



PRIME TIME
FAMILY READING TIME



HANDBOOK OF FINANCIAL PROCEDURES

GENERAL INSTRUCTIONS

The Michigan Humanities Council (MHC) has prepared this Handbook in an effort to assist you with the financial requirements of an MHC grant. Please read the Handbook **carefully**. It contains answers to the questions most often asked by our grantees and will alert you to potential problems which might delay payment on your grant. Please feel free to call the MHC office if you have questions that the Handbook does not address.

You must maintain separate accounting records and other documentation pertaining to costs incurred and revenues acquired under the grant. Your system of accounting should be in accordance with generally accepted accounting principles and must be applied in a consistent manner so that the project expenditures can be clearly identified by line item. A separate checking account is recommended but not required. In cases where the grantee is a large institution handling many accounts, a separate general ledger account number must be assigned.

All disbursements must be supported by an original invoice, sales slip, cash register tape, time sheet, etc., as well as by checks or vouchers. These items of supporting evidence must be retained as part of the accounting records.

All accounting ledgers, invoices, and other documentation must be retained by the grantee for a period of three years after the project's termination date or until an official audit has been completed and any exceptions resolved. In the event that the sponsoring organization is dissolved or does not have an appropriate place to store these records, contact MHC.

To stay in compliance with federal regulations, MHC will select several grant recipients each year and conduct an audit of their financial records. The grant recipient will need to provide to MHC all backup documentation to support their direct expenditures and cost-share expenditures reported on their financial reports. The audit will happen randomly throughout the year and may be on a final report or interim report.

Michigan Humanities Council
119 Pere Marquette Drive,
Suite 3B Lansing, Michigan
48912-1270
517.372.7770

OBLIGATIONS

Your primary obligation is to maintain accounts and records of money received and spent by your organization in carrying out the project in accordance with the budget and project proposal approved by MHC. Although your system of accounting does not have to be elaborate and complicated, we do require you to do the following:

1. **Follow generally accepted accounting principles.**
2. **Open a separate checking account or assign a distinct general ledger account number.**

You are encouraged to open a separate interest-bearing checking account. However, if the maintenance costs are prohibitive, your organizational checking account will be acceptable as long as the accounting records for this grant are separate. (Under no circumstances should the funds be placed in a personal checking account and **checks may not be endorsed by an individual on the project even though s/he is a signer on the account.**) You may keep the first \$250 of interest earned on grant funds in any one-year period; any additional interest earned must be returned to MHC for return to the National Endowment for the Humanities (NEH). If you are a large institution handling many accounts, you must have a separate general ledger account number set up within the organization.

NOTE: If your organization or institution has received funding from MHC for an earlier project, do not use the old checking account or account number for the funding of a new grant covering a new project. You must establish a new checking account or general ledger account number to handle the new grant project.

3. **Keep separate accounting records.**

Your accounting records for this grant must be separate from the accounting records kept for your organization's other projects or general accounts.

4. **Stay within the budget approved by MHC.**

If you find that you need to make changes to your budget, see the guidelines on page 7 to make the request.

5. **Keep a record of payments and cost-share contributions.**

Separate accounts must be kept for grant funds spent and cost-share contributions made (whether they are cash or in-kind...see page 6).

6. **Keep canceled checks, copies of vouchers and all sales slips for a period of three (3) years from the receipt of the final payment on your grant. Do not send them to MHC.**

RESTRICTIONS

1. Travel and Per Diem

Necessary travel expenses will be allowed at a rate not exceeding the IRS guidelines for privately owned vehicles and the rates of tourist or economy class for airfare. "Per diem" expenses are meal and lodging costs associated with travel to Prime Time training in New Orleans. Meal expenses are allowed at the following **maximum rates**:

Breakfast: up to \$15.00 Lunch: up to \$16.00 Dinner: up to \$28.00

2. Alcohol

No grant funds may be spent for alcohol.

3. Food and Refreshments

No grant funds may be used for food or refreshments other than the per diem expenses already mentioned. Please report these expenses as cost-share.

4. No funds from this grant may be used for any purpose other than those outlined in the grantee's approved budget. No MHC funds may be used for:

Academic courses, scholarships or fellowships, administrative support for ongoing programs, advocacy or action programs, construction or restoration costs, equipment purchases, entertainment or travel for study or to attend conferences.

COMMITMENTS & EXPENDITURES

Commitments of grant funds and cost-share may only be made during the grant period. Commitments outstanding as of the official termination date of the grant period must be liquidated within sixty (60) days. Such commitments must relate to goods and services provided during the grant period and should be shown as payable on your final financial report.

Expenditures are to be made only as authorized in the budget submitted and approved for funding by MHC and must be made in accordance with the terms of the Grant Agreement. **Expenditures may be made only during the grant period, which is determined by MHC.** Please check page 1 of the Grant Agreement to determine the official grant period for your project.

PAYMENTS

As a general rule, payments of MHC funds will be made on an advance basis, not to exceed \$10,000 for any three-month period. All checks are made payable to and mailed to your sponsoring organization. **(These checks may not be endorsed by an individual from the project even though s/he is a signer on the bank account. Use the organization's endorsement stamp.)** Copies of each check are sent to the Project Director and Fiscal Agent. (Please contact MHC if you need to make other arrangements). The schedule is as follows:

For Prime Time mini grants:

1. The first installment (60% of the award) will be paid when MHC receives a fully-signed copy of the Grant Agreement, and a satisfactory response in writing to any Special Conditions placed on the grant. Special Conditions are detailed on page one of the Grant Agreement.
2. The final payment (40% of the award) is issued after **all grant obligations** have been satisfied. These obligations include **submission and approval** of the final Financial Report, all team member reports, family entry and exit surveys matched by family, and publicity materials. The due date for submitting your final report materials is indicated on page one of your Grant Agreement. In the event that you have not expended all grant funds received, a check for the funds not spent must also accompany the final Financial Report.

For Prime Time major grants:

1. The first installment (50% of the award) will be paid when MHC receives a fully-signed copy of the Grant Agreement, and a satisfactory response in writing to any Special Conditions placed on the grant. Special Conditions are detailed on page one of the Grant Agreement.
2. The final payment (50% of the award) is issued after **all grant obligations** have been satisfied. These obligations include **submission and approval** of the final Financial Report, all team member reports, family entry and exit surveys matched by family, and publicity materials. The due date for submitting your final report materials is indicated on page one of your Grant Agreement. In the event that you have not expended all grant funds received, a check for the funds not spent must also accompany the final Financial Report.

NOTE: **Grantees are not automatically entitled to the full amount of the grant. You will be paid based on actual expenditures only.** In practice, this means that your organization may have to pay some bills related to your project and then be reimbursed by the final MHC payment. (Please contact MHC if this causes a financial hardship).

COST-SHARE

NEH requires that MHC provide cost-share for all Federal funds. This requirement serves to increase the impact of each Federal dollar spent on a project and also provides evidence of community support for a given program.

MHC requires that all Prime Time projects report cost-share on their final financial report.

Cost share can be cash or in-kind.

Cash cost-share can come from almost any source, **EXCEPT the Federal government**. (If your project has funds from Federal agencies, please **do not** include those funds in your financial reporting.) Cash cost-share must be documented and entered into the accounting records following the same rules as apply to MHC grant funds (see sections on “General Instructions” on page 1 and “Obligations” on page 2).

In-kind cost-share includes services and materials donated to your project by a third party. Values placed on donated goods and services must be fair and should approximate the market value of the item. Volunteer labor must be valued at a rate consistent with wages paid for similar work in the recipient organization’s labor market. The value of office and/or program space donated to your project for which there would ordinarily be a charge for its use, should be calculated at the cost to maintain such space. In-kind cost-share must be supported by signed documentation, which attests to the value of the goods or services donated (see Cost-Share Worksheet, Form 3).

All cost-share contributions, whether cash or in-kind, should be recorded as they are received. They are subject to audit and must be completely covered by documentation which is to be held on file for a period of three (3) years after the project’s termination date.

BUDGET CHANGES - MHC FUNDS

You are required to carry out the terms of the Grant Agreement and must adhere to the approved budget. Changes are possible but must be handled in the appropriate manner as described below.

1. **Changes requiring MHC approval:** If shifts between budget categories (1) introduce or eliminate budget categories, (2) exceed either of the budget line items involved in the shift by more than 20% or (3) affect the participation of humanities scholars, **a revised budget must be submitted with a written rationale for the changes.** Ideally, these changes should have written approval from MHC before you act upon them. However, written explanation of the changes may accompany the final Financial Report.
2. **Changes NOT requiring MHC approval:** Shifts within budget categories are allowed only when they do not exceed 20% of the involved budget line items, do not introduce or eliminate budget categories and do not affect the participation of humanities scholars.

NOTE: Funds from the Evaluation category are not transferable to any other line item and must be returned to MHC if, for some reason, the evaluation does not take place.

NOTE: MHC funds cannot be used to pay Honoraria for more than \$500 per person, per event unless a larger amount was specifically approved for a given speaker in the original proposed budget.

The Project Director and the Fiscal Agent should jointly submit a request for a budget change. The request must be in writing and should include both a rationale for the change(s) and a revised budget page(s). Written approval must be given by MHC before you can put the changes into effect. (U.S. Mail, E-mail (jnelson@mihumanities.org) and/or faxed (517.372.0027) requests are appropriate for obtaining approval.)

EXTENSIONS

If it is necessary for you to extend your grant period, you must send a written request to MHC stating your reasons for needing an extension. **Do not assume that your grant period has been extended until you receive written approval from MHC.** (Again, U.S. Mail, E-mail and faxed requests are acceptable.)

TERMINATION OF GRANT

If MHC ascertains that the general provisions or special conditions of the Grant Agreement are not being met, it will inform you through its Chairperson or Executive Director. If, after such notification, you still fail to conform to the conditions and provisions of the Grant Agreement, MHC can immediately terminate your grant. Once the grant has been terminated, you may not expend any additional grant funds. All unexpended funds must be returned to MHC with an itemized accounting of all funds expended prior to termination.

AUDIT

The National Endowment for the Humanities and the Michigan Humanities Council maintain the right to inspect and audit your financial accounts and records or may designate a qualified person to do so on their behalf, at any time during reasonable business hours and with such frequency as may be necessary. Inspection may include pre-disbursement visits to determine the adequacy of your accounting system. In addition, the United States General Accounting Office may conduct inspections and audits when and to the extent it deems advisable.

A FINAL REMINDER

Because of the procedure MHC must follow in administering Federal funds, four to six weeks will normally elapse between submission of a signed Grant Agreement or Financial Report and receipt of your check. **Do not wait until your cash needs are immediate before submitting a Financial Report and do not expect an advance on any grant payment.**

Keep in mind that the processing of Financial Reports will be delayed if the report is filled-out incorrectly or incompletely. Be sure to provide all requested information and appropriate signatures.