Nonprofit Update: Changes Coming to the Uniform Guidance

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For any entity that receives federal funding, the process for monitoring and managing grant money is about to be streamlined and simplified.

Nonprofit organizations should obtain an understanding of these changes and how they will impact their entity.

Proposed Changes to OMB Guidelines

The Office of Management and Budget (OMB) has proposed making changes to the Uniform Guidance (now to be referred to as the OMB Guidance for Federal Financial Assistance), which dictates how the federal government handles grants management. The proposed changes reflect a common complaint from nonprofits: that pursuing and managing federal assistance is too cumbersome and complex.

The proposed changes, which take effect on October 1, 2024, revise the Uniform Guidance in numerous ways, from clarifying vague language to relaxing some requirements. This list is far from complete, but here are some of the highlights:

- **Fewer Audits** – Perhaps the largest change is that the single audit threshold will increase from $750,000 to $1,000,000. Fewer nonprofits will have to undergo audits, granting them greater latitude over when, where, and how they use funding.
- **Expanded Accessibility –** In the past, smaller or newer nonprofits haven't had the resources necessary to seek federal funding. In response, the OMB is simplifying and standardizing the process by, for example, including a plain-language Executive Summary in every grant announcement.
- **Expedited Approvals –** Nonprofits can now make fixed amount subawards up to $500,000 without the federal agency giving written approval. Federal funds will move faster from nonprofits into the communities they serve with less administrative cost and burden involved.
- **Favorable Rates –** Grant recipients without a federal negotiated indirect cost rate have the option to charge a *de minimis* rate of 15%, up from 10% previously. This change helps any nonprofit, and particularly novice organizations, streamline internal accounting and recoup more costs. Similarly, the threshold for capital expenditures has increased from $5,000 to $10,000.

Prepare Now Before Changes Take Effect

These changes will impact *every organization* that receives federal funding. Nonprofits should be ready ahead of the rule changes, which are set to be finalized in October.

The complete and detailed guidance on federal financial assistance is available on the Federal Register website.

The nonprofit experts at Dean Dorton can help you understand how this change will affect your organization, so contact us while there's still time.