationcenter.org/>

- **American Grant Writers Association:** <http://www.agwa.us/>

- **American Association of Grant Professionals:**

- <http://grantprofessionals.org/>

- **The Minnesota Council on Foundations** provides good information, including answers to questions such as 'what happens next in the process?':

- <http://www.mcf.org/mcf/grant/writing.htm>

Budgets & Allocating Resources

- SWCDs must submit an annual budget to the NRCDB within its Annual Workplan. Further, accounting protocols mandate SWCDs track expenditures and revenue in a working budget.
- Budgets **MUST** be approved, by motion and majority vote, by the SWCD's Board of Supervisors.
- Budgets may be prepared by the entire board, a designated budget officer or treasurer, a finance committee, a consultant, or designated staff.
- A budget is a projection of all expected revenues and expenditures for the fiscal year including all projects. A budget may be amended, by a majority vote of the BOS, at any time.

A sample of a simple, traditional budget for a \$150,000 project:

Funding Source:	State of Alaska	
Limitations on use per language:	Grant; Replace culvert under Some Road, Anywhereville, AK; Admin/indirect 10% combined	
Funding total amount:	\$ 150,000.00	
BUDGET:	BUDGET PORTION:	
Personnel	\$ 15,000	
Contractual	\$ 75,000	
Project Expenses, permitting	\$ 10,000	
Supplies/Materials	\$ 35,000	
Other (specify)	\$ 0	
Administrative & Indirect Costs (10-20%, 10% for sample)	\$ 15,000	
	TOTAL BUDGET	\$ 150,000

Importance of Financial Planning

- Forecasted financial planning is crucial to a successful organization. During times of lean projects and/or funding, it is this long-term vision that will sustain the organization.
- **There are six steps to comprehensive financial planning:**
 - Identify and prioritize objectives
 - Gather information
 - Analysis of information
 - Proposal of recommendations and alternatives
 - Implementation
 - Tracking and ongoing progress

Identify And Prioritize Objectives – Step 1

- What do our Cooperators need from us?
- What do potential Cooperators need from us?
- What resource concerns are in our District that we can help with?
- What is going on that affects our Cooperators?
- What are the strengths of our District and how can those strengths be used to serve the people of the area and the responsible development of our area's natural resources?
- **PRIORITIZE**



Gather Information – Step 2

- Compile accounting report(s) showing all revenue and expenditures by account and/or project. How much did the District expend on a similar project?
- Calculate personnel costs per year, including all applicable insurance, taxes, benefits, etc.
- Calculate minimum operating costs necessary to maintain basic function
 - Liability Insurance
 - Office space
 - Minimum personnel, with associated Worker's Compensation Insurance costs, taxes, benefits and all payroll costs
- If looking at a new type of project/objective the District does not have historical accounting/budgeting for, ask those that have or compile a preliminary, estimated budget to assist in the decision-making process.

Analysis of Information – Step 3



- Taking the list of prioritized projects/objectives/goals, and using the costs gathered in Step 2, determine the minimum operating costs to maintain basic function into a budget, usually compile using Excel® (Column A)
- In the next column B, list the #1 priority/objective of the SWCD, listing in that column the associated budgeted costs
- In the next column C, list #2 priority/objective.....continue across the page

SWCD, Master Financial Plan, Fiscal Year _____			
	Minimum Operating	Project A	Project B
Personnel costs	\$ -	\$ -	\$ -
Project-related	\$ -	\$ -	\$ -
Administrative-related	\$ -	\$ -	\$ -
Additional Description(s)	\$ -	\$ -	\$ -
Contractual	\$ -	\$ -	\$ -
Project-related	\$ -	\$ -	\$ -
Administrative-related	\$ -	\$ -	\$ -
Additional Description(s)	\$ -	\$ -	\$ -
Materials/Supplies	\$ -	\$ -	\$ -
Description(s)	\$ -	\$ -	\$ -
Permitting	\$ -	\$ -	\$ -
Description(s)	\$ -	\$ -	\$ -
Travel	\$ -	\$ -	\$ -
Description(s)	\$ -	\$ -	\$ -
Office Supplies	\$ -	\$ -	\$ -
Description(s)	\$ -	\$ -	\$ -
Operating Expense	\$ -	\$ -	\$ -
Description(s)	\$ -	\$ -	\$ -
Insurance	\$ -	\$ -	\$ -
AACD Liability Policy	\$ -	\$ -	\$ -
Auto Policy	\$ -	\$ -	\$ -
Additional Description(s)	\$ -	\$ -	\$ -
TOTALS	\$ -	\$ -	\$ -

➤ Does this accurately reflect the Board's intent in Step 1?

Proposal of Recommendations & Alternatives – Step 4

- Utilizing the newly created spreadsheet, plan a presentation to the SWCD's Board of Supervisors to approve a long-range plan.
- Most effective approach is to present the minimum budget per year, projected over five years for minimum operating costs...then discuss expansion from there, based on projects/objectives that have been prioritized and analyzed according to a projected budget in Step 3.
- During this step, the Board may discover they need to re-prioritize due to lack of funding. If this is the case, keep that project/objective in the district's priority list, but note in the plan to seek and secure funding. Once funding is secured, that project/objective can be added to the district's Annual Workplan.

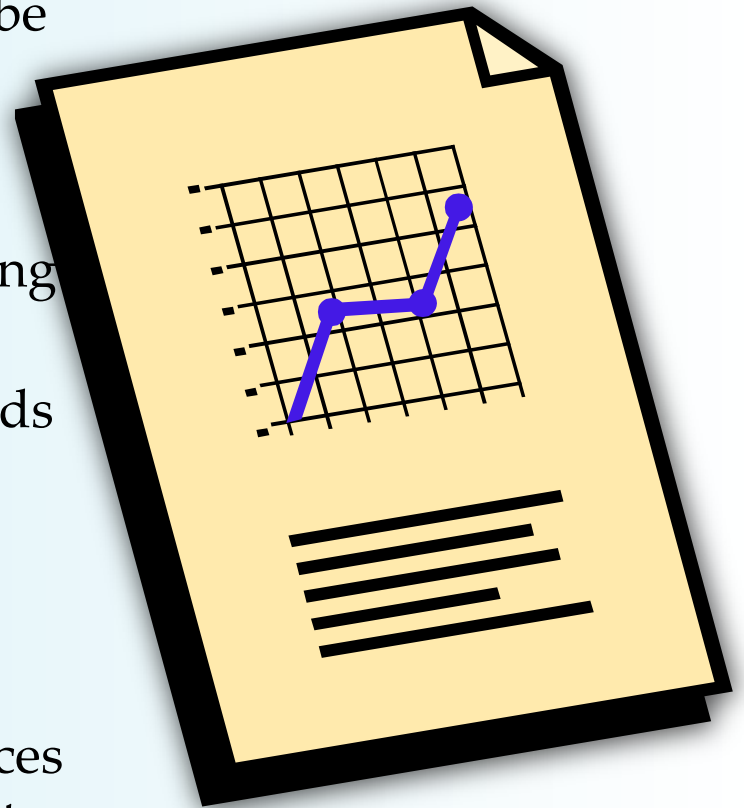
Implementation – Step 5

- At this point, you know what hours are funded and what projects the SWCD's staff, contractors and others are working on and where all expenditures of the SWCD are going. Now it's time to start what we discussed in the last section, tracking ongoing project progress and securing funding for the new projects/objectives of the Board.



Tracking of Ongoing Progress – Step 6

- As part of the Board's monthly financial report, all projects/objectives should be accounted for separately, all costs inclusive. Periodic budget to actual reports (see next slide) should be provided to the board to allow tracking of the project/objective.
- Are we meeting our goals for the funds expended to date?
- What can we do, if anything, to improve the effectiveness?
- Is the project going to come in at or under budget? Do additional resources need to be allocated? If under budget, can excess allocation be reallocated to another Board priority?



Sample 'Budget to Actual' Report Using The Earlier Project Budget

SOA Grant #25601, Culvert Replacement, Some Road, Anywhereville, AK

Funding total amount: \$ 150,000.00

DESCRIPTION	BUDGET	EXPENDED TO DATE	BALANCE
Personnel	\$ 15,000.00	\$ 6,302.74	\$ 8,697.26
Contractual	\$ 75,000.00	\$ 37,802.42	\$ 37,197.58
Project Expenses, permitting	\$ 10,000.00	\$ 8,504.32	\$ 1,495.68
Supplies/Materials	\$ 35,000.00	\$ 12,302.15	\$ 22,697.85
Other (specify)	\$ 0.00	\$ 0.00	\$ 0.00
Administrative & Indirect Costs	<u>\$ 15,000.00</u>	<u>\$ 5,301.86</u>	<u>\$ 9,698.14</u>
	\$ 150,000.00	\$ 70,213.49	\$ 79,786.51

Fundraising

- Per Alaska Statute, SWCDs are able to accept funding regardless of source.
- SWCDs are tax exempt government entities of the State of Alaska under Section 170(c)(1) of the Internal Revenue Code. Contributions to SWCDs are tax deductible if made exclusively for a public purpose.
- SWCDs have the legal ability to undertake fundraising activities (most effectively through a fundraising plan), examples include:

- ❖ Conservation equipment rental
- ❖ Retail sales (trees, plants, hats, books, etc.)
- ❖ Silent auction
- ❖ Special events (bake sales, golf tournaments, walk-a-thons, etc.)
- ❖ Service fees paid for providing services (e.g. soil testing, tree planting, professional services, etc.)

- ❖ Direct appeals through donations...media, mail or telephone
- ❖ Memorials, bequests and honorary gifts
- ❖ Membership (annual contributions from individuals, agencies and/or organizations)
- ❖ Sponsorship for individual projects
- ❖ Advertisement in district newsletter

Financial Statements & Accounting Methods



- All Districts should be utilizing QuickBooks®.
- Accounting should be set-up to track grants and/or projects individually; in QuickBooks® this can be accomplished by using classes and subclasses.
- The SWCD's chart of accounts should be simple -- projects and/or funding sources are tracked through classes and subclasses.
- For support with QuickBooks®, go to the following address and search by local area:
<http://support.quickbooks.intuit.com/support/>

Soil & Water Conservation District
Financial Report - as of xx/xx/2010

Account balance(s):

Checking (Acct 1234)	\$ 113,875.00
Checking (Acct 5123)	\$ 26,225.78
Total	\$ 140,100.78

North Creek Project

Funding Source A	\$ 78,504.96
Funding Source B	\$ 32,650.02

Education & Outreach Program

Funding Source C	\$ 3,251.78
Funding Source D	\$ (5,540.87)

Property Owner Assist - Grant #789	\$ (3,205.62)
Operating Account	\$ 34,440.51

\$ 140,100.78

Outstanding Reimbursements

Funding Source A	\$ 12,406.32
Funding Source D	\$ 5,540.87
Grant #789	\$ 3,205.62
Total Outstanding	\$ 8,746.49

TOTAL ASSETS AFTER REIMBURSEMENT(S) **\$ 148,847.27**

Sample Monthly Financial Report To The BOS

➤ **With Attachments:**

➤ **Copy of Check
Register or
Transaction Detail of
all transactions since
last report**

➤ **Any detailed
reports needed for
discussion**

Financial Statements & Accounting Methods

- Accounting by Funding Source(s)
 - All budgets and financial reports shall be segregated by funding source. If a project is a combination of funding sources, all funding sources shall be segregated within that project.
- Unless unrestricted funds, AT NO TIME shall funds be borrowed from one grant/funding source to pay for other unrelated expenses. Grants and funding sources are to be segregated and ONLY used for its intended project/objective per OMB Circular A-87 and applicable funding agreement(s).



Applicable Resources for Funding and Accounting Practices:

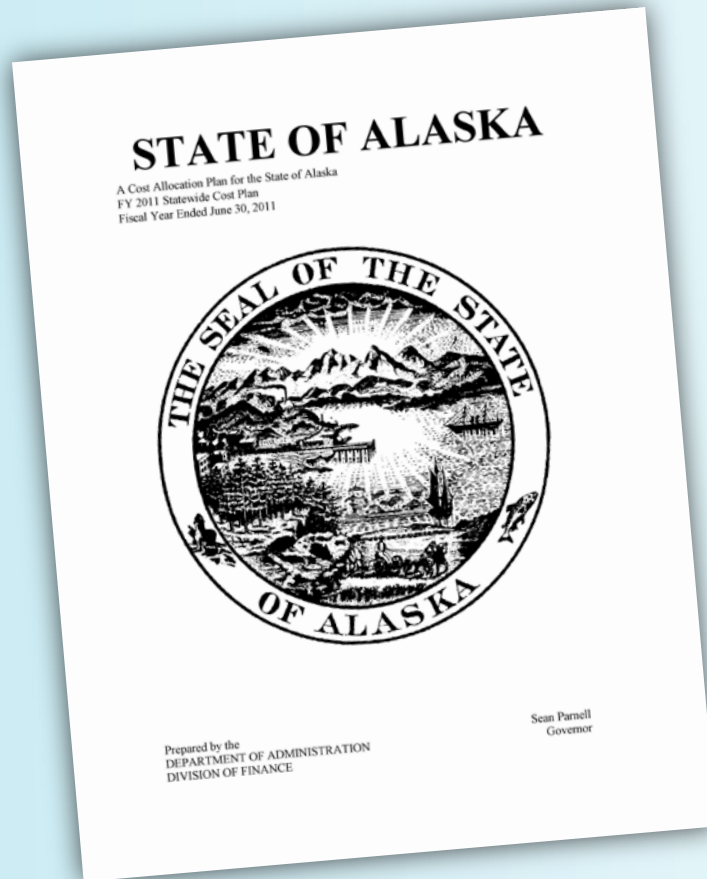
- **Administrative Principles:** OMB Circular A-102:
http://www.access.gpo.gov/nara/cfr/waisidx_04/43cfr12_04.html
- **Cost Principles:** OMB Circular A-87:
<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&rgn=div5&view=text&node=2:1.1.2.3.6&idno=2>
- **Audit Principles:** OMB Circular A-133:
<http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a133/a133.pdf>
- **Government Accountability Office (GAO):**<http://www.gao.gov/>
- **Governmental Accounting Standards Board (GASB):**
<http://www/gasb.org>
- **General Accepted Accounting Principles (GAAP),** from the Federal Accounting Standards Advisory Board (FASAB):
<http://www.fasab.gov/accepted.html>

Direct vs. Indirect vs. Administrative Costs

- "Direct" costs are those costs directly related to the project, i.e. personnel (including all costs involved, payroll taxes, Unemployment Insurance, etc.), contractual, materials, permitting, etc.
- "Indirect" costs are those costs not directly related to the project, i.e. Worker's Compensation, Liability and/or Vehicle insurance policies if covers more than one project, office rent, telephones, utilities, etc.
- "Administrative" costs are those costs associated with the administration of the funding, such as reporting to funding sources, accounting, etc.



Indirect Costs Are Set By the Funding Agency Awarding the SWCD the Funds



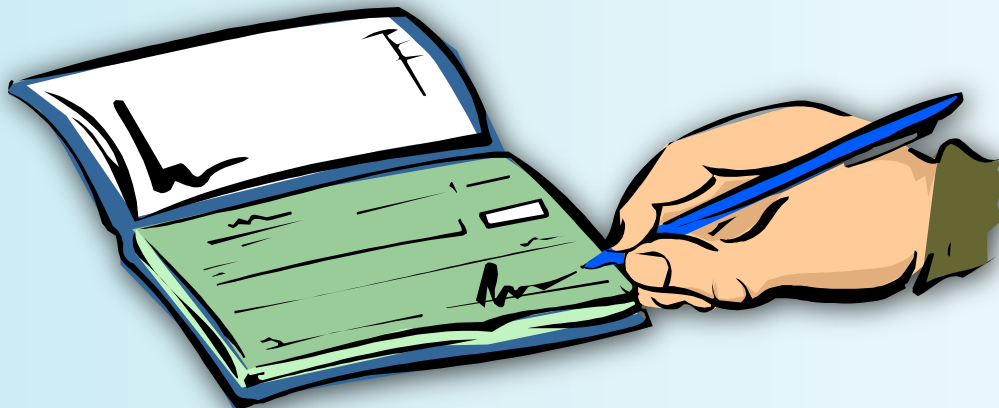
- For more information on obtaining an indirect cost rate from the federal government, see:
http://www.whitehouse.gov/sites/default/files/omb/assets/agencyinformation_circulars_pdf/a87_2004.pdf
- For state, local, or private sources, the rate is to be determined and agreed upon in the contract, agreement, or other documentation governing the funding.
- It is suggested that all Districts set a standard indirect cost rate, applicable to all sources, and utilize that rate consistently when preparing a funding proposal.

State Audit & Reporting Requirements

- **Annual Workplan** - Due to the DNR Commissioner/NRCDB/AACD by May 15 of each year. The Annual Workplan is a written plan, approved by the BOS, that forecasts the revenue and expenses of the SWCD for the upcoming fiscal year. The Annual Workplan is an unpolished document without pictures or other illustrations, unless necessary (see Module 13, References, for sample).
- **Annual Report** - Due to the DNR Commissioner/NRCDB/AACD by September 15 of each year. The annual report reports on the SWCD's activities through the prior fiscal year, showing where all funding was utilized. The Annual Report shall also include a fiscal yearend budget summary showing all revenues and expenditures for the SWCD for the fiscal year being reported. The Annual Reports are polished documents including pictures and other graphics to fully illustrate the SWCDs accomplishments of the year (Annual Workplan vs. Results Accomplished), generally organized by project and/or funding source (see Module 13, References, for sample).
- **Minutes and Financial Reports** - Copies of all approved Minutes and Financial reports must be provided to the NRCDB upon Board approval.
- OMB Circular A-133 mandates that any District **expending over \$500,000 in federal funds** in any fiscal year must have a single or program-specific audit conducted for that year. (See also Audit section).

Internal Controls (Checks & Balances)

- Supervisors are signers on the bank accounts. Check each others' work and audit treasurer reports. More than one Supervisor – the Treasurer plus one other Supervisor.
- The use of debit/check cards is discouraged - transactions should only be done by check or credit card (with detailed statement and receipt(s) for adequate records and accountability). Under no circumstances should business be conducted with cash.
- Span of control should be as broad as possible, i.e. the same person signing checks is not writing them, is not the same person entering the accounting into the system.



Grant Contracts & Agreements

- BOS retains authority to approve/sign any contract, agreement, or other document that legally binds the District.
- All final reports shall be approved by the Board of Supervisors.
- BOS must have meaningful involvement in ANY negotiation with non-state agencies.

