

SECTION 7 – Accounting for it

Accounting

1) A quick overview

Giving an account of the money you raise is a crucial part of the funding and financial-management process. The process starts with budgeting and continues with the development and implementation of financial controls, cash-flow monitoring and recording of all income and expenditure. If the right systems are in place then producing accounts is relatively straightforward. Management accounts – those produced at regular intervals during the life of the funding or the project – are there to make sure that the right decisions are made at the right time and before crises occur. Final accounts are produced for others – particularly funders – to see that you have spent the money in the way you said you would in your application.

Both the financial and the narrative components of the account you give a funder should be in the format required by the funder or by the accounting norms of your country. It may be necessary to show accounts in more than one currency and to meet other requirements set by the funder. Make sure you check what they want.

Your account is not only about money. You also need to show that the money was well spent and that you achieved the goals set out in your application. Facts and figures are very useful for some funders but many also want to know about ‘softer’ outcomes – sometimes referred to as ‘distance travelled’ by individuals in their personal development.

Your accounts – both financial and descriptive – need to be “accurate, authentic and auditable”. If you have kept appropriate records, maintained dialogue with your funders and kept to the required processes and procedures then this should not present a problem.

Coyote’s hint #13

Getting outside help with spending and accounting

Spending money is rarely a problem... But you need to be sure that you are doing it properly. Be sure to check out the details of any contract or legal agreement before you sign. Expert help with this may be available from your bank or from other local umbrella bodies. If not, a friendly law firm may be prepared to give support in kind.

With public funding there will normally be a representative whose job is to provide ongoing support throughout the life of the project. The same people who provide the money – for example on behalf of the European Union – often also have responsibility for helping projects interpret the spending rules.

As with spending, make the most of the official support provided by funders themselves. It is not uncommon for accounting firms and suitably qualified individuals to give their time to help you produce accounts in the appropriate format. If your organisation does not normally have to produce formal accounts then make sure you get outside help to check out the legal requirements.

If a formal audit of your accounts is needed, this might also be carried out by a volunteer so long as they are suitably qualified. Whether you pay for it or not, make sure that your auditor is experienced in auditing not-for-profit organisations.



2) Reporting obligations

The support you received from the funding institution came from public funds, for which the institution itself is accountable to its management bodies and the legislature. It therefore needs to collect information from the beneficiary organisations on how grants were used.

The details on reporting requirements should be known and taken into consideration before starting the activity. Much of the information needed for reporting should be collected during the activity itself. All funders require a final report. Check your financial agreement or contract to see if they also require progress reports. If so, you should be aware that a progress report will usually be needed before advance payments can be released. It is therefore mostly in your own interest to submit reports to the funding institution on time.

At the application stage you already basically know what needs to be reported on. When the financial agreement or contract is accepted you normally receive further guidance on reporting (for example on the content and format of the report and whether or not to use a special form). By signing the financial agreement you have accepted the reporting rules and obligations. Most agreements also indicate the deadline for submitting the report.

All partners should be aware of the required content of the report and are at least partly responsible for its compilation, having committed themselves to being jointly evaluated when they signed the preliminary project agreement at the application stage and having then entered into the partnership agreement.

Apart from providing evidence of use of funds the report is an opportunity to tell your project success story. In your report you may also wish to present some recommendations or messages from the partners or participants.

- **What needs to be in every report?**

You have to ask yourself if you implemented what you agreed to. This is basically what the report needs to answer both with regard to the content and finances of the project. The report needs to describe in a clear and coherent way what was accomplished, who was involved, for how long and where – and how and on what the money was spent. The final detailed activity plan or work programme is an integral part of your report.

The funding institution is interested in knowing how you experienced the project. The report is your and your partners' story about your joint project. What was the achievement of the project in terms of preparation, implementation, involvement of the participants, impact on the participants or volunteers and impact on the local host community or local policies? How did the activity meet the participants' expectations? Apart from reporting about the overall evaluation by the partners it is always interesting to read individual evaluations by the participants. It gives a more authentic picture of the activity, so include a representative sample of individual reports and evaluations by participants and stakeholders.

The report should also include relevant photos and any material (videos, CD-Rom, publications, etc) and details of any websites which are outcomes of the project or were financed as part of it. Reading about success stories is nice; however, an honest and objective evaluation is much more valuable as it gives real feedback. Having said that, your report should avoid dwelling on the problems and should give a realistic account of the other aspects of the project as well. For example, two pages about having to bribe officials in order to get into country X is interesting and useful, but if that is more or less the entire content of the report the reader might wonder what the activity actually was.

Planned follow-up or long-term co-operation between the partners will usually feature in the evaluation report, particularly if the project targeted youth-work multipliers (youth workers, youth leaders, activists). If the project was held in a non-European partner country and financed by the European Union, the report could also give a short overview on how you assess the situation regarding young people and youth work in the host country.



- **Financial part**

The financial agreement or contract provides you with details of the items that need to be justified, and what is regarded as justification. In general, in transnational mobility projects the travel costs always need to be justified with original travel documents or certified copies of them. You need to be prepared to make photocopies of any tickets during the activity, and in addition ask participants to send you the counterfoils (talons) when they return home. As travel costs are usually high and may use up the greater part of your grant, you should be careful about providing the necessary expenditure evidence.

If, with your final report, you fail to include the invoices that the financial rules require as evidence, or if you are unable to present them on request, the costs concerned will normally be considered ineligible. This means that you will lose the part of the grant that was supposed to cover those costs. If your project were to be audited, an invoice alone would not be enough: you would need to back it up with proof of payment and a money transaction.

Some funders, such as the European Union YOUTH programme, apply flat rates for certain budget items. Under the YOUTH programme, flat-rated items and fixed amounts do not need to be backed up by invoices. The YOUTH programme operators will check the actual number of participants, activity duration and project partners against the ones in your approved application. So you need to be prepared to justify any differences from the approved figures. Regardless of how the funding institutions uses flat rates, you should also manage the funds in accordance with your own organisation's accountancy rules.

Often the final report form requires statistics as to the number of participants or youth leaders. You should make sure that the figures match the figures in your finances and accord with the list of participants. The reliability of the information is questionable if the participant numbers in the statistics part disagree with those in your financial report and neither figure agrees with the list of participants.

- **Finalising reports**

Once all the components of the report are finished and have been drawn together, you should have it checked by another person in your organisation. Consistency and numbers need particular checking.

Again, the final report needs to be signed by the person who signed the financial agreement or contract with the funder – i.e. your legal representative. Her/his signature certifies that the report is official and gives a fair account of how the project was implemented and how the funds were used. The report should be sent to the funder together with a covering letter. Make sure that the covering letter:

- includes the reference number of the project or grant;
- thanks the funder again for their support;
- briefly draws attention to main points of the project;
- mentions any balance which you still expect to receive;
- provides contact details of the person who can answer any questions about the report;
- raises any important points needing to be addressed in order to complete the project.

You should send the report to all funders, even if some of them have paid their contribution up front and normally do not require reports. You should also consider using your report as an awareness-raising tool. You can use it to keep in touch with your supporters as well as create links for future co-operation.

3) What happens to my report?

Often the main idea in submitting the report is to receive the balance of the grant quickly. This is legitimate, so it is particularly important to understand what happens to the report once you have submitted it.



First, your report is registered and evaluated. As already explained, there are two or three main components to your report: the contents part, the financial part and the statistical part. All of them have to be checked against data in the financial agreement or contract which you signed earlier. If any amendments were made to the agreement your report needs to be checked against them as well.

Second, on the basis of the evaluation there are various decisions open to your funder as to payment of the balance.

- a) Your funder decides to pay the amount as it stands since your project was implemented without any significant changes.
- b) The evaluation shows significant differences between your report and the agreement/application and so the funder decides to reduce the amount due. Public funders will always have to reduce the funding if, for example, you had fewer participants in an exchange, fewer expenses, etc. An independent funder might be more flexible about this. But always expect to receive less if your project was “slimmer” than planned.
- c) If the project has changed dramatically, your funder may even decide to ask you for reimbursement of the entire advance payment or parts of it. This means that the entire grant is withdrawn, but it would only happen if there were serious problems of project implementation or the project had changed completely. You will certainly not find yourself in this situation if you follow the recommendations of this T-Kit.
- d) If the project was larger in scope and budget than planned an independent funder with whom you had developed a good relationship might actually agree to increase your grant. But that is extremely rare.

Third, the funding institution will then inform you in writing of the findings of their analysis of the final report and their decision about payment of the balance. When you are working with an independent funder it will be difficult to appeal against that decision. In the case of public funders there is normally the right to challenge the decision within a specified time. Public funders need to inform you of this right in their decision, or in the original financial agreement. If your final grant amount has been reduced and you think a mistake has been made in applying the financial rules, you should appeal by sending a letter explaining your case.

Coyote's hint #14

Publicity and media coverage

Good projects deserve publicity and the youth field could do a lot more to make activities known to a wider public. Try to plan your public relations and media “strategy” for your projects in advance and identify a space to publicise your funder. Check with your funder how to use their logo in your information material, reports and all other material generated by your project. Publicity in local media can help to obtain funds and other support from people who get to know about your activities. Media coverage of your activities and projects is important in fund-raising as potential funders hear about you. But it is also important for thanking your funders, who want to be associated with positive events and young people. Therefore press clippings and other proof of media coverage are an essential part of your funding reports.



4) Ten good reasons for producing a good report

Expect and aim to develop long-term relationships with your funders. With any funder, public or independent, good communication is essential. It is important to maintain and to build relationships with funders. The most efficient way to do so is to keep in regular contact with them and to produce on time the reports that independent funders expect.



Reporting is a way of communicating with the funder. Being precise, articulate, structured, informative and interesting in any communications is critical, and no less so is reporting. What is not covered in the report does not really exist. In a good report, the grantee should include all the relevant information and keep in mind that the best reports tend to follow the funder's guidelines and are never too long.

Once your project has been submitted, there are three possible reactions from a funder to your proposal. The grant application may be rejected, returned for re-writing or approved.

If it is approved, then all your effort was worth it! But that is only the beginning of a long-term relationship, which you should work at because it is vital to your future projects and activities.

First of all, when you receive the letter confirming you have a grant, make sure you reply immediately with a letter of thanks to the funder for their support. You are now beginning a relationship with the funder and it makes sense to start the right way. From a single grant it is possible to develop a long-term relationship with a funder which not only brings in regular support from them but also demonstrates to other funders the importance and value of your work, your organisation and your staff. If individuals at the funder have been particularly helpful, then do not forget to mention them when thanking the director or president. This simple courtesy is frequently forgotten or done with a form letter. Take an extra 10 minutes to add the personal touch and you and your funder can begin to develop a partnership.

Once this is done, check the schedule of reports which the funder has set in the offer. Usually this consists of one or more progress reports at specified times, and a final report with financial statement at the end of the project. Make sure you read the agreement carefully so that you fully meet the conditions for receiving all of their support. Funders usually make grants in two or more instalments, with subsequent instalments being conditional on your making a satisfactory report to the funder. This reassures the funder that you are acting in line with the proposal and ensures that if there are problems they will not lose you the entire grant. But if you keep to the spirit of the agreement and the timetable there are rarely problems.

Internally, make sure you have a clear chain of command and know who is responsible for delivering the project and ensuring that the funder is kept fully informed of any problems and receives timely reports. If there are problems during a project, it is advisable to inform the funder sooner rather than later in order to prevent any subsequent misunderstandings or problems.

Reports will tell the funder about the management of your organisation. Bad reports imply bad management.

In many cases, funders also use the content of reports for their internal and external communications. In other words, what is put in a report may go to a journalist, another NGO or a government official and in that way enhance the grantee's public image.

Additionally, good long-term relations with a funder and regular reports may help you gain support from other funders. If you have a strong relationship with your current funders it demonstrates that your organisation is doing work which they feel is valuable. This is an effective selling point: other potential funders can see that you already have your funders' confidence.

When you have prepared the reports you can use them to help set up new projects and programmes for which you need additional support. There might be new projects for which a review of your work has identified a clear need, or you might be thinking of seeking further funding to maintain or expand an existing project or programme. In many cases a funder may give further financial support if an initial project proves successful and there are possibilities of building on it.



A good report is an incentive to the funder to involve itself closely with the project and stimulates interest. Even if you are not looking for another grant immediately, the funder is likelier to respond positively in future.

Finally, reporting helps the grantee to assess what has been done, what results have been achieved, what failures have been encountered. It is essential for a non-profit organisation to regularly evaluate its work. Reporting to the funders helps to do it.

However, and despite all these considerations, keep in mind that written reports are never a substitute for a personal relationship. The grantee should initiate contact and try for face-to-face meetings with the grantor.

Here are ten excellent reasons for writing a good report:

- 1. Contractual.** For most funders, reporting is part of the signed agreement on the grant. Reporting requirements and dates when reports are due are specified in commitment letters. So at a very basic level, a concise, punctual report shows that a non-profit understands its contractual duties.
- 2. Builds analytical skills.** Reports are excellent internal documents that teach everyone in your organisation (volunteers and staff) to review, synthesise and analyse an enormous amount of information and report back on key points. The ability to be concise is a valuable professional skill. Being analytical is another. Report-writing can help staff develop them. Directors and Programme Officers like narrative reports of between 5 and 10 pages. More than that is too long. Think about the famous George Bernard Shaw remark: “I’m so sorry to write a long letter, I did not have the time to write a short one.”
- 3. Builds teamwork capacity.** Reports encourage staff and volunteers from all sides of an organisation — programme and financial/accounting — to work together. And building internal relationships makes good institutional sense. It builds capability.
- 4. Secures current financing.** Some funders make mostly multi-year grants, with the 2nd or 3rd payments dependent on submission of a narrative and financial report. For this type of grant agreement, getting a report in to a funder makes good financial sense.
- 5. Improves future fund-raising.** A good report delivered on time shows that you are concerned about good communication with the funder. Remember that if you have been successful once with a funder, you might be successful again, provided that you meet their requirements on reporting.
- 6. Creates documents for other external or internal purposes.** Another advantage of writing a report is that it can be put to other uses. Clearly, one use would be reporting to other funders. But a report is also a model of good, clear, concise language that is then available for reporting to senior management or the board of directors, or even for the annual report.
- 7. Gives you a competitive edge.** In the competitive grants environment, filing a good report on time gives a non-profit an edge over those who file reports late.
- 8. Shows professional skill.** A well-written, punctual report shows the funder your command of the programme, the finances, the letter of agreement with the funder, and even internal filing systems. It is certainly unprofessional for grantees not to know which budget to report on — or, as sometimes happens, lose the paperwork on the grant altogether, and then ask the funder to fax them copies of the proposal and budget (!) that they were supposed to report on.
- 9. Demonstrates institutional belief in transparency and accountability.** A good report submitted on time shows that a non-profit’s staff and board of directors place a high value on transparency and accountability.
- 10. Builds relationships and open communication.** Working with funders is primarily about relationships — and relationships depend on open communication, trust, respect and courtesy.

In any case, if a funder supports you say thank you and acknowledge your supporters in your publications (such as the annual report) or at organised events (such as conferences).

