

# Effectively Managing Public Grant Spend-Down

## Introduction

Grant spend-down refers to the process of strategically planning and utilizing grant funds within the stipulated time frame and according to the grant agreement’s terms. Effective spend-down ensures that all allocated funds are used efficiently, achieving the intended program outcomes while maintaining compliance with grant requirements. According to JFF, proper spend-down is crucial for several reasons:

1. **Compliance:** Adhering to spend-down requirements helps maintain compliance with grant terms.
2. **Financial Health:** Prevents the risk of fund retraction, the need to return unspent funds.
3. **Program Impact:** Maximizes the effectiveness and reach of funded programs.
4. **Reputation:** Demonstrates the organization’s reliability, transparency, and effectiveness, which is vital for securing future grants.

## Common Challenges and Mitigation Strategies

While federal, state, and other public funding sources can be a critical source of revenue for nonprofits and other partnerships, these public funds often come with rigid requirements that can pose an administrative burden, especially for small organizations. Below are some common challenges that grantees face when they are unable to, or have limited capacity to, properly manage grant spend-down, along with JFF’s tips for mitigation.

### Budgeting and Forecasting

Challenge	Mitigation Strategies
<p>Without effective grant spend-down processes in place, grantees can face difficulty in predicting expenses accurately, accounting for any changes in program needs or external factors affecting costs, and understanding their <a href="#">burn rate</a>. This can lead to compliance issues and potential budget modifications that often take significant time and energy.</p>	<ul style="list-style-type: none"> <li>• Develop a comprehensive budget at the outset, including contingency plans.</li> <li>• Ensure programmatic staff work closely with the budget manager to draft a realistic budget during the proposal stage and for ongoing tracking.</li> <li>• Regularly review and adjust the budget based on actual expenditures and projections on a monthly or quarterly basis.</li> </ul>

### Cash Flow Management

Challenge	Mitigation Strategies
<p>With public grants, the timing of fund disbursement may not align with program needs, making it challenging to manage cash flow and ensure funds are available when needed. This is especially true for grants that operate on a reimbursement basis, meaning you incur expenses first and then get reimbursed.</p>	<ul style="list-style-type: none"><li>• Align expenditure timelines with program milestones.</li><li>• Ensure prompt invoicing and reimbursement requests to maintain cash flow.</li><li>• Consider aligning payments due to partners and subrecipients with your fund disbursement schedule.</li><li>• Secure bridge funding. Set up a line of credit with a bank or financial institution to provide short-term liquidity when waiting for reimbursements. Additionally, local foundations can often provide bridge loans to nonprofits to help with cash flow challenges.</li><li>• Work with your vendors to negotiate extended payment terms, allowing you to align outgoing payments with expected grant reimbursements.</li></ul>

### Regulatory Compliance

Challenge	Mitigation Strategies
<p>Keeping up with changing federal and state regulations and understanding complex compliance requirements becomes increasingly difficult without effective grant spend-down processes in place.</p>	<ul style="list-style-type: none"><li>• Track allowable vs. unallowable costs. Familiarize your team with which costs are allowable under the grant. Some federal grants restrict funding for certain expenses (e.g., alcohol, lobbying, or entertainment).</li><li>• Prepare for audits. Federal grants are subject to audit, especially for organizations that receive significant amounts of federal funding. Keep all documentation (receipts, invoices, timesheets) in order and readily accessible. If your organization expends \$750,000 or more in federal grants in a fiscal year, it may be subject to a <a href="#">single audit under the Uniform Guidance</a>. Be prepared for this by conducting</li></ul>

	<p>regular internal audits and hiring external auditors if necessary.</p> <ul style="list-style-type: none"> <li>• Monitor subrecipients. If your nonprofit passes federal grant funds to other organizations (subrecipients), you are responsible for ensuring their compliance as well. Develop monitoring systems to review their financial reports and compliance efforts.</li> <li>• Follow procurement guidelines. Familiarize your organization with <a href="#">state and federal procurement guidelines</a> which require fair and open competition, impose minimum standards on contractors, avoid conflicts of interest, and mandate cost/price analysis on purchases of goods and services over certain thresholds.</li> </ul>
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## Documentation and Reporting

Challenge	Mitigation Strategy
<p>Maintaining thorough and accurate records and meeting stringent reporting requirements can be exceedingly difficult when effective grant spend-down processes are not established.</p>	<ul style="list-style-type: none"> <li>• Consider using grant management software like <a href="#">Asana</a>, <a href="#">Salesforce</a>, or <a href="#">Smartsheet</a> to streamline compliance tracking. These systems can help manage reporting deadlines, track expenses, and ensure accurate recordkeeping.</li> <li>• Maintain regular communication with the grant officer or funding agency. If any issues or potential compliance problems arise, reach out early to address them before they escalate.</li> </ul>

Effectively managing public grant spend-down is essential for ensuring compliance, financial stability, and impactful program delivery. By investing time and resources up front to develop sound policies and infrastructure, organizations can save time in the long term and mitigate financial risks.

## Resources:

### **Budgeting and Forecasting**

1. [National Council of Nonprofits: Budgeting for Nonprofits](#)
2. [Smartsheet: Free Nonprofit Budget Templates](#)

### **Cash Flow Management**

1. [Securing a Nonprofit Line of Credit: Everything You Need to Know](#)
2. Loans and other capital available through the [Nonprofit Finance Fund](#)

### **Regulatory Compliance**

1. [SMART Grants Management Training](#): While this training is specific to the Department of Labor, it includes requirements that are relevant for all federal grantees.
2. [Internal Controls Module](#)
3. [Audit and Audit Resolution Module](#)
4. [Subrecipient Management Module](#)
5. [Match and Leveraged Resources Module](#)
6. [Sample Policies and Procedures Manual for Nonprofits](#)
7. [Federal Law Audit Requirements](#)

### **Documentation and Reporting**

1. [Records Management Module](#)
2. [Close Out and Post Closeout Module](#)