AMERICAN LIBRARY ASSOCIATION
GRANTS PROCEDURE

Purpose

To properly classify grants for financial reporting purposes according to Accounting Standards (ASU 2018-08).

Procedure

1. The Association's fundraising unit receives notice of award (NOA).
2. The Principal Investigator (PI) of the Grant completes the Grant Launch Checklist within a week of receipt of the grant award letter.
3. The PI sends the completed Grant Launch Checklist, the grant budgets, and the NOA to the Accounting Manager, Jennifer Tam (jtam@ala.org) copying the Controller, Joanne Lee (jlee@ala.org), copying the Development Director, Anne Manly **(**amanly@ala.org)
4. The PI schedules a meeting with required attendees: Grants Accounting Manager Jennifer Tam, Controller Joanne Lee, and Development Director Anne Manly (optional attendee CFO Dina Tsourdinis.
5. The Accounting team will join the meeting prepared to render an opinion after completing the 3-step accounting process as required by ASU 2018-08, provide grant account codes, and work with the PI to finalize the grant launch checklist and any other details.
6. **For the Accounting department only: The 3-step process for determining the recognition of the grant in the Association's Financial Accounting System is:**
   - ➢ **1. Determine if Exchange or Non-Exchange**
   - ➢ **2. Any Conditions? (Barrier or right of return?).**

     If there are no conditions=> Recognize revenue at the time of award notice.
     If Conditions=>Do not recognize revenues until conditions are met.
   - ➢ **3. If Revenue is recognized- Any restrictions to consider?**
     It could be restrictions of either purpose or timing.

**If there are no conditions and restrictions=> classify them as Net Assets with Donor Restrictions
If Conditions and restrictions are met within the fiscal year =>Classify as Net Assets without Donor Restrictions
Does ALA have variance powers? If so, recognition will be matched with expenditures; if not the revenue is recognized in the fiscal period the award is received.**

➢ Pass-through grants are recognized as increases in Cash or Grants Receivable and increases in Liabilities (Balance Sheet impact)
On pass-through grants, only the portion that the Association retains is recognized as Revenue (this is the only portion to be included in the Budget).

Other Considerations and Procedures:

7. If the grantor issues a payment that precedes the letter of award, the PI will contact the donor to obtain any details on the purpose of the grant in writing and to support the grant documentation.
8. Grants will be recorded as receivable in the month the award letter is issued.
9. Cash draw down from Federal grants: Accounting will draw funds monthly.

Record Keeping:

The Grant PI will be responsible to save the Grant Award letter and the Finalized Grant Launch report in the shared Drive: M:/alamain/sys2/ala/grants/FY22.

Reports
Grant reports are available in the Prophix system. PIs are responsible to review the status of each grant.

Accounting maintains a monthly grant status report of all grants in our system for internal Finance purposes by fiscal year.

The PI of the grant will:

1. For the final report due from accounting, place a calendar invite on Jennifer Tam's calendar 8 weeks in advance of the due date
2. Manage all grant extensions timely before expiration and notify Jennifer Tam, with the letter of granted extension.

Budgeting

Before Budgets are created for Grant Activity, Accounting involvement and participation are needed to determine the accounting and treatment of existing grants. Accounting will share the classifications with the Unit Managers to enter them into Prophix.