

Summary of the YPTC's Podcast on Federal Funding Freeze and Its Impact on Nonprofits

We recently came across an insightful podcast episode from The Accounting Podcast, hosted by **Blake Oliver**, featuring **Jerilyn Dressler** and **Hatsy Cutshall** from Your Part-Time Controller (YPTC). The discussion centers on the **recent federal funding freeze**, its **consequences for nonprofits**, and the **complexities of government grants**.

Key Points:

1. Federal Funding Freeze and Its Immediate Impact:

- The Trump administration froze billions of dollars in federal funding, affecting state governments, nonprofits, and organizations globally.
- Nonprofits, which rely heavily on federal grants, were particularly impacted. Many nonprofits operate on a reimbursement basis, meaning they must spend funds first and then seek reimbursement from the government. This freeze created cash flow challenges, making it difficult for nonprofits to pay staff, maintain operations, and deliver essential services.

2. Role of Nonprofits in Government Programs:

- Nonprofits play a critical role in delivering services that the government does not directly manage, such as homeless shelters, food banks, and education programs.
- The federal government allocates funds to states and agencies, which then work with nonprofits to execute programs. There are 26 federal granting agencies and over 56,000 grants awarded to nonprofits annually.

Reimbursement Process and Nonprofit Challenges

Reimbursement Process and Accountability

- Nonprofits typically must submit detailed documentation, including payroll registers and receipts, to receive reimbursements. Some agencies allow advance payments, but most require proof of expenses before releasing funds.
- The process varies by agency, with some using online portals for reimbursement requests and others requiring manual submission of documents.

Audits and Oversight

- Nonprofits receiving federal funds are subject to rigorous audits, including single audits for organizations spending over \$1 million in federal funds annually.
- Federal agencies conduct desk audits and programmatic reviews to ensure compliance with grant terms. Nonprofits must maintain detailed records and demonstrate that funds are used as intended.

Recent Developments:

A judge recently ordered the unfreezing of federal funds, providing relief to nonprofits. However, concerns remain about potential delays in reimbursement and the broader implications of the freeze.

Challenges for Nonprofits:

- Nonprofits often lack the internal controls and financial expertise to manage complex federal grant requirements. This can hinder their ability to secure and maintain funding.
- The high level of scrutiny and documentation required can be burdensome, especially for smaller organizations with limited resources.

Transparency and Future Outlook

Transparency and Public Accountability

- Nonprofits are required to be transparent about their finances, with public access to audit reports and Form 990 filings. This transparency helps build trust with donors and the public.
- Federal program officers and finance officers work closely with nonprofits to ensure funds are used effectively and in alignment with congressional directives.

Looking Ahead

- With the unfreezing of funds, nonprofits must ensure strict compliance with federal grant requirements to avoid further scrutiny.
- The nonprofit sector remains vital to communities, employing 12.8 million people and delivering essential services. Continued support and oversight are necessary to ensure these organizations can fulfill their missions.

Conclusion:

The podcast highlights the critical role nonprofits play in delivering government-funded services and the challenges they face in navigating complex grant processes. While the recent unfreezing of funds provides relief, nonprofits must remain vigilant in maintaining compliance and transparency to continue their vital work. The discussion underscores the importance of effective oversight and the need for streamlined processes to ensure taxpayer dollars are used efficiently and effectively.

If you want to learn more about how we can help you track and manage your grants more effectively, contact us for a demo of Aha Impact.

Let's talk! [Book A Demo](#) and explore the possibilities.