



2023 Grant Review Process - Instructions for Financial Reviewers

BACKGROUND & INSTRUCTIONS

Each organization that applies for a grant was asked to submit the following information with their application, which should have been provided to you by the NCCF office:

- 1) Operating budget and actual income and expenses for the *current fiscal year to date*.
- 2) Operating budget and actual income and expenses for the *last fiscal year*.
- 3) Program/project budget for the current fiscal year to date (if applicable)
- 4) Program/project budget for the last fiscal year (if applicable)
- 5) Most recent audit, if available, or most recent Form 990 (IRS Information return).
- 6) An optional budget narrative, which should address any operating reserve or endowment, including its size and any restrictions on its use, and flag any major financial changes.

If any of this information is missing from the application, contact the NCCF office as soon as possible and ask that they request it so you can complete the financial review by the due date. Please note some applicants applied in the fall of 2022, and others have submitted more recent information; if you feel any information is particularly outdated, contact the NCCF office.

Please review the information submitted. The objective of your review is threefold:

1. To consider how well the organization's financial affairs are managed, consistent with NCCF standards outlined below, and to provide a rating
2. To consider how critical is the need for NCCF funding for the organization to carry out the program or project for which funds are sought, and to provide a rating
3. To consider questions regarding the organization's finances that the site visit team may wish to ask during the site visit

Once you have completed your review, please prepare a *brief* report using the form provided and send it to your team leader. You should work with your team leader to determine the best deadline – typically ahead of that organization's site visit.

SCORING GUIDELINES

Management of Financial Affairs

The following should be considered in rating how well the organization's *financial affairs* are managed:

- Appropriate use and management of financial resources:
 - Are fundraising expenses too high (goal is < 30% of funds raised)?
 - Are administrative costs too high (goal is < 20% of expenses)?
 - Is the amount available for program expenses reasonable (goal is > 70%)?
- Liquidity (goal is liquid funds to cover expenses for up to 6 months)

- Reserve funds, how invested, and any restriction on its use
- The quality of budgets and financial reports provided to NCCF with the application, including whether the information is current.
- Auditor management letter issues, if any

If the financial affairs appear poorly managed, taking the above factors into account, the score for the following question should be rated low; if they are well managed the score should be high:

***Are the applicant organization's financial affairs well managed, consistent with NCCF standards?
(Rating on a scale of 1 - 5 where 5 is highest rating)***

Taking into account the factors listed above, use the following guidelines to rate Management of Financial Affairs on the scale of 1 to 5:

1. The organization exhibits poor financial performance or managements practices. While the organization may be able to sustain operations for a period of time, its financial stability is extremely sensitive to any fluctuation in its operating environment.
2. The organization exhibits somewhat weak financial performance or management practices relative to its current situation. The Organization exhibits weaknesses in one or more areas that could compromise its financial situation in the medium term, even in a stable operating environment.
3. The organization exhibits satisfactory performance and management practices relative to its size. The Organization is stable and should be able to withstand fluctuations in its operating environment.
4. The organization exhibits sound performance and management practices. Any weaknesses could be addressed by a competent board and management. The Organization is stable and is capable of withstanding fluctuations in its operating environment.
5. The organization exhibits excellent performance and management practices. Any weaknesses are minor, and can be handled in a routine manner by the board and management. The organization is resilient to significant changes in its operating environment.

If your rating for Management of Financial Affairs is low (1 or 2) please contact the office. The office may ask you to join the site visit team for that organization, or alternatively may wish to set up a call for you to discuss your conclusions with the organization. (Consideration may also be given to having staff or the CI Chair attend the site visit.)

Financial Need

The following should be considered in rating the *need for NCCF funding*. In some cases, such as an application for a grant for a capital project, an organization may be looking to NCCF to fund 100%; in other cases, organizations may be looking to NCCF, together with other regular donors, to sustain its existing programs:

- The details of the specific budget for the grant requested (Ensure amounts on the grant application are consistent with budgets provided.)
- The amount of unrestricted liquid assets the organization has available to proceed with the project or program without impacting its other programs or activities
- The results of operations over the past two years and whether the net result was a surplus or deficit
- The operating budget for the current year and whether the net result is forecast to be a surplus or deficit

If the organization has the resources it needs for the program or project without NCCF funding, and without impacting its other programs and activities, the score for the following question should be low. On the other hand, if the project or program is unlikely to proceed without NCCF funding the score should be high.

***How critical is the need for NCCF's funding for the organization to carry out the program or project?
(Rating on a scale of 1 - 15 where 15 is highest need)***

Taking into account the factors listed above, use the following guidelines to rate Financial Need on the scale of 1 to 15:

1. The Organization has strong financial resources and the program or project would not be affected by NCCF's grant decision. (3 points)
2. The Organization has adequate financial resources and would be able to proceed with the project or program with limited impact on the its finances without a grant from NCCF. (6 points)
3. The Organization should be able to proceed with the program or project if the request is not met or is only partially met but doing so would negatively impact its finances. (9 points)
4. The Organization may be able to proceed with the program or project if the request is only partially met, but is unlikely to be able to do so with no funding. (12 points)
5. The Organization will definitely not be able to carry out the program or project without the funding requested. (15 points)

DEVELOPING QUESTIONS

The following factors should be considered in *developing questions* regarding the finances of the organization for the site visit team.

- Trends in income (public and private sources) and expenses over the past two years
- Variances in actual income and expenditure from budget - last year and current year
- Large one-time revenue or expenditure items shown in the financial statements
- Debt repayments due in the next 12 months, if any, and how they will be serviced

Examples of questions that might be developed for the site visit team to discuss during the site visit:

- What caused administration expenses to increase by 25% year on year?
- The organization received a large gift in May which significantly boosted income for the year; was this a one-time gift or a gift that can be expected in years to come?

EXAMPLE REPORTS

Request for operations: Financial Affairs well managed and Financial Need low

The *WWW* program at *YYY* Organization is a well-established and well-funded program, with high impact. Financial information submitted was detailed and well presented. The financial statements are audited and the Form 990 is prepared by the auditors. *YYY* has a \$5.5 million endowment which appears to be appropriately invested. (Last year's annual return: 4.6%).

According to the information provided, fundraising and administrative expenses were both less than 10% of total revenues, and were 14% and 16% respectively of unrestricted contributions. YYY has liquid funds to cover more than six months of expenses. The WWW program, which is the stated purpose for the \$12K NCCF grant application and is the organization's largest program, has budgeted operating costs equal to approximately 50% of budgeted total revenues. YYY is expected to generate a surplus for the year. These metrics collectively form the basis for my Management of Financial Affairs rating of "5" and my Financial Need rating of "1."

Request for Capital Project: Financial Affairs relatively well-managed and Financial Need high

ZZZ Organization has requested \$15k for PV solar panels to save on future energy costs. The project budget was suitably detailed and three bids were obtained. The requested financial information for the Organization was well presented, except that the Form 990 is overdue. Only the Form 990 from the previous year was available. ZZZ does not have an endowment.

Using the information provided, fundraising and administrative expenses were both less than 15% of total revenues, and were 20% and 18% respectively of unrestricted contributions. ZZZ has liquid funds sufficient to cover about four months of expenses. ZZZ has incurred an operating deficit in each of the past two years and is anticipating a break-even result this year. As it does not have any surplus funds it is totally dependent on the NCCF grant request, combined with those submitted to three other foundations, to fund this project. These metrics collectively form the basis for my Management of Financial Affairs rating of "4" and my Financial Need rating of "15."