HUMANITARIAN ACADEMY · HUMANITAIRES JOBS

Mini MBA Finance and Grants: managing donor money and financial health

Course handout · Week 6 : Managing a grant end to end: contract, reports, modifications and closeout

A programme of exactly 3 months (12 weeks, 144 hours) to manage the finances of a humanitarian organisation and donor funds: NGO accounting and restricted funds, budgets and shared costs, cash and foreign exchange, budget monitoring and forecasts, eligibility rules, the grant cycle, partner funding, audits and fraud, financial health, full cost, reserves and diversification, governance and turnaround. Corrected numerical exercises, three monthly exams with case studies, and a verifiable diploma from the Humanitarian Academy.

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Week 6 : Managing a grant end to end: contract, reports, modifications and closeout

Objectives

- Negotiate and read a grant agreement, spotting risky financial and legal clauses.
- Produce accurate financial reports that are consistent with narrative reports, and manage contract modifications.
- Organise the closeout of a grant: final expenditure, assets, staff, final report, balance and archiving.

Before signature: reading and negotiating the contract

A grant agreement legally binds the organisation. Before signature, a cross-reading by programmes, finance, logistics and management identifies the risky clauses:

- **Payment schedule** and the pre-financing it implies.
- **Indirect cost rate and base**, excluded costs, required co-financing (and where it will come from).
- **Budget flexibility** and protected lines.
- **Procurement rules**, nationality and origin rules, and waivers to request right away if the local market does not allow compliance.
- **Sanctions and vetting clauses** for counterparties (including, sometimes, beneficiaries: to be refused or negotiated if they contradict humanitarian principles).
- **Reports**: frequency, formats, deadlines.
- **Audit**: who chooses the auditor, who pays, whether it is budgeted.
- **Liability and repayment**: conditions under which the donor can demand repayments, including for a partner's misconduct.
- **Early termination** and costs covered in the event of suspension.

> An impossible clause signed "so as not to lose the funding" sooner or later becomes an ineligible cost or a dispute. It is better to negotiate or walk away.

Start-up: grant summary, codes and kick-off

From signature, three actions prevent most later problems:

- **The grant summary** (one to two pages) that sums up all obligations and key dates.
- **Setting up the codes** in the accounting system: project code, budget lines matching the donor's, a mapping table between the internal chart of accounts and the donor budget. If the codes do not match, every report requires manual adjustments that are a source of errors.

- **The kick-off meeting** with all functions: objectives, budget, rules, reporting calendar, responsibilities (a matrix showing who prepares, who reviews and who approves each report).

The **reporting calendar** for all projects, shared by country management, shows peaks in workload (often at quarter-end) so they can be prepared for. Late reports delay payments (week 3) and damage the relationship with the donor.

Finally, the **grant file** is opened from the outset (electronic and, if necessary, paper), in which the contract, amendments, all approval correspondence, reports and supporting documents for significant expenditure will be filed.

Financial reports

A financial report presents expenditure for the period and cumulatively, by line of the approved budget, in the contract currency, with the exchange rates applied. Depending on the donor, it comes with a transaction list, supporting documents for certain expenses, a statement of any interest earned and an asset statement.

Checks before submission:

- Total expenditure in the report matches the project's **general ledger** (no expenditure entered outside the system).
- Variances by line against the budget are **within the flexibility** or covered by written approval.
- Expenditure is **within the period** of the contract.
- The **exchange rate** applied follows the prescribed method.
- The financial report is **consistent with the narrative report**: if the narrative reports a delay in distribution, the corresponding line must be underspent; if the narrative reports 3,000 households, the transfers must correspond to 3,000 households.
- Risky expenditure has been **checked** item by item.

Example of an inconsistency. The narrative report states that 12 of 20 training sessions have taken place; the financial report shows 95% of the "training" line spent. Either the remaining 8 sessions will not be funded, or expenses have been miscoded, or costs were underestimated. The donor will ask the question: the answer must be ready and true.

Modifying the contract: amendments and no-cost extensions

Contexts change; contracts provide for **modification** procedures:

- **Minor modifications** (within the flexibility or by simple notification): limited reallocations, change of address or bank account, adjustments to activities that do not change the objectives.
- **Amendments**: modification of the objective, areas, total budget, headings beyond the flexibility, or duration.
- **No-cost extension** (NCE): extending the duration without increasing the budget, when delays prevent activities from being completed. It must be requested before the end, often

at least 30 to 60 days before depending on the contract, with a revised workplan and budget.

A convincing request explains: what has changed (facts, dates), the consequences for activities and results, the proposed solution, its effect on the budget and on the people assisted, and why it is the best option. It does not request an extension solely to spend a remaining balance: a donor accepts it if it serves results.

Hidden cost of a no-cost extension. Staff, offices and vehicles keep costing money during the additional months. A 3-month extension of a project whose monthly fixed costs are 25,000 USD uses up 75,000 USD of the balance, which will no longer be available for activities. It must be costed before requesting it.

Closing out a grant

Closeout is planned **three to six months before the end** with a checklist:

- **Activities**: complete or formally abandon, in agreement with the donor, what cannot be done.
- **Commitments**: stop placing orders that will not be delivered before the end; receive and pay for what has been committed.
- **Staff**: contract terminations, notice, indemnities required by law, transfers to other projects.
- **Partners**: final reports, accounting for all advances, repayment of unused balances.
- **Assets**: inventory, disposal plan in line with the contract, signed transfer documents.
- **Accounting**: last coding, corrections, reconciliations, list of risky expenditure.
- **Final audit** if planned, and preparation of documents.
- **Final report**, narrative and financial, then request for the balance or refund of unused funds.
- **Archiving** for the required period.

Refunding the remaining balance is not a failure: it is an obligation when funds have not been spent in an eligible way. What damages reputation is hasty, useless last-minute spending.

The grant tracker

An organisation managing more than a few grants needs a single **grant tracker**, kept by the grants team, with for each grant: donor, reference, amount and currency, start and end dates, indirect rate, instalments received and to be received, execution to date, dates of the next reports, status of modifications, planned audit, special conditions, and programme and finance leads.

It feeds management decisions:

- **Grants ending** in the next six months and coverage of staff and shared costs after those dates.
- **Underspends** requiring a decision (acceleration, revision, extension).

- **Late reports** and their effect on cash.
- **Amounts at risk** (disputed expenditure, ongoing audits).

> The quality of grant management is one of the first criteria in capacity assessments by donors and pooled funds. It determines access to larger and less restrictive funding.

Exercise: deciding on a no-cost extension

Situation. An 18-month project, 1,200,000 USD. In month 15, cumulative expenditure: 850,000 USD. A road was cut off for 4 months, delaying construction of 12 of the 30 water points (estimated remaining cost: 180,000 USD). Monthly fixed costs (staff, office, vehicles): 28,000 USD. The other remaining activities will cost 60,000 USD. The contract requires any extension request 45 days before the end.

Tasks. 1) What amount will remain at the end of month 18 without an extension, if the water points are not built? 2) Can a 3-month extension be funded within the budget? 3) By when must the request be sent and what must it contain?

Answer. Without an extension: expenditure for months 16 to 18 = 3 × 28,000 + 60,000 = 144,000 USD; total 994,000 USD; remaining balance 206,000 USD (the 180,000 USD for the water points plus 26,000 USD). With a 3-month extension: 994,000 + 180,000 + 3 × 28,000 = 1,258,000 USD, i.e. 58,000 USD more than the budget. A 3-month extension therefore cannot be funded as it stands: fixed costs must be reduced during the extension (staff reduced to the construction team), the number of water points reduced, or additional funding requested. For example, with fixed costs reduced to 9,000 USD a month: 994,000 + 180,000 + 27,000 = 1,201,000 USD, to be adjusted by 1,000 USD. The request must be sent at the latest 45 days before the end of month 18, with the facts (road cut, dates), the revised workplan, the revised budget and the effect on the people assisted.

Key takeaways

- Before signing: payments, indirect costs, flexibility, procurement, sanctions, reports, audit, repayment, early termination.
- Grant summary, accounting codes aligned with the donor budget and kick-off meeting from signature.
- Financial report: reconciled with the general ledger and consistent with the narrative report.
- A no-cost extension consumes fixed costs: cost it before requesting it, and request it in time.
- Closeout planned three to six months before the end; refunding a balance is better than spending uselessly.

Quiz

1. The narrative reports 40% of training sessions delivered; the financial report shows 90% of the line spent. What should be done before submission?
   A. Send it as it is
   B. Change the narrative to report 90%
   C. Explain and correct the inconsistency: coding, underestimated costs or unfunded activities
   D. Delete the line

2. A 4-month no-cost extension with fixed costs of 20,000 USD a month. Cost of the extension itself:
   A. 0 USD, since it is no-cost
   B. 80,000 USD taken from the budget balance
   C. 20,000 USD
   D. Paid by the donor on top

3. When should the closeout of a grant be planned?
   A. Three to six months before the end
   B. On the last day
   C. After the final report
   D. At the start of the audit

4. An impossible contractual clause is signed so as not to lose the funding. The risk is:
   A. None
   B. A better partnership
   C. An automatic increase in the budget
   D. An ineligible cost or a later dispute

5. Why align the accounting codes with the donor's budget lines from start-up?
   A. To please the donor
   B. It is forbidden
   C. To avoid error-prone manual adjustments at every report
   D. To reduce indirect costs

Quiz answers : 1. C · 2. B · 3. A · 4. D · 5. C