

## **Nonprofits Find Reporting on Grants Problematic**

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More than 75 percent of nonprofits that receive state and local government grants and contracts stated that the complexity of grantee financial reporting and the time required to submit these reports is a problem to some extent, according to a recent survey by the Urban Institute.

Katie Roeger, assistant program director at the Urban Institute's National Center for Charitable Statistics, recently told the National Grants Partnership that the study sought to determine the number of active contracts and grants to nonprofit health and human services providers; the various problems they face in applying for, receiving and reporting on grants and contracts; and the effects of the recession on those groups. The study, a collaborative project between the Urban Institute's Center on Nonprofits and Philanthropy and the National Council on Nonprofits, was funded by the Bill and Melinda Gates Foundation.

Some 33,000 human services nonprofit groups have active government contracts and grants; for 60 percent of those groups, government funding represents their largest source of financial support. Some 54 percent face matching or cost-sharing requirements; 62 percent are subject to limits on program administrative costs; 58 percent face limits on organizational/general administrative costs; and 89 percent have reporting requirements (e.g., results, outcomes, impacts).

The main problems facing these nonprofits include insufficient and late payments from the awarding agency, changes to existing contracts, and the complexity and time required to apply for grants and contracts and file the required reports on their expenditure of grant funds. The study found that 39 percent of respondents consider the complexity and time required for financial reporting is a "big problem," while 37 percent deemed it a "small problem." The remaining 24 percent said it was no problem.

Likewise, 39 percent of respondents said the complexity and time required to apply for grants and contract is a big problem, with another 37 percent calling it a small problem. Some 44 percent said receiving payments that do not cover the full cost of contracted services was a big problem; another 24 percent said this is a small problem.

About 57 percent of nonprofit respondents said government-initiated changes to contracts and grants was a problem, including 26 percent that characterized it as a big problem. Also, 53 percent of respondents cited late payments as an issue, including 24 percent who called it a big problem.

## **Better or Worse?**

When asked if the respondents' 2009 experiences with their government contracts and grants were better or worse than previous years, 64 percent said it was about the same,

while 31 reported a deterioration from last year; only 5 percent described 2009 as an improvement. “This is interesting because we now know that these problems are not just because of the recession,” Roeger said. “We’re asking about small and big problems, but they are saying at the same time that it’s about the same experience as prior years. These problems are not new and they have continued to be things nonprofits have to deal with.” However, because of the recession, some 42 percent of the nonprofit respondents said they were experiencing deficits. Financial assistance provided by local governments fell 49 percent, while state grants and contracts declined 56 percent and federal support fell 31 percent. In addition, donations from individuals, private entities and corporate entities all dropped by about 50 percent or more. Investment income also plummeted by 72 percent, Roeger said.

To make up for lost revenue, half of nonprofits said they have frozen or reduced employee salaries; 39 percent have drawn on reserve funds; 38 percent have made staff cuts; 23 percent have reduced health and retirement benefits; 22 percent have borrowed funds or accessed lines of credit; and 21 percent have cut programs or services. The report’s authors recommended that the federal government standardize and simplify its grant application process, and implement prompt payment processing. They also urged nonprofits to find ways to work together to share information on how well various cost-saving practices are working.

Roeger said a future report may focus solely on grants to nonprofits. “This is our first look at this, and we lumped grants and contracts together,” she said. “But we noticed that there are different terms and conditions [between grants and contracts], so we may in the future look at them separately. It would be a great comparison.”

### **Need More Information?**

The Urban Institute report is available at <http://www.urban.org/UploadedPDF/412227-National-Study-of-Nonprofit-Government.pdf>.