



Michigan Nonprofit Association

## Government Grants and Contracting Check List

Partnering with government to deliver services on their behalf or implement programs and services that government deems as a priority can be an important opportunity for nonprofits to enhance or expand their mission. In exploring these grant and/or contract opportunities, MNA strongly urges nonprofits to evaluate their capacity to fulfill the agreement and to truly understand the cost of the work - so you can ensure the funding will cover the costs and not place a burden on your organization. If your organization is selected to receive a grant or a contract, we strongly urge you to take a hard look at the agreement and use the checklist below to negotiate the best terms possible.

Remember, you are an expert in your field, and you want to take care to ensure your organization is making the best use of your limited financial and human resources. The goal is to ensure you reach an agreement with the government entity that includes terms your organization can live with. Receiving a government grant or contract should not put your organization at financial risk.

### Verify the Terms Outlined in your Agreement

- ☐ Review internally that the payment and/or reimbursement arrangement is adequate to meet your anticipated costs to provide the agreed upon services. This should include core operational costs, sometimes called indirect costs. If not, renegotiate the agreement.
- ☐ Request upfront payments – a portion or all of the funds. If you cannot access upfront payments, determine if your organization has sufficient cash-on-hand to continue operations if the government is late on their reimbursement payments (sometimes 30, 60, 90 days). Note that the most recent guidance from the federal Office of Management and Budget clearly permits upfront payments with federal funds.
- ☐ Clarify payment terms after invoice is received – 30, 45, 60 days. And confirm what “received” means in the agreement (via email, date stamped by mail, etc.).
- ☐ Clarify the required format for invoices, including any required supporting documentation and submission processes.
- ☐ Understand late payment rights and processes – what is defined as a late payment, does the agreement spell out late penalties you are entitled to, what is the process for invoicing, collecting late payment interest?
- ☐ If your organization must take out a loan or access a line of credit to float late government payments, is the interest charged reimbursed? If so, what is the process and documentation required?
- ☐ Agreement modifications – does your agreement clarify how to request and address future agreement modifications? Be certain that any agreement modifications are approved in writing in the agreement with an effective date (not

verbally, not via email – unless formal agreement is attached), etc. It's critical that organizations not implement changes until the modified agreement is executed and the effective date has passed.

- ☐ Ensure your agreement outlines when agreements can be modified without request.
- ☐ Verify that conditions for partial payments are included in your agreement. This means if you invoice for 10 services and one requires additional information, the other nine can still be paid while the tenth processes. Ensure your contract permits, clearly defines, and sets terms for partial payments.
- ☐ Ensure that operational (indirect) costs are included in the agreement. These funds are essential to sustaining core functions and should not be excluded – they are a critical part of the total cost of doing the work. Note that the federal de minimus rate to cover these costs is 15% unless your organization has a higher federally negotiated rate. If you have a higher rate, the state and/or local governments are required to honor this rate if any part of the award includes federal funds.
- ☐ Ensure the agreement addresses cost of living, market conditions, inflation and leaves an opportunity to address these in the future.
- ☐ If this is a recurring agreement, negotiate any payment/reimbursement increases and/or other costs before signing the renewal agreement.
- ☐ Confirm that the agreement identifies contacts for modifications, invoices, late payments, etc.
- ☐ Verify that the agreement clearly defines any procurement guidelines provided by governmental entity, if applicable.
- ☐ Clearly define reporting and other requirements such as audits, site visits, data collection, insurance, etc., including the timeframes, purpose, and method/processes within the agreement.
- ☐ If data is to be collected by the funder's platform, particularly one that is not used/operated by the grantee, ensure your agreement clearly defines what is required. For example, will licensing fees be the responsibility of the grantee? Will training be provided by the funder, and if not, what resources will be made available to the grantee? Will there be fees incurred with any required training?
- ☐ Ensure agreements include a clear dispute resolution process, contact information, documentation needed, etc.
- ☐ Other rights or requirements covered by federal Office of Management and Budget and/or state/local law?

MNA recommends that you advocate for agreements to include and/or address all of the above, even if only to have the agreement indicate an item is “not applicable.”

#### Late/Delayed Agreements

MNA recommends making regular reminders on your calendar to maintain contact while waiting for an agreement to be reviewed and negotiated to ensure timely execution of the agreement.

If significant delays persist, we recommend you negotiate a new agreement. We recommend your organization NOT incur any costs for staffing, programs, office space, etc. until you have a signed, fully executed agreement by both parties.

If you experience significant delays, for example a two-month delay that leaves your organization with only ten months to complete the deliverables, we recommend you negotiate a ten-month contract. Otherwise, you will be forced to deliver twelve months of services in only ten months.

If your organization is providing services without a renewed agreement in place – causing a temporary revenue gap and requiring you to carry the financial burden – we recommend negotiating a provision in future agreements to address this issue.

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*This checklist is designed to be a general guide. Other federal, state, and/or local laws and regulations may apply to your specific government funding source(s). This checklist is not legal advice.*