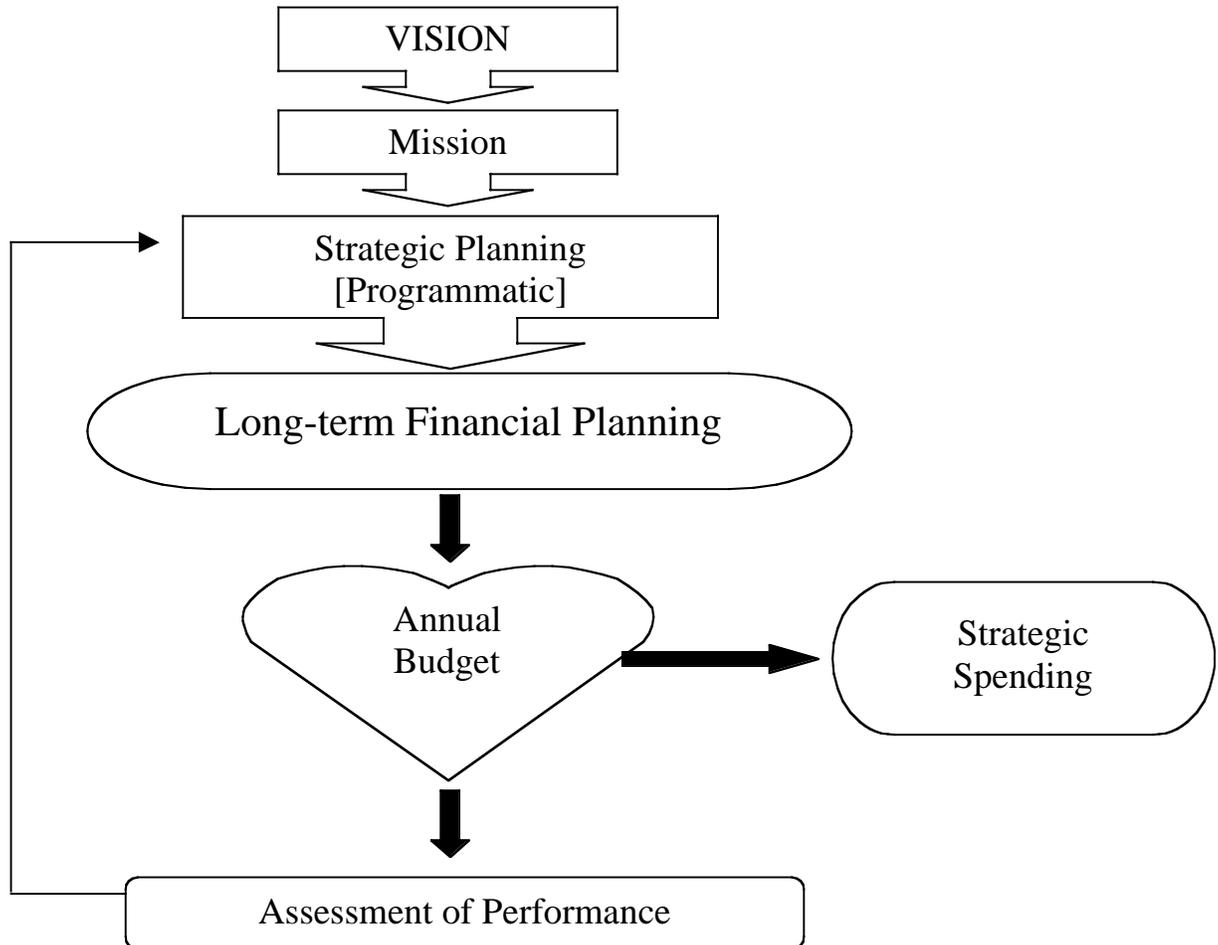


## V. Finances

Effective long-term financial planning and control supports the vision, mission and program of a FSML. The relationships between these are schematically illustrated below:



Many FSMLs are part of a larger institution that provides financial services. Nonetheless, each FSML should understand the basic underpinnings of its financial services. Some directors even conduct “ghost” accounting themselves to be certain they thoroughly understand the financial picture presented by the governing institution. General knowledge of standard accounting practices is essential for FSML directors, since they bear the proximate, if not the ultimate, fiduciary responsibility for the financial health of their organization.

For those FSMLs that need to establish their own financial services, and also for those that wish to gain a greater understanding of FSML finances, the following items are offered for consideration.

### A. Cost Centers

Cost center structures provide the framework for the control of finances for various areas of operation. Cost centers evolve from the activities at a FSML, and are composed of a

sequence of numbers that categorize the information relating to that subject area in a multi-level format.

Cost center structures denote several levels of function. These structures can be unique to individual FSMLs. The first number denotes a higher level division among units. The next number, or set of numbers, provides information on the next level of detail, such as whether the cost center relates to assets, programs, operations, grants, or funds. The next number, or set of numbers, designates the activity involved, such as research, support, education, general and administration. A sample cost center structure can be found in **Table V.A.1**.

#### B. Chart of Accounts

A chart of accounts provides a framework for the delineation of assets, liabilities, revenue, and expenses. Charts of accounts are composed of a sequence of numbers that categorize the information relating to the subject area in a multi-level format.

Chart of accounts structures delineate different levels of function. These structures can be unique to individual FSMLs. After the establishment of a cost center structure, the chart of accounts should be developed. In the following example four spaces are used to define the account number structure. The numbering system is as follows:

##### 1000= Assets

1000 through 1299 is for current assets in order of liquidity.

1300 through 1399 is for various receivable accounts in order of liquidity.

1400 through 1499 is reserved for inter-fund account usage.

1500 through 1599 is for inventory goods.

1600 through 1799 is for capital purchases. Numbers ending in 0 are permanent capital assets. Numbers ending in 2 or 5 are for current year purchases only. This organization shows current capital purchases in the cost center where the purchase was made. Permanent capital assets are in cost center 1.00.0000. At the end of each year, the controller makes a recurring journal entry to transfer current capital purchases to permanent assets.

1800 through 1999 is used for accrued depreciation expense.

##### 2000=Accounts Payable

2000 through 2199 is for various non-payroll payable accounts.

2200 through 2799 is for the myriad of payroll related payable accounts.

2800 through 2899 is for large payables on time, such as leased vehicles and insurance.

2999=Suspense and Variance - a default account for out of balance transactions.

##### 3000=Equity and Fund Balances

3000 through 3499 is for various designated fund balance accounts.

3500 through 3599 is for various equity accounts.

3600 through 3689 is reserved for program inter-fund usage.

3690 through 3699 is for surplus or (loss) balance forward to the next year.

##### 4000=Cash Income

4000 through 4199 is for donations of cash, goods, and services.

4200 through 4299 is for grant and contract reimbursements, overhead recovery and fees.

4300 through 4399 is for interest and dividend income.

4400 through 4449 is for realized capital gains.

4450 through 4499 is for unrealized fair market value gains.

4500 through 4599 is royalty income.

4600 through 4699 is retail income.

4700 through 4799 is agricultural income.

4800 through 4899 is facilities income.

4900 through 4999 is proceeds from capital sales and reimbursed claims.

5000= Non-Cash Income

5000 through 5999 is intra-company income.

6000=Payroll Expense

6000 through 6299 is salary and wage expense.

6300 through 6399 is fringe benefit expense.

6400 through 6999 is contractual expense.

7000=Other Expense

7000 through 7099 is tax expense.

7100 through 7199 is reserved for expansion.

7200 through 7299 is professional fee expense.

7300 through 7399 is travel expense.

7400 through 7499 is reserved for expansion.

7500 through 7599 is supplies expense.

7600 through 7699 is agricultural supplies.

7700 through 7799 is rental and lease expense.

7800 through 7899 is maintenance expense.

7900 through 7999 is occupancy expense.

8000=Non-cash Expense

8000 through 8099 is intra-company transfers and expense

8100 through 8199 is intra-company grant expense.

8200 through 8299 is intra-company core expense.

8300 through 8399 is intra-company overhead expense.

8400 through 8999 is reserved for expansion.

9000=Non-cash Expense

9000 through 9499 is reserved for expansion.

9500 through 9699 is year-end expense.

9700 through 9799 is cost of sale adjustment expense.

C. Budgets

The development of a budget provides crucial information for a roadmap showing where a FSML stands financially, compared to desired goals. This roadmap begins with the organizational mission and programmatic planning, which all naturally flow into the budget. The goal of the budget is to support the FSML mission.

1. Budgeting process

It is important to be able to view where you are at present in order to forecast a budget for the coming year(s). This assessment should be done for each cost center. It's helpful to begin with the current annual budget and a view of the year-to-date figures. Then the figures for the coming year can be forecast, keeping in mind the goals and projects (taken from the long-term strategic plan) of the subject cost center. Additionally, it's very useful to include a justification by each line item. This justification assists with planning for the coming year, and with ascertaining that the projected budget reflects the necessary elements delineated in the FSML strategic plan.

Aside from individual cost center budgets, it is important to have a master budget that gives an overall financial picture of the FSML. This budget should include all areas of anticipated revenues and expenses. By projecting annual operating budgets on a long-term basis, an FSML can take a proactive approach to providing support for its strategic plan. Most budgets are zero-based, which means that every item is justified and not

simply carried over from one year to the next. Standard accounting procedures mandate that the revenue in a budget equals the expenses. If deficits are present, they are shown as shortfalls, and budgets are developed for the funding sources to cover those expenses. Remember that budgets can be revised during the fiscal year, with proper justification. Ultimately, the annual budget is reviewed and approved by the FSML Board or appropriate governing administrator.

2. Budget structure

A budget lists line items. Some examples of common line items in budgets are:

<u>Revenue</u>	<u>Expenses</u>
Contributions	Salary (include annual salary increases)
Endowment income	Fringe benefits (note: normally a fringe benefit rate is calculated to include Social Security, Medicare, workers' compensation costs, any unemployment tax, any health care costs, any insurance costs, any pension costs. Usually, fringe benefit costs are calculated separately for full-time and part-time staff, as different benefits apply to each group. The total of fringe costs are taken as a percentage of the total full-time salaries or part-time salaries.)
Operations income	
Program income	
Interest income	
Grant income	
Overhead	
	Travel
	Supplies
	Maintenance
	Utilities
	Equipment

See **Table V.C.2** for a sample budget proposal.

3. Capital budgeting

Capital budgeting is as important as operations budgeting. The process of budgeting for capital improvements ties directly into overall strategic planning, and provides for long-term control of resources. Since the budgeting process must take place far in advance, estimations of acquisitions must be made. Additionally, many capital purchases should be run through an analysis of a lease versus purchase option. For more information on lease versus purchase options, see

[http://www.onlinewbc.org/docs/finance/lease\\_cost.html](http://www.onlinewbc.org/docs/finance/lease_cost.html).

4. Three- to five-year budget forecasting

Long-term budget forecasting provides a plan for expected revenues and expected expenses based on proposed operations of the FSML. It is critical to project expenses over a long-term period so that the necessary revenue streams can be identified beforehand.

D. Grants and Contracts

In the simplest situation, researchers secure their own grant money and pay for FSML facilities and services based on a fee structure. In this case, the FSML has no involvement with any grants or contracts secured by the researcher.

More commonly, a FSML seeks grants or contracts to support staff scientists or other activities, or it even “runs” grants and contracts on behalf of visiting researchers. In this case, grants and contracts often have project years that do not coincide with the FSML’s fiscal year. For instance, a FSML may have a calendar year fiscal year, and receives a federal grant for a two-year period (24 months) that begins on October 1. The first year of the grant would be appropriately prorated for the last three months of that fiscal year. The second year of the grant would be prorated for a full year. And the third year of the grant would be prorated for nine months of that fiscal year, thus completing the 24 months. Additionally, it is important to track the grant/contract’s project year budget. This would cover the project across the fiscal years of the FSML and ensure that expenses do not exceed revenues.

Independent FSMLs that handle grants can often negotiate overhead rates directly with the funding source. FSMLs with governing institutions usually have to negotiate indirect cost recovery with their own home institution, from within institutionally mandated overhead rates. An awareness of all of the contributions the home institution makes to the operation of the FSML is useful during these negotiations. For example, many FSMLs that are part of universities or museums receive support in the form of liability insurance, legal defense, accounting services, development offices, public relations services, physical plant personnel, and administrative staffing. Knowing the value of these contributions as related to the provision of the on-site administrative presence for which grant and contract overhead amounts are intended can be critical to successful negotiations for indirect cost recovery.

#### E. Cost Recovery Policies

Some FSMLs need to recover 100% of the cost of their operations, and others are subsidized at some level by a governing institution. Regardless of whether there is a subsidy or not, every FSML needs to know exactly what its expenses are, and where the funds come from to meet those expenses. Subsidy decisions should be conscious, not subliminal. Cost recovery should be custom tailored for each FSML. However, there are a number of guiding principles that are useful when establishing cost recover strategies and policies.

1. Determination of activities for which fees to recover costs should be applied
  - a. Facility use: lab space, office space, classroom space, lodging, dining, other.
  - b. Equipment and instrumentation: analytical chemistry instrumentation, diving gear and air, microscopy time.
  - c. Transportation: vehicle use, boat time, snowmobile, etc.
  - d. Infrastructure costs: phone, fax, photocopying, Internet, computing, database user fees
  - e. Education: tuition, laboratory fees, personnel costs (faculty, teaching assistants, etc.)
  - f. Outreach: personnel time, materials and supplies, facility use, per sample contract costs, consulting fees
  
2. Determination of appropriate usage fee. (Note: As a precedent, it is better to have a set fee and make a waiver or offer a scholarship, rather than not having a fee).
  - a. Important not to set fees so high that they discourage use or limit research productivity.
  - b. Consider introductory offers of fee waivers or reductions for first time users or those working to obtain preliminary results for preparation of research grants.
  - c. Consider fee waivers for students in the form of scholarships.
  - d. Consider quantity discounts for frequent or heavy users.

- e. Have fees that take into account costs of service contracts for instrumentation, materials and supplies, and replacement costs of equipment when ultimately needed.
  - f. Consider setting up different usage fees depending on the user, i.e. internal versus external users; academic fees versus corporate/industry fees).
3. Consider setting up designated accounts for each major type of fee.
  4. Negotiate cost sharing on grants and contracts if applicable.
  5. Establish indirect cost rates for grants, contracts, gifts, to provide relief from overhead costs. See federal guidelines on Circular A-122 "Cost Principles for Non-Profit Organizations" at ([www.whitehouse.gov/OMB/grants/index.html](http://www.whitehouse.gov/OMB/grants/index.html)) If indirect cost rates are set by upper administration, negotiate appropriate return to FSML for overhead costs incurred.

#### F. Software Tools

The use of spreadsheets and accounting software greatly increases the ease of establishing, tracking and forecasting finances. There are many useful spreadsheet programs available for purchase. Microsoft's Excel and Corel's Quattro are two examples. Once familiarity is achieved with the use of one spreadsheet program, those skills are easily transferable to other spreadsheets.

Additionally, there are several very helpful accounting programs that can assist FSMLs who must (or wish to) track their own accounts. Some examples of accounting software include:

**Infinity Power by DataPro ([www.dpro.com](http://www.dpro.com))**  
**SBT Pro Series by ACCPAC ([www.sbt.com](http://www.sbt.com))**  
**MAS 90 Accounting Software ([www.2020software.com](http://www.2020software.com))**  
**Accware Online ([www.2020software.com](http://www.2020software.com))**  
**Accubooks 2000 ([www.accubooks2000.com](http://www.accubooks2000.com))**  
**Quickbooks by Intuit ([www.quickbooks.com](http://www.quickbooks.com))**  
**Peachtree ([www.2020software.com](http://www.2020software.com))**

#### G. Financial Reports

Financial reports provide periodic updates on the financial position of individual cost centers as well as the overall financial condition of the FSML. Whether an FSML is part of a broader system where financial reports are produced for them, or whether they must produce reports themselves on a monthly basis, it is helpful to review a comparison of budgeted income and expense to the year-to-date actual income and expense. This review is referred to as an income and expense statement. In order for these statements to be meaningful, it is important to accurately record the income and expenses as they arise.

##### 1. Income and expense statements

Income and expense statements should be prepared monthly and should note the year-to-date income and expenses, the annual budget, and the percentage of actual funds as compared to budget. Any large percentage deviations (anything more than 10% off of where it should be) should be looked at carefully. Most frequently a deviation represents a timing issue within the fiscal year. Additionally, consolidated income and expense statements can be developed. These statements can provide an overview of several related cost centers.

While the detail of each individual account number within each cost center is important, ultimately the bottom line number can often be the most critical figure. At the end of

each income and expense statement, there is a line showing the net surplus/net deficit. This figure will ultimately show the user how much they have left to spend, or if they are overspent **Table V.G.1** provides an example of an income and expense statement.

2. Balance sheet

The creation of a balance sheet is also important for a FSML that must track its own assets and liabilities. All of the accounting software examples mentioned above provide the capability to track assets and liabilities, using the cost centers and chart of accounts that were discussed previously, to produce balance sheet reports. Ideally, total assets will be increasing from year to year. These reports show the overall financial condition of the FSML. **Table V.G.2** provides an example of a balance sheet.

H. Financial Policies

Financial policies are put into place largely to allow management to monitor operations, identify and control risks, and generate pertinent information, both financial and non-financial, for guiding actions dictated by the strategic plan. The nature of policies depends on a number of factors, including size, complexity, organizational structure and management philosophy. Many FSMLs are under the auspices of a larger institution that determines these financial policies. However, it is still important to understand the basic underpinnings of these policies. See **Figure V.H.** for an example of Financial Operating Policies. For those FSMLs that need to establish policies on their own, the following issues are offered for consideration:

1. Internal controls

Internal controls provide for the validation, accuracy, and completeness of financial operations. All financial transactions should be reviewed by an informed individual, and a determination should be made as to their validity. All financial documents should be part of a controlled system of numbering and filing. Financial documents should be rigorously checked for accuracy and completeness by an informed individual.

2. Segregation of duties

Where possible, it is strongly recommended that there be a separation of fiscal duties, so that no one piece of paper is handled from beginning to end by one person. Given staff constraints, this may not always be possible. However, it is always advisable to have some sort of a check and balance system in place when dealing with financial documents.

3. Authorized signatures

For each cost center, there should be an authorized signer, who is usually the individual responsible for that cost center. A dollar limit should be set for each authorized signer, based upon their needs and responsibilities. However, an upper limit for management review must be set. **Table V.H.3** shows a sample signature matrix.

The authorized signer for checks is most often the Executive Director. For the purpose of internal controls, it is advisable that the individual in charge of the accounting function for the FSML not be an authorized signer for checks. Often there is an upper limit for the authorized signer of checks. Consideration should be given to establishing a dollar level whereby two signatures would be required for disbursements in excess of such dollar level. Usually anything above \$5,000 would require a second authorized signature from a list of designated secondary signers.

4. Cash

a. Cash management

It is important to maintain an effective system of cash management that anticipates cash needs and plans adequately to satisfy them. Cash is required to pay for all assets and services purchased and to meet future obligations as they come due. A sufficient level of cash should be kept available to meet those requirements. Therefore, it is important to be able to forecast revenue and expenses in order to meet cash needs.

b. Cash receipts

Control should be established over all cash and checks received, and they should be deposited promptly into the proper bank account. Cash receipts should be protected from misappropriation. When cash or checks are received by mail, the individual receiving and opening the mail should prepare a list of receipts, to include the name, amount, any invoice number, date, and total. A separate individual should be responsible for the recording and deposit of these receipts. In the case of donations, it is important to provide acknowledgment to the donor within a reasonable period, such as two weeks from receipt of the donation.

c. Bank accounts

Financial accounts should only be opened with the approval of the appropriate designated individuals, usually a Board President and Treasurer. All bank signature cards should include their signatures. The Executive Director should also be a signatory on the general checking account and any payroll accounts. No more than \$100,000 total should be kept in any single financial institution, including all branches thereof. This is the limit of funds that the FDIC guarantees in any single bank.

5. Purchasing

The determination of needs for goods and services should be made by appropriate personnel and according to guidelines for the individual FSML. For instance, many guidelines include the requirement of three bids for any purchases over \$5,000. Exceptions to this policy may be made on a case by case basis. Purchase requisition forms should be completed. See **Figure V.H.5** for an example of a purchase requisition form. Proper approval should be obtained. It is important for the authorized signer to review any purchase requisitions that he/she did not originate.

a. Purchase orders

Purchase orders should be produced based on the purchase requisitions. See **Figure V.H.5.a** for a sample purchase order. Records of purchase orders should be kept either in a spreadsheet format, or more formally within the appropriate accounting software.

b. Receipt of goods

The physical receipt of all purchased goods should be the responsibility of either the person who placed the order or a designated receiving department. The receiving function should involve inspection of goods for conformity with specifications on purchase orders. Receipt and acceptance of a shipment should be documented on a receiving report or on the packing slip which should then be routed to the person who produced the purchase order, so that he/she may record this receipt, and to the accounting department for payment.

6. Accounts payable

The recording of assets or expenses should be performed by an employee independent of the ordering and receiving functions, if the size of the FSML allows for this segregation

of duties. The amounts recorded should be based on vendor invoices for the related goods or services. The vendor invoices should be in agreement with an approved purchase order. Additionally, evidence of receipts must be available before a vendor may be paid.

7. Payroll

Files should be maintained in which employee pay history is documented and withholding authorizations are kept. Payment for wages and salaries should be made only to employees at a previously authorized rate of pay. Some FSMLs have formal employment agreements with of work performed. Timecards or timesheets should be kept that show the time devoted to various tasks for various cost centers. See **Table V.H.7** for an example of task activity codes. See **Figure V.H.7** for an example of a timesheet. It is important to be familiar with federal and state wage and labor laws as they apply to exempt and non-exempt personnel. It is equally important to understand thoroughly the federal and state laws regarding what constitutes compensation for salaried or contracted personnel, and what role the provision of housing, meals, vehicles, etc. plays in compensation. Information on these issues can be obtained at [www.shrm.org](http://www.shrm.org) and at the U.S. Department of Labor's website at [www.dol.gov/elaws](http://www.dol.gov/elaws).

8. Funds and reserves

An operating fund should be maintained for daily expenses that meet most projected routine expenses. An operating reserve fund should be established that can cover three to six months of operating expenses without additional revenue. Additionally, accounts can be established to hold funds for specific projects or purposes that must be spent in specific locations, or for known upcoming projects for which matching funds must be accumulated. Each state may have different regulations regarding held institutional funds for private or nonprofit corporations. It is advisable to check with the appropriate Department of State.

9. Property, physical plant and equipment

All additions to property, physical plant and equipment should be properly authorized. These items include the following broad asset types:

- a. Land
- b. Buildings and production facilities
- c. Machinery and equipment
- d. Furniture, fixtures, and office equipment
- e. Computer equipment
- f. Vehicles

Accurate records should be maintained of the cost and accumulated depreciation of property, physical plant and equipment. Repair expense should be distinguished from expenditures for improvements, additions, renovations, alterations, and replacements. Expenditures are repair expense if they do not materially add to the value of the property and do not materially prolong the life of the property. Repair costs that increase the value of property, prolong its life, or adapt it to a new or different use are capital expenditures. Examples would include replacing a roof, reconditioning machinery, or replacing a vehicle's engine.

10. Depreciation

There are some generally accepted depreciation methods that can be used to allocate an asset's cost (less salvage value) over its useful life. They include:

- a. Straight line – an equal amount of the cost of an asset is allocated to each accounting period in its useful life
- b. Half year convention – an equal amount of the cost of an asset is figured for each year of its useful life. In the first year, half of the amount is charged, and an additional year is used at the end of the useful life for the other half. Each year in between is charged the full amount.
- c. Declining balance – a larger portion of the asset's net cost in the earlier periods of its useful life and a smaller amount in the later periods

For further information on depreciation, please see <http://www.conetic.com/fjpmán/fjpmán00000029.html> and <http://www.bized.ac.uk/stafsup/options/deprec.htm>

#### 11. Inventory Identification

At the time of acquisition, all assets should have been identified, tagged, and entered into the detailed fixed asset ledger. The tag should be placed in a visible area. The tags provide a clear method of tracing the asset to the fixed asset ledger. A physical inventory should be performed on an annual basis to match the tagged assets to the fixed asset ledger.

#### 12. Disposal

No item of property, physical plant or equipment should be removed from the premises without recording the disposal in a written format. The item should also be removed from the appropriate asset account, and the related accumulated depreciation (including depreciation to the date of disposal) should be removed from the allowance for depreciation account. Additionally, the profit or loss, adjusted for the cost of removal, should be recorded as an income (gain) or expense (loss).

#### I. External Audits

An external audit can provide an independent opinion as to the condition of the finances of the FSML. The retention of an external auditor can provide a valuable resource of information during the fiscal year. Issues relating to accounting, or to the management of accounting procedures, can be addressed by an external auditor. Additionally, when submitting proposals for funds to various agencies, it is helpful to have a report of an independent auditor to accompany the grant proposal. This report gives the potential funding agency or foundation assurance that the funds they provide will be properly managed.

External audits may be conducted by local CPA firms or by larger regional/national firms. There are varying levels of detail that the firm may be contracted to provide. To begin with, usually the Board of the FSML appoints an audit committee. This committee then reviews proposals from potential auditors solicited by the FSML. The level of detail required is set, and a fee is negotiated. Once a firm has been selected, it is useful to establish a close working relationship with the auditor who will be reviewing the finances of the FSML. This person will be available to guide the FSML through various scenarios and ultimately, to the proper financial procedures.

## J. Endowments

Endowments may be available for or accumulated by FSMLs. Endowment funds can be used in a variety of ways, depending upon the terms of the endowment. There are also different formats in which endowments can be made. The format is often determined by the donor.

### 1. Investment

Once an endowment is established, the Board Treasurer usually develops an investment policy for the long-term maintenance of these funds, which is formally adopted by the Board. A written investment policy is crucial to successful perpetuation of endowment funds. The Board usually delegates supervisory oversight of the endowment to a finance committee within the Board. An investment policy usually includes:

- a. Delegation of authority
- b. Standards (state standards, if applicable)
- c. Investment objectives
- d. Risk tolerance
- e. Asset mix
- f. Short-term reserves
- g. Gifts (if applicable)
- h. Asset quality
- i. Asset diversification

See **Figure V.J.1** for a sample investment policy.

### 2. Long-range investment strategy

The Board Treasurer and the finance committee should decide upon an investment management strategy. The selection of the investment manager should be made by this group. The criteria for an annual review of the investment manager should also be established.

### 3. Protection of principal

The principal amount used to establish an endowment is to remain protected. The only funds to be used are those that are generated through investments. A portion of the income from each endowment should be retained each year as a protection against inflation, so that erosion of the principal doesn't occur. For example, if an endowment earns 5% as a 10-year average, and if inflation averages 2%, a long-term strategy might decree that 3% of each endowment is available annually for distribution.

## K. Funding Sources

A variety of different funding sources and strategies are employed by FSMLs. In general, funding sources can be separated into two major categories, internal or external. The major funding sources within these categories are briefly described below. See **Table V.K** for a list of potential funding sources.

### 1. Internal funding sources

#### a. Annual budget

FSMLs that are affiliated with universities are often provided with an annual budget that covers basic operational costs (e.g. personnel, operations and maintenance). These budgets are usually determined on an annual basis and are often related to contributions that the FSML makes towards supporting the mission of the university. Development of a strategic plan by a FSML that clearly delineates specific objectives, directly links these with the budget, and demonstrates the ability to use

funds for leveraging additional funding is valuable for soliciting internal institutional financial support.

b. Cost recovery and indirect cost return

All FSMLs should develop cost recovery and indirect cost return strategies and policies. The idea behind cost recovery is to recover actual costs that are incurred through activities at FSMLs. Usually the goal is to have user fees recover reasonable expenses, but not necessarily generate institutional profits. The goal of indirect cost return is to provide support for direct overhead costs incurred by the FSML.

c. Endowment income

The establishment of an endowment to support activities at FSMLs is an important potential source of a sustained long-term revenue stream. Significant fundraising efforts are often required to obtain the principal for an endowment. Restricted or unrestricted endowments can be established. Restricted endowments are designated for specific activities, such as student internships, an endowed faculty chair, a visiting scientist program, etc. Fundraising for unrestricted endowments that permit flexibility in spending the endowment income is often more difficult, since there is not a specific project or intended use that a donor can associate directly with the gift. Individual giving is usually the major source for the establishment of an endowment.

2. External Funding Sources

a. Local, regional, state and federal agencies

Almost all scientists are engaged with proposal writing to obtain funding for research projects. In the environmental area, common funding agencies include NSF, DOE, EPA, NASA, ONR, etc. In addition to obtaining funds for individual research projects there are numerous opportunities for graduate student training grants, educational reform, interdisciplinary centers, postdoctoral and graduate fellowships, instrumentation and facilities development.

b. Foundations

There are a large number of foundations that are possible funding sources for activities being carried out at FSMLs. Foundation grants or gifts are possible to obtain for education, research and outreach. In some instances it is only possible to apply for foundation support if you have been “invited” to do so. This often requires initially establishing a relationship with the foundation. However, there are also many foundations that can be applied to for funding based on an announced program or acceptance of letters of inquiry.

c. Contracts

Funds obtained under contracts are usually tightly restricted and designated for the accomplishment of specific tasks. Contract funding is frequently obtained from industry, but there are also opportunities from local, regional, state or federal entities. There are several considerations in relationship to contract funding, such as possible limitations in publication of results, duration of the contract, or potential applied nature of research. FSMLs should consider the desired percentage of funding from different external sources to achieve an overall balance that reflects the goals and mission of the FSML.

d. Individuals (planned giving, endowment, gifts)

Acquiring resources from individuals is an important opportunity for FSMLs. If affiliated with a university or museum, cultivation of individuals and actual gift requests are usually coordinated and facilitated by institutional development staff. Regardless of the specific type of FSML, fundraising from individuals requires

establishment of a relationship with the individual. It is beneficial to have the potential donor visit the FSML for first-hand exposure to the exciting activities that are ongoing. Stewardship related to individual donors is critical for long-term fundraising success. Alumni, employees, community members and other friends are the most likely individuals for giving.

e. Annual campaign, memberships

The ability to raise funds routinely on an annual basis can be accomplished through an annual campaign and/or memberships. An annual effort is a way to begin the establishment of local friendships while building a sense of community. Such an effort also serves as a way to introduce people to the activities and benefits provided by the FSML. Through the involvement of the community in public events such as tours, public seminar series and volunteer opportunities, memberships and annual giving can serve as a forum for outreach. Annual campaigns also constitute a mechanism for establishing relationships that over time can develop into potential major donations.

f. Congressional appropriations

An opportunity that should be explored by FSMLs is the possibility of congressional appropriations. A number of factors influence whether trying to secure this type of funding is feasible. These factors include university priorities, relationships that have been established with senators and congressmen, and potential impacts for the state and nation. Securing this type of funding requires a significant amount of lobbying, the ability to provide compelling explanations in relatively simple terms, strong relationships with appropriate officials, and quite a bit of luck.

g. In-kind gifts

A possible funding source can be in the form of in-kind gifts from industry, which might donate equipment, instrumentation, computer hardware and software, etc. Establishment of corporate and industry relationships enhances such possibilities. The ability to use in-kind gifts for training or education of a large number of students strengthens such requests.

3. Fundraising Policies

Some thought should be given to how donations are solicited, cultivated and acknowledged. FSMLs within larger institutions can benefit greatly from establishing a good working relationship with their institution's development office. Ideally one specific development officer will become responsible for providing fundraising assistance to the FSML. Stand-alone FSMLs will need to consult references within the fundraising and philanthropic fields to locate effective policies and philosophies.

**Tables and Figures for Section V – Finances**

Table V.A.1 -	Cost Center Structure (Source: S. Pettine)
Table V.C.2 -	Budget Proposal (Source: S. Pettine)
Table V.G.1 -	Income and Expense Statement (Source: S. Pettine)
Table V.G.2 -	Balance Sheet (Source: S. Pettine)
Figure V.H -	Financial Operating Policies Source: S. Lohr)
Table V.H.3 -	Signature Authorization Matrix (Source: S. Pettine)
Figure V.H.5 -	Purchase Requisition Form (Source: S. Pettine)
Figure V.H.5.a -	Purchase Order (Source: S. Pettine)
Table V.H.7 -	Task Activity Codes (Source: S. Pettine)
Figure V.H.7 -	Timesheet (Source: S. Pettine)
Figure V.J.1 -	Investment Policy (Source: S. Lohr)
Table V.K -	List of Possible Funding Sources (Source: S. Lohr)

Examples (fill in list as examples are provided):

- V.A. Cost Centers
- V.B. Charts of Accounts
- V.C. Budgets
- V.D. Grants and Contracts
- V.E. Cost Recovery Policies, Fee Structures
- V.F. Financial Software Tools
- V.G. Financial Reports
- V.H. Financial Policies, Purchase Orders, Requisitions, Inventory Control, etc.
- V.I. External Audits
- V.J. Endowment Documents
- V.K. Lists of Funding Sources