Doing Business with the Human Rights Commission

A Handbook for Working with the HRC

Version 1.0 Issued October 2025

**SAN FRANCISCO
HUMAN RIGHTS
COMMISSION**

Letter From the Executive Director

On behalf of the Human Rights Commission (HRC), I am glad to welcome your organization as a grantee. We are excited to partner with you as we work together to advance equity, inclusion, and justice for all in San Francisco.

To support your organization's success, our team has developed the *Doing Business with HRC Handbook (The Handbook)*. This comprehensive resource outlines the expectations, requirements, and procedures for HRC grantees. We strongly encourage you to share this handbook with everyone on your team involved in managing the grant to foster a shared understanding and seamless collaboration throughout your partnership with HRC.

We are committed to supporting you, and our team is here to answer questions, provide guidance, and ensure your organization is equipped with the tools needed to thrive as an HRC grantee.

As part of our commitment to clarity, consistency, and responsiveness, HRC will issue and updated version of the handbook in early 2026 to reflect policy and procedural changes. We will promptly notify all grantees and provide support to implement any updates.

The work ahead of us is both meaningful and ambitious, and we know that your success as an HRC grantee will play a crucial role in achieving the transformative change we envision. Together, we can work toward a San Francisco where every individual has the opportunity to thrive.

Thank you for joining us in this important effort. We look forward to a collaborative and impactful partnership.

Sincerely,

Mawuli Tugbenyoh

Executive Director

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1 Getting Started

Welcome to the San Francisco Human Rights Commission (HRC). We are honored to partner with you in advancing equity, justice, and community well-being across our city. Each HRC grantee plays a vital role in bringing the City's human rights mission to life.

Partnering with HRC means joining a network of organizations committed to creating meaningful, lasting impact. We view our relationship with grantees as a partnership. Together, we strive to bridge the gap between government systems and community wisdom, ensuring that public resources are used effectively to uplift and empower those most affected by systemic inequities.

One of your first steps as a grantee will be to enter negotiations with HRC to create a grant agreement that defines and solidifies the partnership between your organization and the City & County of San Francisco. The grant agreement is a contractual document and important for your organization to fully understand in order to fulfill the requirements and expectations it outlines. Grantees cannot begin work under the grant until the contract is signed by all parties. HRC cannot reimburse any expenses incurred without a fully executed contract.

1.1   The HRC Grant Agreement

HRC's grants are governed through a contract called a grant agreement. The grant agreement is used to detail the obligations of each party entering into agreements with the City to implement services and programs for public benefit. The language contained within grant agreements has been developed through the coordination of multiple City departments, including the City Attorney's Office, the Office of Contract Administration, the Controller's Office, and the Contract Management Division of the City Administrator's Office.

The grant agreement is divided into sections called Articles, and a set of appendices. Below are some of the key sections that are included in the grant agreement.

1.1.1 Recitals

The contract begins with a few paragraphs of general language called Recitals. They list your organization's name, the grant agreement's effective date, the solicitation that your grant award is issued under, and a brief description of the program that you will implement under the grant.

1.1.2 Article 3 Term

Article 3 defines the time frame of the grant (also referred to as the grant term or grant period). HRC funds can only be used to reimburse expenses incurred during the grant term. Please note that during negotiations, your draft grant agreement may have a tentative grant period. The tentative grant period may change during contract negotiations; it is not finalized until the grant agreement is signed by all parties.

1.1.3 Article 4 Implementation of Grant Plan

Article 4 outlines some key responsibilities for carrying out the funded program:

- **Implementing the grant plan** – You are required to implement your program activities in accordance with the grant plan. Any material changes must be approved in writing by HRC before they can take effect.

- **Qualified Personnel** – The program must be delivered by qualified and competent staff under your organization's supervision.

- **Evaluation and Monitoring** – You must fully cooperate with HRC in program evaluation and fiscal monitoring. This may include site visits, program observations, review of records, and reporting requirements.

- **Ownership of Work Product** – Any work created under this grant (reports, data, publications, training materials, artwork, software, etc.) is considered City property. These materials are treated as "works for hire," and all rights automatically belong to the City.

- **Publications and Communications** –

    o You must acknowledge HRC and the City as a supporter in any publication or product funded by this grant.

    o You cannot publish, distribute, or otherwise disseminate materials created under this grant without prior written approval from HRC.

    o Materials must not include content the City deems discriminatory, divisive, or inconsistent with the purpose of the grant.

    o Distribution of publications or products funded by this grant is limited to San Francisco unless HRC gives advance written approval.

    o You may not charge for distribution of publications without HRC's written consent.

    o HRC reserves the right to observe or review any public education, training, or outreach activities supported by this grant.

1.1.4 Article 5 Use and Disbursement of Grant Funds

Article 5 states the amount of funding you will receive under your grant agreement and how funds are paid out.

- **Maximum Amount of Grant Funds** – This is the total funding available to your organization for the entire grant term (see Article 3). It represents the maximum amount HRC can reimburse under your agreement.

- **Reimbursement Basis** – All grant payments are made on a reimbursement basis. You must first incur the expense and then request payment.

- **Invoicing Format** – You must submit monthly invoices in the format required by HRC. This includes providing supporting documentation (e.g., receipts, payroll records, ledgers) sufficient to demonstrate that the costs are eligible and tied to the approved grant plan.

- **Payment Timing** – Payments are made only for properly prepared invoices. Incomplete or inaccurate submissions may delay payment.

1.1.5 Article 8 Representations and Warranties

Article 8 contains important assurances your organization makes to the City when entering into the grant agreement.

- **Authority and Compliance** – By signing, you affirm that your organization has the authority to enter into the agreement and that you will comply with all applicable federal, state, and local laws.

- **Accuracy of Information** – You represent that all information provided to HRC in connection with the agreement is accurate and complete.

- **No Conflicting Obligations** – You warrant that there is no pending or threatened legal action that would impair your ability to perform the grant-funded activities.
- **Conflicts of Interest** – Section 8.4 states that grantees cannot employ nor have on their board more than one member of an immediate family without written consent from HRC. This includes spouses, domestic partners, siblings, children, and parents. If this situation applies to your organization, contact your Grant Manager immediately.

1.1.6 Article 10 Insurance

Article 10 outlines the City's insurance requirements, which must be maintained throughout the grant term.

- **Coverage Types** – Most agreements require commercial general liability, workers' compensation, and automobile insurance. Certain programs may also require other coverages such as professional liability coverage.
- **Endorsements** – All policies must name the City and County of San Francisco as an additional insured, with coverage at least as broad as the standard ISO form.
- **Proof of Insurance** – You must provide Certificates of Insurance and endorsements to HRC before the agreement begins and upon renewal.
- **Cancellation Notice** – Policies must include a requirement that the insurer provide advance notice to the City before cancellation, reduction, or material change in coverage.
- **Responsibility** – It is your responsibility to keep coverage active; lack of valid insurance is a breach of the grant agreement and may delay payments.

1.1.7 Article 13 Assignments and Subcontracting

Article 13 (Assignments and Subcontracting) states that if you require the use of a subcontractor to fulfill the activities outlined in the grant plan, you must receive written permission from HRC. All subcontractors (also known as subawardees or subrecipients) must be included in your grant plan and Appendix E of your grant agreement. Under no circumstances can a sub-contractor not listed in the grant plan be paid using grant funds. Subcontractors are held to all the same contractual obligations as the grantee. See the Subawards / Contractual section on page 4343 for more details.

1.1.8 Article 14–15 Legal Protections

Several articles of the grant agreement contain important legal protections for both the City and the grantee:

- **False Claims** – Submitting a false or misleading invoice or request for payment is prohibited and may result in penalties under the San Francisco False Claims Ordinance.
- **Indemnification** – Grantees must indemnify and hold harmless the City against claims arising from the performance of the agreement, including intellectual property claims.
- **Limitations on City Liability** – The City's liability under the grant agreement is limited to payment of allowable compensation; the City is not liable for indirect or consequential damages.
- **Termination** – The City has the right to terminate the agreement for cause (such as breach or non-performance) or for convenience (without cause). In either case, payment is limited to services satisfactorily performed up to the termination date; the City is not responsible for anticipated profits or costs incurred after termination.

1.1.9 Article 16 Compliance

Article 16 contains a wide range of compliance requirements. Grantees must adhere to City and federal standards as a condition of receiving funds. Key obligations include:

- **Nondiscrimination** – You must comply with all City nondiscrimination ordinances in hiring, contracting, and service delivery.

- **Equal Benefits** – You must provide the same benefits to employees with domestic partners as to those with spouses.

- **Minimum Compensation Ordinance (MCO)** – Covered employees must be paid no less than the City's minimum compensation rate.

- **Health Care Accountability Ordinance (HCAO)** – For certain agreements, grantees must provide health benefits to employees or pay into the City's program.

- **First Source Hiring** – Larger agreements may trigger requirements to work with the City's First Source Hiring Program for entry-level jobs.

- **Salary History Ordinance** – You may not request or rely on an applicant's salary history when making employment decisions.

- **Americans with Disabilities Act (ADA)** – All programs, services, and facilities funded by this grant must be accessible to persons with disabilities.

- **Political Activity Prohibition** – City funds may not be used to support political campaigns or ballot measures.

- **Sunshine Ordinance / Public Records** – Records related to this grant may be subject to public disclosure under the California Public Records Act and San Francisco's Sunshine Ordinance.

- **Environmental Standards** – City law prohibits the use of tropical hardwoods, virgin redwood, certain treated wood products, and gas-powered landscaping equipment, and requires compliance with waste reduction and recycling standards.

- **Other Requirements** – Additional ordinances may apply, including restrictions on campaign contributions and bans on sugar-sweetened beverages in City-funded programs.

1.1.10   Appendices

Your grant agreement has several appendices.

- **Appendix A** – Definition of Eligible Expenses. This appendix establishes which types of expenses are allowable or unallowable under your grant. See the Budget Guidelines section on page 23 for details.
- **Appendix B** – Definition of grant plan. This appendix establishes your grant plan, or the details of the program that you will implement under the grant. This includes a description of your program, the activities and deliverables, timelines, performance measures, your approved budget table, and a budget narrative. The grant plan guides your work and what activities you and expenses are related to the grant. HRC will reference Appendix B when reviewing your invoices for eligible expenses and when evaluating your success in meeting deliverables.
- **Appendix C** – Form of Funding Request. This appendix will include your sample invoice. HRC will provide you with the requirements for your invoice and sample templates. This appendix

helps ensure that your invoice format is acceptable when it is time to submit your first
invoice.
- **Appendix D** – Interests In Other City Contracts. This appendix is a list of other contracts that
  you have with HRC or other City agencies. It is important for disclosure, City oversight, and
  potential identification of funding overlap.
- **Appendix E** – Permitted Sub-contractor/Subawardee.
- **Appendix F** – Insurance Waiver. This appendix is included only if the City waives a required
  insurance coverage. In most cases, insurance waivers are not needed, and this appendix is
  removed. Seethe Insurance Requirements section on page 16 for details.
- **Appendix G** – State/Federal Funding Terms. This appendix is only included if the grant is
  funded through state or federal funds. In most cases, this does not apply, and this appendix
  is removed.

1.2   Other Contracting Processes

Over the course of your grant with HRC, you may have a need to adjust your project scope, budget, or
timeline. The most common process used to make these changes is a Grant Amendment (also referred
to as a modification). Grant Amendments are used to formally revise an existing grant agreement—for
example, to extend the grant term, add funds, or update the approved budget or scope of work. It is
common for multi-year grants to require one or more amendments during the grant period.

In some cases, other contracting processes may apply, such as Assignment and Assumption or
Novation agreements. These are used when a grant is transferred from one organization to another,
typically due to a merger, restructuring, or change in fiscal sponsorship. HRC staff will work with you to
determine the appropriate contracting process and provide the required documentation.

1.3   Grant Manager Assignment

When you receive funding from the San Francisco Human Rights Commission, you will be assigned a Grant Manager (GM). Your GM is your first and primary point of contact for everything related to your grant's program implementation and administration. Your Grant Manager acts as your liaison to HRC, a guide through compliance with City policy, and partner in problem solving to keep your program on track.

Key Responsibilities of Your Grant Manager:

- **Program Oversight:** Monitors your program's activities, deliverables, and outcomes through regular check-ins, site visits, and reviews.

- **Fiscal Stewardship:** Reviews invoices to confirm expenses are allowable and align with your approved budget, monitors spending trends, and flags potential financial issues.

- **Policy and Compliance:** Clarifies funding requirements, supports timely and accurate reporting, coordinates with HRC's Monitoring & Compliance team, and provides technical assistance or connects you with additional resources as needed.

1.3.1 Grantee-Grant Manager Partnership

A successful grant partnership between grantees and Grant Managers is built on clear communication, mutual respect, and shared accountability. Both parties commit to open, timely communication; professionalism in all interactions; and collaboration to address challenges and adjust strategies as needed. Grantees are expected to meet their program and reporting commitments, while Grant Managers provide guidance, support, and clarity on City policies and compliance requirements—ensuring a relationship rooted in transparency, respect, and shared success.

HRC allows the use of Fiscal Sponsorship to support emerging or project-based organizations. Fiscal sponsorship can strengthen program delivery, increase compliance, and promote equitable partnerships when properly structured and managed.

1.3.2 When Fiscal Sponsorship Is Allowed

A grantee may use a fiscal sponsor if:

- The organization does not have its own 501(c)(3) IRS status.

- The organization determines that it would benefit from fiscal sponsorship, even if the organization has its own 501(c)(3) IRS status.

- HRC determines that fiscal sponsorship would strengthen the organization's capacity and works with them to secure a sponsor.

1.3.3 When Fiscal Sponsorship Is Prohibited

HRC will not approve fiscal sponsorship if it:

- **Creates a pass-through grant:** HRC does not allow funding to "pass through" a current grantee to an unaffiliated third party.
  Note: The use of subcontractors is permitted when approved and directly related to the scope of work. See section 4.3.7 on page 43 for more details.

- **Enables an organization to avoid participation in a competitive process:** All grantees must compete in an open, transparent Request for Proposals (RFP) process, either directly or through an eligible fiscal sponsor.

- **Circumvents City policies:** Fiscal sponsorship may not be used to avoid compliance with City and County of San Francisco wage, health, labor, or other policy requirements.

1.3.4 HRC Approval and Sole Discretion

- HRC must pre-approve all fiscal sponsorship arrangements.

- Approval is at HRC's sole discretion, based on review of required documentation and assessment of the fiscal sponsor's capacity, compliance history, and alignment with HRC standards.

- HRC may deny or revoke fiscal sponsorship approval at any time if requirements are not met.

1.3.5 Eligibility Standards for Fiscal Sponsors

To be eligible, a fiscal sponsor must:

- Hold active 501(c)(3) status with the IRS.

- Have a minimum of 3 years' experience managing public or private grants/contracts.

- Have a current independent audit for the most recent fiscal year.

- Maintain written internal controls and financial policies.

- Carry general liability and professional liability insurance, along with any other insurance coverages that may be required by City policy, depending on the nature of the grantee's program.

- Demonstrate operational infrastructure for finance, compliance, and program oversight.

- Maintain adequate fiscal reserves (HRC recommends at least 3 months of operating expenses).

- Sign a Memorandum of Understanding (MOU) with the sponsored organization outlining roles, responsibilities, and the fiscal sponsorship model.

1.3.6 Required Documentation

Fiscal sponsor applicants must submit:

- Most recent audited financial statements (including management letter, if applicable).

- Year-to-date balance sheet and income statement.

- Cash flow projections for the next 6–12 months.

- Current organizational budget with line-item detail.

- List of grants/contracts managed in the past 3 years, including funders, amounts, and compliance outcomes.

- Copies of internal control, conflict of interest, and procurement policies.

- Proof of insurance coverage.

HRC may request additional documentation at any time.

1.3.7 Roles and Responsibilities

Fiscal Sponsor

- Is the legal contract holder with HRC.

- Ensures compliance with all applicable laws, ordinances, and grant terms.

- Holds ultimate accountability for compliance with the grant agreement, including ensuring that the sponsored organization fulfills all programmatic obligations (e.g., service delivery, performance outcomes, and timely submission of programmatic reports).

- Responsible for overseeing the financial and administrative duties of the sponsored organization to ensure alignment with the grant agreement and City requirements.

- Manages, tracks, and disburses funds to the sponsored organization in accordance with the approved budget and schedule.

- Withholds disbursements when deliverables or documentation are incomplete or noncompliant.

- Maintains complete financial and programmatic records.

- Submits required financial reports to HRC.

Sponsored Organization

- Implements programmatic activities as approved in the grant plan.

- Meets performance, reporting, and compliance obligations.

- Meets regularly with the Grant Manager to provide updates and seek guidance.

- Maintains source documentation for all grant-related expenditures.

- Communicates promptly with the fiscal sponsor about changes that may impact grant delivery.

Shared

- Participate in joint check-ins with HRC at least quarterly. More frequent check-ins may be scheduled as needed.

- Collaborate on amendments, budget changes, and grant closeout.

Note on Separation of Roles

fiscal sponsors must remain independent from programmatic functions under the grant. A fiscal sponsor may not simultaneously serve as program staff receiving direct funds for program services while also carrying out fiscal sponsorship duties. This separation is necessary to avoid conflicts of interest, maintain accountability, and ensure a clear delineation of financial and programmatic responsibilities. Where a fiscal sponsor also provides program services, those activities must be structured under a separate grant or contractual arrangement with HRC.

1.3.8 Cost Limitations

A grantee may charge either an indirect rate or a fiscal sponsorship fee, not both. Whichever fee is used, the rate **cannot exceed 15%.** See section 4.3.8 Indirect Costs for more details.

1.3.9 Monitoring and Training

- HRC will conduct site visits with both the fiscal sponsor and sponsored organization to verify compliance.

- Both parties must participate in HRC-provided training on compliance and reporting at the start of the grant term.

1.3.10   Changes to fiscal sponsorship Arrangements

As noted above, the fiscal sponsor is the legal contract holder with HRC. Transferring a grant agreement to the sponsored organization or to another fiscal sponsor requires a formal contractual process per City requirements. HRC will not consider changes to fiscal sponsorship arrangements within the first or last 6 months of a grant period except under extraordinary circumstances and with approval by HRC's Executive Director.

- Transfer of a grant requires:
    - A formal written request to your GM with a minimum 3-month notice before the requested effective date of the change.
    - The prospective contract-holder to meet all requirements established in this Handbook and related policies and laws, and to submit required documents to verify its eligibility and compliance.
    - Implementing an Assignment and Assumption Agreement with HRC. This transfers the grant agreement to the new fiscal sponsor or the previously sponsored organization.
    - Implementing a grant amendment with HRC that updates the budget, grant plan, and new roles and responsibilities.
    - A signed MOU between the new fiscal sponsor (if applicable).
- HRC will carefully evaluate the request, the eligibility of the prospective fiscal sponsor or the sponsored organization to assume the contract, the remaining duration of the grant period, and any other relevant information.
- If HRC approves proceeding with the change, your GM will work with you to implement the required process.
- Unauthorized changes may result in suspension or termination of funding.

1.4   Use Of Grant Funds

Funding for HRC grants is provided on a cost-reimbursement basis, meaning that you must pay expenses first and then submit detailed invoices to HRC for reimbursement. As a result, grantees must have sufficient cash reserves to sustain operations until HRC reimburses your expenses. HRC strongly recommends that grantees maintain three to six months of fiscal reserves as a best practice. This approach ensures your programs can operate smoothly in the event of delays in processing your grant agreement or invoices. HRC cannot release funds until all required approvals are complete, regardless of potential cash shortfalls.

Your invoices must detail **eligible** (per your signed contract) and **allowable** (per City policy) expenses for your funded program. See **Appendix A** of your grant agreement and the HRC Policy on Allowable and Unallowable Grant Expenses for more information on eligibility and allowability requirements. All expenditures must conform to your approved budget and comply with applicable laws, regulations, and HRC policies. Always seek your Grant Manager's input if you are unsure about an expense. HRC maintains sole discretion to deny reimbursement for any costs that do not meet eligibility, allowability, or documentation requirements.

HRC requires grantees to maintain and submit an up-to-date budget tracking spreadsheet with each invoice. Any revisions to your budget will be considered in accordance with HRC policy (see the Budget Revision Guidelines section on page 55).

1.5   Insurance Requirements

You are required to maintain certain types of insurance coverage for the entire term of your grant agreement, and you must provide HRC with updated insurance certificates and policy endorsements in a timely manner. Should any coverage expire during the term, invoice payments will be delayed until a new insurance certificate is received. A lapse of insurance constitutes a material breach of the grant agreement. In these cases, HRC may change the term of the grant agreement to exclude the period of lapsed insurance. This action would result in your organization not being reimbursed for expenses incurred during this time period.

1.5.1 Required Coverage

Article 10 of the grant agreement outlines the City's insurance requirements. All grantees must maintain appropriate insurance coverage throughout the grant term. The exact coverages depend on the type of services being delivered.

At minimum, every grantee must carry Commercial General Liability insurance. Programs serving vulnerable populations, such as minors or older adults, must include Abuse and Molestation coverage. If your organization has employees, Workers' Compensation coverage is also required.

Additional Coverages (Only if Applicable Based on the Nature of Your Programming)

- **Commercial Automobile Liability** if vehicles are used in program activities.
- **Professional Liability** for licensed professionals (e.g., healthcare providers, attorneys, engineers).
- **Technology Errors & Omissions** for services that affect City networks.
- **Cyber & Privacy Liability** if your program collects or manages sensitive personal data.

If a coverage type does not apply, it will be removed from your agreement. This is not a waiver. A waiver is only needed when a required coverage cannot be maintained, such as Workers' Compensation for organizations with no employees. Waiver requests must include a written affidavit submitted to your Grant Manager, who will forward it to the City's Risk Manager for a final decision. Approved waivers are listed in Appendix F.

Your Grant Manager will confirm which insurance requirements apply to your program and ensure that Article 10 of your grant agreement accurately reflects only those coverages.

1.5.2 Required Language for Certificates:

Insurance certificates must include the following language:

- HRC name and address listed as certificate holder
- Insurance holder must match name of your organization on grant agreement
- City and County named as additional insured – see correct wording below
- All policies must provide at least 30 days' advance notice to City of cancellation

This chart below provides additional information about insurance coverage types, the limits of liability, necessary language and conditions that may warrant a waiver.

Coverage Type	Limits of Liability	Necessary Language for Insurance Certificates
Commercial General Liability If serving vulnerable populations, must also include Abuse and Molestation coverage	Standard: $1,000,000 (one million) If serving vulnerable populations: $2,000,000 (two million)	The City & County of San Francisco, its officers, agents, and employees to be named as additional insured.
Workers' Compensation	$1,000,000 (one million)	If grantee will perform services on City premises, policy must be endorsed with a waiver of subrogation in favor of the City for all work performed by the Contractor, its employees, agents and subcontractors.
Commercial Automobile Liability (if applicable)	$1,000,000 (one million)	The City & County of San Francisco, its officers, agents, and employees to be named as additional insured.
Professional Liability (if applicable)	$1,000,000 (one million)	The City & County of San Francisco, its officers, agents, and employees to be named as additional insured.
Technology Errors and Omissions (if applicable)	$1,000,000 (one million)	The City & County of San Francisco, its officers, agents, and employees to be named as additional insured.
Cyber and Privacy (if applicable)	$1,000,000 (one million)	The City & County of San Francisco, its officers, agents, and employees to be named as additional insured.

1.5.3 Other Information About Coverage:

- <u>Subcontractors</u>: If you use subcontractors, they must carry all insurance necessary for the work they perform under the grant. For example, if a subcontractor delivers direct youth services, they may be required to carry Abuse & Molestation coverage. If a subcontractor provides only administrative or technical services, different insurance may apply. Your Grant Manager will confirm which insurance requirements apply to subcontractors.

- <u>Recommended Additional Coverage</u>: While not required, HRC recommends that your organization and your board consider insurance coverage types other than those required for the grant. Other common types of insurance include fidelity, directors and officers, property, and accident. Your insurance carrier can provide more information and price quotes for these and other available policies.

2 The Grant Agreement Approval Process

HRC takes great care to ensure that our grant agreements are complete, accurate, and compliant with all City regulations. All HRC contracts go through a rigorous approval process that involves many different individuals and departments. While this process can take some time to complete, the result is a grant agreement to which all parties agree. After a grant agreement is in place, there may be events that require HRC to create a grant amendment, assignment and assumption, or novation contract for your approval. These documents are completed through processes similar to the grant agreement but will depend on the circumstances. Your Grant Manager will guide you through these processes if applicable.

Note: Grantees may not begin programming or incurring expenses under the grant until the grant agreement is signed by all parties and the grant period established (also known as the "agreement term") in the grant agreement begins. An award letter does not authorize work; it only begins the negotiation process.

2.1 Grant Agreement Negotiation

After a Request for Proposals (RFP) has been completed and an award decision is made, HRC will begin the grant agreement negotiation process. This step-by-step process is outlined below.

Step 1 – Award Letter
HRC's Executive Director will issue an award letter indicating:

- Award amount

- Grant duration

- Funded programs corresponding to RFP Service Area

- Any special grant conditions

Step 2 – Grant Plan Development

You will work with your assigned Grant Manager to finalize the grant plan and Budget using HRC's *Doing Business with HRC* Handbook. This includes aligning the budget with all HRC requirements and ensuring the indirect rate and fringe benefits are supported by proper documentation and meets all city requirements.

Step 3 – Compliance Documentation
Submit all items listed in the **Grant Agreement Checklist**:

- Appendix B: Finalized grant plan

- Appendix C: HRC-provided sample invoice

- Appendix D: List of other City contracts

- Appendix E: Subcontractor information and documentation (if applicable)

- Certificates of Insurance meeting City standards

- Fiscal sponsor documents (if applicable)

- Registry of Charitable Trusts status verification

HRC will review these items to confirm completeness and compliance before moving forward.

Step 4 – Grant Agreement Creation
Once your draft grant plan is complete and all compliance documentation is received, the Grant Manager will draft the grant agreement and route it HRC's Contracts Team and the City Attorney's Office for review.

Step 5 – City Attorney Revisions (if applicable)
The City Attorney may request revisions to the grant agreement.

- Your Grant Manager will coordinate with you to address these changes.

- Once updates are made, the agreement will be returned to the City Attorney for final legal review.

Step 6 – Grant Agreement Execution
The agreement will be sent via DocuSign to your Executive Director for signature, followed by HRC and City Attorney sign-off. Once all parties have signed, DocuSign will distribute a fully executed PDF to all signatories.

Step 7 – Launch Grant Programming

Your Grant Manager will contact you to confirm that you may now begin programming and incurring expenses under the grant, based on the grant erm established in the grant agreement.

Step 8 – Fiscal Processing
After the grant agreement is signed by all parties, HRC Finance will:

- Encumber funds for the first year

- Assign a Purchase Order (PO) number, which you will need for your invoices

Processing Timeline
The grant agreement process generally takes six-to-twelve weeks. Delays may occur due to late submissions, incomplete budget documentation, insurance issues, or other factors outside HRC's control. Contact your Grant Manager if you believe there has been an extraordinary delay.

2.2   Grant Amendment Approval

Amendments (sometimes called contract amendments, modifications, or "mods") are formal changes to a grant agreement. Because they are contracts, amendments require the same level of approval and signatures as the original grant agreement.

An amendment must be implemented whenever the grant amount is increased, there is a change to the contract duration, or there is a material change in the scope of work. Any changes to scope included in an amendment must remain consistent with the original RFP under which the grant was awarded and be aligned with the grantee's original application and proposed services.

Grantees should notify their Grant Manager as soon as possible if they believe an amendment is necessary. HRC may accept or deny proposed amendments at its discretion.

1. **Flag Early** – If a grantee believes an amendment may be required, they should notify their Grant Manager as soon as possible.

2. **Request** – An amendment is considered a request to HRC and must be formally submitted for review.

3. **Review & Negotiation** – HRC staff will review the request to ensure it aligns with procurement rules and program priorities. A revised grant plan and budget may be negotiated.

4. **Approval** – The amendment must be approved and signed by all parties before the grantee can begin work or incur costs under the modified terms.

Frequency of Requests

Grantees should not submit multiple or frequent amendment requests without good reason. Requests should be limited to situations where there is a clear programmatic or operational need. HRC may set parameters on how often amendments are considered within a grant term.

2.3   Grant Plan-Only Approval

HRC grants may be awarded for a multi-year term, with the grant agreement covering the entire period. After the first year, each subsequent year requires only the review and approval of a new grant plan to issue the PO for the new year. The grant plan-only approval process is much more streamlined, as it does not generate a formal contract that requires signatures. The three-step grant plan-only approval process is outlined below. Note that certain compliance elements are reviewed annually, and this may cause delays in finalizing the PO.

Step 1 Award Letter

HRC will send a formal notice at the beginning of each fiscal year with the award amount(s) for that period, as well as other important information.

Step 2 Grant Plan Negotiation

You will complete your grant plan. grant plans will be pre-populated with information from the prior year's grant plan. You will then update that information to account for any changes in your organization, program, and budget, and to ensure alignment with grant expectations for the current year. After the grant plan is submitted, your Executive Director must sign off before it can be reviewed by HRC. Your Grant Manager will then review the grant plan, work with you to make any necessary adjustments, and approve it via direct email communication once this process is complete.

Step 3 Fiscal Processing

Once your Grant Manager approves the grant plan, the Contracts Team will work with HRC's Finance to assign funds and create a new PO number. This information will be entered into the new grant plan. You will receive an electronic notice when the process is complete.

3 Advance Payments

HRC recognizes that some community-based organizations may seek funding in advance to successfully launch or deliver their grant-funded programs. In certain situations, HRC may allow advance payments to help cover urgent, eligible, and allowable costs. However, advance payments are not guaranteed. Approval is based on specific eligibility requirements, and all requests are subject to review by HRC and the City Controller's Office.

3.1 What is an Advance?

An advance payment is a portion of your grant funds that may be issued before you actually incur the related expenses. It is intended to help grantees meet immediate program needs—such as paying for vendors, permits, or youth stipends—when your organization does not have enough cash on hand to start the work. All advances must be repaid, typically by deducting the advance amount from your future reimbursement invoices.

3.2 How do you qualify for an Advance?

To be considered for an advance, your organization must:

- Have a fully signed, active grant agreement with HRC that contains advance payment eligibility language
- Be in good standing with no unresolved compliance or audit issues
- Demonstrate that you do not have sufficient cash reserves to carry out the work without the advance
- Provide clear justification and documentation for the advance amount and its intended use
- Be able to repay the full amount within the same City fiscal year

3.3 City Controller Requirements

Advance requests must fall under one of the following categories:

Option 1: The requested amount does not exceed the lesser of:

- 10% of the total grant amount, or
- Three months of actual expenditures from the prior fiscal year

Option 2: The advance covers specific, pre-approved expenses that are due before or on the date of service (e.g., vendor deposits, insurance, payroll for seasonal staff)

All advances require written approval from the City Controller's Office.

3.4 What Can an Advance Be Used For?

Advance funds are intended to help grantees cover eligible, time-sensitive expenses that directly support approved program activities. These funds can be used for specific needs such as payroll for youth or short-term staff who must begin work before reimbursements are processed, deposits for venues, permits, or insurance, and essential supplies required to launch a program. They may also be used for pre-event outreach materials or vendor payments that must be made before services are delivered.

However, advance funds *cannot* be used for general overhead, reserve accounts, or expenses that have already been incurred. They also may not be applied to costs outside the approved grant period,

capital purchases unless explicitly authorized, or regranting and subcontracting activities that are not included in your grant agreement.

3.5   How to Request an Advance

Contact your HRC Grant Manager to determine if you might be eligible for an advance. HRC will assess your eligibility and guide you through next steps. If eligible, you will need to provide the required documentation and sign an advance agreement.

HRC will review your request internally and submit it to the Controller's Office. No advance can be paid without written approval from the Controller.

Once approved and dispersed, you must spend the funds within the timeframe listed in the Advance Agreement—usually 30 calendar days—and keep all receipts and records for reconciliation.

3.6   Repayment and Reconciliation

Advances are repaid through invoice deductions (e.g. if you receive a $20,000 advance and submit four monthly invoices of $10,000 each, HRC will deduct $5,000 from each of the first four invoices, leaving $5,000 in reimbursable costs per month until the advance is repaid).

You must provide documentation showing how the advance was used, including receipts, proof of payment, and records linking the expense to grant activities. All advance funds must be fully repaid and reconciled within the same fiscal year. If any part of the advance is used for ineligible purposes or remains unspent, it must be returned to the City. Interest may be charged on unallowed costs.

Noncompliance with the terms of your Advance Agreement may result in suspension of funding, recovery of funds, or loss of eligibility for future advances.

4 Budget Guidelines
4.1 Budget Overview

HRC's budget requirements are designed to ensure public funds are used responsibly, transparently, and in direct support of approved program goals. Budgets serve as both a financial plan and a compliance tool, enabling HRC to verify that expenditures are reasonable, necessary, and aligned with local, state, and federal requirements.

All grantees must submit a complete and accurate budget using the HRC Line-Item Budget Chart. Budgets must reflect the actual resources needed to deliver the approved scope of work and must be consistent with the grant plan, contract terms, and any approved modifications. They should be specific enough to provide a clear spending plan while remaining concise enough to facilitate review. HRC maintains sole discretion to deny budget revisions or reimbursement for expenses that are unallowable, unreasonable, not pre-approved, or inconsistent with the program's purpose. Always seek **written pre-approval** from your Grant Manager for any unusual or high-cost purchases, travel, subcontractors, or capital expenditures Eligible, Allowable, and Unallowable Expenses

HRC funds must be used only for **expenses that are both eligible and allowable**. To qualify for reimbursement, an expense must meet *all* the following conditions:

- **Eligible**: The expense must align with the scope of services and activities defined in **Appendix B** of your grant agreement.

- **Allowable**: The expense must be permitted under City policy, as defined in **Appendix A** of your grant agreement, which incorporates HRC's *Policy on Allowable and Unallowable Grant Expenses*. Grantees must review this policy and refer to it regularly to ensure that all expenses incurred under the grant are allowable.

- **Reasonable & Necessary**: The expense must be reasonable, necessary, and directly related to program delivery. An expense is generally considered reasonable if it reflects a fair cost for the goods or services and necessary if it is essential and directly supports approved program activities.

Important Distinction:

- Expenses that are **unallowable** under City or HRC policy (Appendix A of your grant agreement) are *always* unallowable and therefore can never be eligible, regardless of contract scope.

- Even if an expense is allowable under City guidelines, it may still be **ineligible** for reimbursement if it is outside your program scope or not included in your approved budget.

If you are unsure about an expense, contact your HRC Grant Manager *before* incurring the cost for guidance.

4.1.1 Quick Reference Table: Eligible, Allowable, and Unallowable Expenses

Category	Definition	Examples	Source / Reference
Eligible	Expense is aligned with your **program scope and contract budget**.	Program staff salaries, participant supplies, participant stipends.	**Appendix B** of your grant agreement (grant plan & budget)
Allowable	Expense type is permitted under **Citywide and HRC policy** for nonprofit grants.	Salaries, rent, utilities, travel (with prior approval).	**Appendix A** of your grant agreement **+ HRC Policy on Allowable and Unallowable Grant Expenses** (aligned with Controller's *Guidelines for Cost Categorization*)
Unallowable	Expense is never permitted under City or HRC policy and will not be reimbursed.	Alcohol, lobbying, staff holiday parties, mortgage principal payments.	**Appendix A** of your grant agreement **+ HRC Policy on Allowable and Unallowable Grant Expenses** (aligned with Controller's *Guidelines for Cost Categorization*)

4.1.2 Unallowable Expenses

Certain costs are not allowable under HRC grants and may not be budgeted or charged unless expressly permitted in your contract and pre-approved in writing by HRC. **For complete guidance, refer to HRC's Policy on Allowable and Unallowable Grant Expenses.**

Examples of unallowable costs include but are not limited to:

- **Personnel:** Bonuses, severance, sabbaticals, fringe costs outside the grant term, or staff perks unrelated to program delivery.

- **Facilities:** Property taxes, mortgage payments, unapproved interest, or loans on owned property.

- **Operations:** Alcohol, sugary beverages, entertainment for staff, religious or political activities, fundraising, bad debts, and financial penalties or interest charges.

- **Capital:** Equipment or building purchases over $5,000 not pre-approved, and depreciation of City-funded assets.

- **Goods, Services & Operations:** Alcoholic beverages, sugar-sweetened beverages, water in single use plastic bottles.

- **Travel:** Out-of-state or air travel without approval, and parking or moving fines.

- **Administrative Fees:** Per-participant or platform fees, fiscal-sponsorship surcharges, or double-charging admin costs already covered by indirect rates.

4.1.3 Capital & Equipment vs. Durable Supplies

The HRC makes an important distinction between **Capital & Equipment** and **Durable Supplies.** Understanding this distinction helps ensure proper budgeting, approval, and tracking of purchases.

Capital & Equipment

- Defined as tangible assets with a **per-unit acquisition cost of $5,000 or more** and a useful life of **more than one year.**

- Examples: buildings, major renovations, vehicles, servers, large appliances, specialized medical or lab equipment.

- **Depreciation costs** for assets purchased with City or federal funds may not be charged to the grant.

- **Allowability:** Capital & Equipment may only be purchased if:

  o It is specifically listed in the approved line-item budget in the grant agreement, **and**

  o Grantee receives **prior written approval** from HRC before each purchase.

Durable Supplies

- Defined as tangible items with a **per-unit acquisition cost under $5,000** but that are reusable and expected to last more than one year.

- Examples: laptops, printers, tablets, projectors, classroom furniture, instruments, and other durable program tools.

- **Allowability:** Durable Supplies must be **specifically listed in the approved line-item budget in the grant agreement**. This serves as approval for the grantee to purchase. If not budgeted, they may be disallowed.

  o **Reasonableness:** Luxury or high-end program equipment is considered *unreasonable* and may be disallowed. Examples include premium-brand cameras or lenses when standard models meet program needs, top-tier laptops or tablets with specifications beyond what is necessary, or specialized tools or devices not directly tied to approved program outcomes. If grantees are uncertain whether an item qualifies as reasonable, they must consult their Grant Manager before purchase to confirm allowability.

- **Tracking:** While not capitalized as equipment, Durable Supplies must be safeguarded, inventoried, and used only for approved program purposes.

Key Distinction

- **Capital & Equipment = $5,000+ per unit** (major assets, must be in the approved budget, always requires written pre-approval).

- **Durable Supplies = Under $5,000** (smaller but reusable program tools, must be in the approved budget, does not require secondary approval before purchase, tracked but not capitalized).

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4.2 Personnel Costs — Salaries (Wages) and Fringe Benefits

HRC grantees must budget and invoice personnel costs in alignment with City guidance and Controller's Office requirements. Personnel costs are reimbursable for the **full cost of employing staff**, provided costs are **reasonable, necessary, allowable**, and **not double-counted** across salary and fringe.

HRC requires each grantee to select one salary reporting method and a corresponding fringe budgeting approach for the duration of each contract. The chosen pairing determines how personnel costs are presented, billed, and audited. Once selected, the same combination must be applied consistently across all invoices and reports; switching methods mid-contract requires an amendment.

The table below summarizes HRC's approved combinations, indicating which pairings are **preferred**, which are **permissible with justification**, and the circumstances under which exceptions may be approved. The **default standard** for all HRC grants is **Method A (Gross Wages in Salaries) + Option 1 (Flat Fringe Rate)** because it aligns with common payroll practices and minimizes administrative complexity.

Following sections provide detailed guidance on each salary method, allowable fringe components, and budgeting options, including required documentation and examples of appropriate use.

HRC Salary & Fringe Method Pairing Table

Salary Method	Fringe Budgeting Option	Allowed?	HRC Preference / Policy Position	When an Alternate May Be Justified
A – Gross Wages in Salaries	**Option 1 – Flat Fringe Rate**	Yes	**Default / Strongly Preferred.** Standard method for all HRC grants. Simplifies budgeting and aligns with payroll systems that track gross pay.	— *(no justification needed)*
A – Gross Wages in Salaries	**Option 2 – Actual Fringe Costs**	Yes	**Permissible with justification.** Used when fringe costs vary significantly by staff or funding source and a flat rate would materially misstate actuals.	Provide supporting documentation and rationale (e.g., variable benefits, part-time staff with different coverage).
B – Net Wages in Salaries	**Option 1 – Flat Fringe Rate**	Yes	**Permissible with justification.** Accepted only if payroll or fiscal-sponsor systems record *net pay* instead of gross wages. Must document that the rate includes both employer- and employee-paid deductions.	Written explanation confirming system limitation; proof of remittance for employee deductions required.
B – Net Wages in Salaries	**Option 2 – Actual Fringe Costs**	Yes	**Permissible with strong justification.** Rarely approved; documentation burden is high. Reserved for organizations unable to report gross wages and required to reconcile all deductions individually.	Must demonstrate system constraint and provide detailed remittance records for each fringe component.

4.2.1 Salaries

HRC recognizes two salary reporting methods and requires each grantee to select one per contract. Method A (Gross Wages in Salaries) is the default and preferred approach. Method B (Net Wages in Salaries) is permissible only with written justification and must be approved in advance. The selected method must be stated in the contract and applied consistently across all invoices.

Method A — Gross Wages in Salaries

- "Salaries" = **gross wages** (total earnings before employee-paid deductions).

- If you use Method A, **fringe may include only employer-paid amounts**.

- Employee-paid deductions (tax withholdings, employee share of health, etc.) are **not** billed in fringe because they are already included in gross wages.

Method B — Net Wages in Salaries

- "Salaries" = **net wages actually paid to the employee** (after employee-paid deductions).

- If you use Method B, **fringe must include**:
  (i) employer-paid amounts **and**
  (ii) employee-paid deductions (the items withheld from the paycheck), with support showing calculation and payment to the appropriate third parties.

You may not mix methods within a contract period. Changing methods requires a contract amendment.

4.2.2 Fringe Benefits (what can be in fringe)

Fringe benefits are personnel-related costs paid to third parties. What belongs in fringe depends on the selected method in §4.3.1.

Always allowable in fringe (both methods):

- Employer share of Social Security & Medicare (employer FICA)

- Employer-paid health, dental, and vision premiums

- Unemployment insurance (SUI)

- Workers' compensation premiums

- Employer retirement contributions

- Other employer-paid benefits approved by HRC

Additionally allowable in fringe under Method B only:

- **Employee-paid deductions** withheld from wages and remitted by the employer (e.g., employee share of health premiums, employee FICA, employee retirement, tax withholdings, commuter benefits), with documentation.

Not allowable in fringe under Method A:

- Employee-paid deductions already captured in gross wages (to avoid double-counting).

4.2.3 Budgeting Fringe: Flat Rate vs. Actual Costs

HRC offers two options for budgeting fringe benefits. The selected option must align with the selected salary method (A or B) and be used consistently for the full contract term.

Option 1: Flat Fringe Rate

This is the standard and preferred approach.

- Budget fringe as a single percentage of payroll (e.g., 20%).

- Provide a breakdown of what the rate includes (employer-paid items for Method A; employer-paid **and** employee-paid items for Method B).

- HRC reviews/approves the composition and keeps it on file.

- Rate must reflect reasonable, supportable actuals and be applied consistently.

Option 2: Actual Fringe Costs

This is a permissible approach with justification when significant variation in benefits or funding sources makes a flat rate impractical.

- Itemize and bill actual fringe costs with documentation.

- Fringe must reconcile to the staff/pay periods included in the invoice.

- Under Method B, include employee-paid deductions with proof of remittance.

4.2.4 Non-Duplication Rule (very important)

Personnel can only be reimbursed once. If gross wages are billed under **Salaries (Method A)**, employee-paid deductions cannot also be claimed under **Fringe**. Conversely, if net wages are billed under **Salaries (Method B)**, those employee-paid deductions—along with employer-paid benefits—must be included under **Fringe** and supported by documentation. To prevent double billing, HRC will review submissions carefully and may reduce or deny reimbursement if any personnel costs appear to be duplicated.

4.2.5 Documentation (when HRC may ask for supporting documentation)

Grantees should always maintain proof of all expenses under your HRC grant. HRC may request supporting documentation for expenses when:

- Fringe exceeds typical ranges (e.g., >25% of payroll)

- Large variances from prior months occur

- Fringe is billed as a lump sum or flat rate without explanation

- Method changes are proposed

Acceptable documentation may include:

- Payroll registers showing gross pay, deductions, and net pay

- Health/retirement invoices and proof of payment

- Tax filings or third-party statements (e.g., 941/DE 9/DE 9C, if available)

- Workers' comp policy summaries and payment proof

- Fringe rate workpaper (for Option 1) showing components and basis

4.2.6 Working Example

Scenario: One employee, monthly totals

- Gross wages: $5,000

- Employee-paid deductions: $2,000 (taxes $1,000; health $1,000)

- Net wages: $3,000

- Employer-paid fringe: $1,000 (payroll taxes $500; health $500)

- **Total personnel cost = $6,000**

Method A (Gross in Salaries)

- Salaries: $5,000 (gross)

- Fringe: $1,000 (employer-paid only)

- **Total reimbursable: $6,000** (no employee deductions in fringe)

Method B (Net in Salaries)

- Salaries: $3,000 (net)

- Fringe: $3,000 (=$2,000 employee-paid deductions + $1,000 employer-paid)

- **Total reimbursable: $6,000**

Common errors to avoid

- Billing gross wages **and** billing employee-paid deductions in fringe (double-counting).

- Using net wages in salaries but **omitting** the employee-paid deductions from fringe (under-billing).

- Switching methods mid-year without an amendment.

4.2.7 Net Wages

Net wages refer to the portion of an employee's salary that is actually paid to them—after employee-paid deductions have been withheld from their paycheck.

Examples of employee-paid deductions:

- Federal and state income taxes

- Employee portion of Social Security and Medicare

- Employee contributions to health insurance

- Retirement contributions (e.g., 401(k), CalSavers)

- Transit benefits or wage garnishments

4.3 HRC Budget Structure and Guidance

The HRC Budget Template ensures every funded program presents a clear, consistent, and compliant budget aligned with City requirements. A complete and well-structured budget enables HRC to verify that proposed costs are reasonable, necessary, and directly related to the approved scope of work.

Required Components.
Every grant agreement must include both of the following, which serve different—but complementary—purposes:

1. **Line-Item Budget Chart (binding financial schedule).** The authoritative exhibit attached to the agreement and used for invoice review, revisions, and amendments.

2. **Budget Narrative (explanatory supplement).** A written justification that explains how costs are related to program activities and outcomes, documents allocation methods, and explains compliance and expenditure details that do not fit within the constraints of the budget chart.

Cost Categories in the HRC Budget Template.

1. **Administrative** – Grantee labor paid via payroll for direct program management and oversight.

2. **Programs** – Grantee labor paid via payroll for direct service and program delivery.

3. **Non-Personnel Operating Costs (NPOC)** – Direct, non-labor expenses supporting program operations, independent contractors and 1099s, capital expenditures.

4. **Materials & Supplies** – Tangible items consumed in program delivery or administration, including durable goods less than $5,000 per item.

5. **Subawards/Contractual** – True subrecipients performing substantive scope (see subawardee and independent contractor classification guidance), fiscal sponsor fee.

6. **Indirect** – Organization-wide overhead recovered via the approved indirect rate.

4.3.1.1   Line-Item Budget Chart

The Line-Item Budget is the **authoritative financial schedule** attached to the grant agreement. It is the binding reference for invoice review, financial monitoring, and any subsequent revisions or amendments.

Contents & Data Standards.

- One row per discrete cost item; columns include **Cost Category, Account, Sub-Category, concise Description, Quantity/FTE, Unit Cost, Total**.

- **Conciseness rule:** keep Sub-Category ≤ **40** characters and Description ≤ **90** characters; do **not** place lengthy justifications here.

- Labor belongs under **Administrative** or **Programs** (Salary/Fringe). Non-labor belongs under **NPOC** or **Materials & Supplies**; true subrecipients under **Subawards/Contractual**.

- Apply indirect only to the **MTDC base**; do not include overhead costs as direct lines.

Use in Practice.

- **Invoicing:** Grantees must code each charge to a budget line-item; HRC reviews for allowability and alignment with scope.

- **Modifications:** Any reallocation requires prior approval and an updated Line-Item Budget exhibit.

- **Monitoring:** HRC reconciles reported expenditures to these executed lines.

4.3.1.2   Budget Narrative

The Budget Narrative **supplements** the Line-Item Budget by explaining **why** each cost is reasonable and necessary, **how** it supports the scope and outcomes, and **what** allocation or compliance methods apply. It is **not** a financial schedule.

Required Contents (organize by Cost Category and Subcategory).

1. **Administrative**: Describe all administrative labor that supports the award, including management, scheduling, reporting, and compliance. Identify position titles and allocation methods for staff whose duties span multiple programs.

2. **Programs**: Identify all direct service labor dedicated to program delivery and participant-facing activities. Explain how each position contributes to specific outputs and outcomes. If staff serve multiple programs, describe the allocation basis used to charge time proportionally.

3. **Non-Personnel Operating Costs (NPOC)**: Include direct, non-labor operating expenses such as event/space rentals, participant transportation, printing, software, and insurance specific to the project. For each independent contractor, summarize the scope of work, rate basis, and deliverables. Reference any pre-approval requirements for travel/transportation. **For Participant Incentives / Stipends / Wages** describe participant eligibility, payment structure, and rationale. Include amount, frequency, and compliance methods.

4. **Materials & Supplies**: Identify tangible goods and consumables used for program delivery, such as office materials, books, curricula, or laptops under $5,000. Describe the programmatic purpose, expected use, and allocation for shared purchases. Items ≥ $5,000 are considered capital and require pre-approval.

5. **Subawards / Contractual**: List all true subrecipients performing a substantive portion of the project scope and sharing accountability for outcomes. Provide the entity name, brief scope summary, and total amount per year.
   a. **Include Fiscal Sponsor Fees here**, describing the fee basis.

6. **Indirect**: Identify the approved indirect rate (15% of MTDC for de minimis) and confirm the MTDC base excludes unallowable categories such as subawards > $50,000, capital items, and participant support costs. Affirm that no costs claimed here are billed directly. If a fiscal sponsor fee is charged under § 5.5, the indirect rate must be 0%.

Format & Maintenance.

- Use plain language and bullets; 3–5 pages would be typical (more if complexity warrants).
- Update the Narrative when the budget is modified so justifications stay aligned with executed lines.

4.3.1.3   How the Line-Item Budget and Narrative Fit Together

- **Line-Item Budget = Binding, quantitative schedule**
  - Controls **invoicing**, **reallocations**, and **financial reconciliation**.
  - Stays concise; holds the numbers.
- **Budget Narrative = Explanatory, qualitative supplement**
  - Provides the **why/how** behind each number, links to program scope and metrics, and documents **allocation and compliance** methods.
  - Absorbs detail that cannot fit in Sub-Category/Description fields.
- **Together**
  - Ensure a budget that is **auditable** (clear lines) and **defensible** (clear justifications).
  - Reviewers use the Line-Item Budget to check placement and totals, and the Narrative to validate **reasonableness, allocability, and allowability**.

4.3.2 Fixed Cost Category–Account Combinations

Use this table when building or reviewing budgets.

Only the account(s) shown are allowed under each Cost Category. Lines that don't use these pairings will be rejected or re-mapped at negotiation.

Cost Category	Acceptable Account(s)	What belongs here	Notes / Examples
Administrative	**Salary, Fringe**	Labor that manages the grant (grant admin, reporting, compliance, scheduling tied to the award).	**Labor-only** in this category. Non-labor admin items (e.g., office supplies, postage) go to **NPOC** or **Materials & Supplies**. Split staff time between Admin and Programs if duties are mixed.
Programs	**Salary, Fringe**	Direct service labor (instructors, case managers, mentors, outreach staff performing participant-facing work).	**Labor-only.** Non-labor program costs (space rental, travel, software, printing) go to **NPOC** or **Materials & Supplies**. No double-charging if included in indirect.
Non-Personnel Operating Costs (NPOC)	NPSvcs	Direct, non-labor operating costs (event/space, participant travel, software/licenses, printing, insurance specific to the project); **vendors/independent contractors (ICs)** performing limited, spec-based services.	Vendors/ICs are **not** subrecipients—budget them here. Provide unit/qty where possible and explain allocation in the **Budget Narrative**.
Materials & Supplies	Mat/Sup	Tangible items and consumables used for the program (office supplies, curricula, books, PPE, laptops < $5,000).	Durable items < $5,000 must be project-specific and pre-approved; ≥ $5,000 are capital and generally unallowable unless explicitly approved (and are **excluded from MTDC**). Use proportional allocations for shared/bulk buys.
Subawards / Contractual (Subrecipients only)	NPSvcs	**True subrecipients** carrying a substantive portion of scope and sharing responsibility for outcomes.	**Do not place vendors/ICs here.** Include legal name, scope summary, and total per year. First **$50,000** per entity/year counts in **MTDC** (excess excluded).

Cost Category	Acceptable Account(s)	What belongs here	Notes / Examples
Indirect	**Calculated line (no account)**	Organization-wide overhead recovered via the **15% of MTDC** rate.	Show as one computed line (e.g., "Indirect @ 15% of MTDC"). Do **not** bill overhead items directly. If a **fiscal sponsor fee** is used (see below), **Indirect = 0%** on that grant.

Budget validator rule. The Cost Category–Account pairings are mandatory. Budgets must use these combinations. During negotiation, HRC will re-map any misclassified lines (e.g., vendors placed under Subawards) and requires an updated **Budget Narrative** to document the rationale and allocation methods.

Placement notes.

(a) Vendors/independent contractors belong in NPOC; reserve Subawards/Contractual for true subrecipients only.

(b) Administrative is labor-only; non-labor admin costs go to NPOC or Materials & Supplies.

(c) If a fiscal sponsor fee is budgeted, Indirect (15% MTDC) cannot also be claimed on the same grant.

4.3.3 Administrative

Administrative costs are the direct expenses necessary to manage and oversee the grant, but which are not directly tied to providing participant services or delivering program activities. They are distinct from **indirect costs** (organization-wide overhead recovered through an indirect rate) and from **program costs** (expenses that directly serve participants).

These costs are specific to the funded program's management and are charged to the **Administrative** cost category in the HRC Budget Template, using **Salary** or **Fringe** as the account type.

Examples of Allowable Administrative Costs

- Salaries and fringe for staff whose primary role is to manage the grant or coordinate program administration (e.g., Grants Administrator, Program Coordinator who oversees reporting and compliance).

- Administrative support staff who assist with scheduling, data entry, report preparation, and communications related to the funded program.

Non-Allowable Under Administrative Costs

- Organization-wide executive leadership or finance costs that are part of your **indirect** cost pool (e.g., Executive Director, CFO, or Program Director salaries, human resources, finance and accounting staff, general liability insurance, central office rent, software, etc.).

- Program delivery staff salaries (should be in the **Programs** category).

- Any costs of an **indirect nature** must be recovered through your approved indirect cost rate, not charged directly to HRC.

Key Rules & Distinctions

- Administrative costs **must** be directly allocable to the management of the funded program. If the work benefits multiple programs or the organization as a whole and cannot be allocated directly, it belongs in **indirect** costs.

- Organization-wide staff and operating costs that are typically part of an indirect cost pool may only be included when **firm documentation** is provided that establishes a direct and measurable connection to the HRC-funded program. Documentation must clearly identify the basis of allocation (e.g., time records, usage logs, or other auditable data) demonstrating that these costs are incurred specifically and exclusively for the grant. Any portion benefiting multiple programs or general operations must remain in the indirect pool to prevent double recovery.

- To prevent **double-charging**, costs allocated to the Administrative category must be excluded from any indirect rate calculation.

Budget Table Entry Requirements
When listing administrative costs in the budget table:

- Apply in the column, **Cost Category and select/choose the line-item:** Administrative.

- Apply in the column, **Account and select/choose the line-item category as** Salary or Fringe (no other account types allowed for this category).

- Apply in the column Description and include the position title and a brief function description (e.g., "Program Coordinator – Oversees grant reporting and compliance").

- Separate the salary and fringe line-items for each position type.

- Indicate Full-Time Equivalent (FTE)in the Quantity column and annual salary or fringe cost in the Unit Cost column.

Example Budget Lines

Cost Category	Account	Sub-Category	Description	Qty/FTE	Unit Cost	Total Cost
Administrative	Salary	Salary	Finance Manager – Oversees financial operations and grant reporting	0.5	$90,000	$45,000
Administrative	Fringe	Fringe	Finance Manager – Fringe benefits @ 20%	0.2	$45,000	$9,000

4.3.4 Programs

Program costs are the direct grantee labor expenses (salary and fringe) paid via payroll for delivering services and activities to participants in the funded program. These costs are directly connected to the scope of work and outcomes described in your grant plan. They are distinct from administrative costs (program management) and from indirect costs (organization-wide overhead).

In the HRC Budget Template, Programs uses the Salary or Fringe account category for staff who provide direct service delivery, training, facilitation, outreach, or other participant-facing activities.

Examples of Allowable Program Costs

- Salaries and fringe for staff who spend **100% of their time** on direct program services (e.g., Case Manager, Program Instructor, Youth Mentor).

- Wages and benefits for direct service staff who deliver workshops, provide counseling, lead community events, or conduct outreach to participants.

- Program-specific coordinators who directly facilitate activities and services (not general grant administration).

Non-Allowable Under Programs

- Administrative or finance staff whose work is not directly responsible for implementing participant services (belongs in Administrative or Indirect).

- General organization-wide costs or overhead (belongs in Indirect).

- Any cost of an indirect nature—these may not be billed directly as program costs.

- 1099 contractors or independent consultants performing project work (e.g., facilitators, trainers, evaluators, media producers, or other non-payroll individuals) — these are **not allowable as Program Salaries/Fringe** and must be listed under **Non-Personnel Operating Costs**, with scope, deliverables, and compensation clearly defined by contract or agreement.

Key Rules & Distinctions

- The **Programs** category is for **labor only** (Salary, Fringe) of direct service staff.

- Non-labor program expenses (e.g., event space rental, travel, supplies) must be budgeted under Non-Personnel Operating Costs or Materials & Supplies.

- If staff time is **divided** between program delivery and administration, allocate the program delivery portion to Programs and the administrative portion to Administrative or Indirect.
- Double-charging is prohibited—staff costs included in an indirect rate cannot also be charged directly as program costs.

Budget Entry Requirements

When listing program costs in the budget:

- Apply in the column, **Cost Category use/select/choose the line-item category** Programs.
- Apply in the column, **Account use/select/choose the line-item Sub-Category** Salary or Fringe (no other account types allowed for this category).
- Include the position title under the Description field (e.g., "Youth Advocate – Provides mentoring and case management for participants").
- List each position type on individual rows for Salary and Fringe.
- Indicate FTE in the Quantity column and annual salary or fringe cost in the Unit Cost column.

Example Budget Lines

Cost Category	Account	Sub-Category	Description	Qty/FTE	Unit Cost	Total Cost
Programs	Salary	Salary	Youth Mentor – Provides direct mentoring and life skills training	1.0	$55,000	$55,000
Programs	Fringe	Fringe	Youth Mentor – Fringe benefits @ 20%	0.2	$55,000	$11,000

4.3.5 Non-Personnel Operating Costs

Non-Personnel Operating Costs (NPOC) are direct, non-labor expenses necessary to operate and deliver the funded program. These costs are for goods and services that directly support program activities or program administration but are not salaries, wages, or fringe benefits. NPOC is a standalone cost category in the HRC budget structure.

NPOC includes:

- **Program-related NPOC** — costs that directly benefit participants or program service delivery.
- **Independent contractors and vendors** — individuals or entities hired to perform specific, limited services. These **do not** meet the definition of a sub-recipient and are not budgeted under Subawards/Contractual. See section 4.3.7 page 43 for more details.

Examples of Allowable NPOC

Program-related:

- Venue rental for participant events or workshops.
- Supplies and materials used directly in service delivery (if not already in Materials & Supplies).
- Consultant or independent contractor fees for delivering program services.
- Travel and transportation for participants to attend program activities.

- Program-specific licenses, software, or subscriptions.
- Food purchases that are budgeted and pre-approved.

Non-Allowable Under NPOC

- Organization-wide costs that belong in Indirect (e.g., general liability insurance, rent for central office space, executive leadership salaries).
- Capital purchases (equipment, property, or assets) unless explicitly approved in the budget and in writing by HRC.
- Costs of an indirect nature billed directly.
- Payments to sub-recipients (those belong in **Subawards/Contractual**).

Key Rules & Distinctions

- NPOC must be **directly related** to the program described in your grant plan.
- If the cost benefits multiple programs not funded by this grant, use a reasonable, documented allocation method.
- Costs included in the **indirect cost pool** may not be charged directly as NPOC.
- Shared costs amongst other funding streams must be allocated consistently and excluded from the indirect pool to avoid double-charging.
- **Independent contractors** are considered vendors and must be budgeted under NPOC. Only entities meeting the definition of a subrecipient should be budgeted under Subawards/Contractual.

Budget Entry Requirements

When listing NPOC in the budget:

- **Cost Category:** Non-Personnel Operating Costs
- **Account:** NPSvcs (Non-Personnel Services).
- Provide a clear and brief description of the good or service and its responsibility/role/relation/connection to the program outcomes or administration.
- Include unit cost and quantity when applicable (e.g., number of events, licenses, trips). For staff or participant travel, include additional description of travel modes and justification in your Budget Narrative.

Example Budget Lines

Cost Category	Account	Sub-Category	Description	Qty	Unit Cost	Total Cost
Non-Personnel Operating Costs	NPSvcs	Contractor Fees	Independent contractor for youth coding workshops	6	$400	$2,400
Non-Personnel Operating Costs	NPSvcs	Office Supplies	Paper, toner, binders for program reporting	1 lot	$350	$350

4.3.5.1   Specification of Travel Modes in Budgets

To ensure consistency, transparency, and accountability, all HRC grantees must specify anticipated modes of travel in their approved grant budgets and budget narratives. See section *12.1Grantee Travel Policy* on page 6464for more details

4.3.5.1.1 Staff Travel Modes

- Allowable modes of travel for staff include:
  - Public transit (e.g., MUNI, BART, Caltrain)
  - Personal vehicles (mileage reimbursed at IRS standard rate)
  - Grantee-owned or leased vehicles

- Taxi or rideshare services (e.g., Uber, Lyft) are **not allowable as a routine travel mode** and may only be used when:
  - They are explicitly listed and justified in the approved grant budget narrative, or
  - A preapproval request is submitted and approved using HRC-Travel-01 (Taxi/Rideshare Request Form).

- All taxi/rideshare reimbursements will have a **10% administrative deduction** applied. Premium services (e.g., Uber Black, Lyft Lux) are not reimbursable. Gratuities above 15% will not be reimbursed.

4.3.5.1.2 Program Participant Travel Modes

- Anticipated modes of participant travel must also be specified in the grant budget narrative. Allowable modes include:
  - Public transit passes, tokens, or reimbursements
  - Organization-arranged shuttles or vans
  - Taxi/rideshare services only when explicitly budgeted and justified for participant safety, accessibility, or programmatic reasons (e.g., late-night travel, participants with disabilities, travel to inaccessible locations).

- Logs or equivalent documentation must be retained for all participant taxi/rideshare trips and submitted upon request.

4.3.5.1.3 Flexibility and Exceptions

- In limited circumstances where public transit or pre-approved modes are unavailable, impractical, or unsafe, grantees may request reimbursement for taxi/rideshare services outside the budgeted modes.

- Such requests require **advance written approval** from the assigned HRC Grant Manager and submission of documentation including trip logs and justification.

- Approval is discretionary and subject to audit review.

4.3.5.1.4 Consistency Requirement

- Grantees must apply the same standards consistently across similar trips. For example, if public transit is feasible for one staff site visit, taxi/rideshare services cannot be routinely substituted for identical trips without justification.

4.3.5.2   Incentives, Stipends, and Wages

HRC recognizes that grantees may provide financial or in-kind support to program participants in several forms. These payments differ in purpose, structure, and compliance requirements depending on

whether they are rewards for participation, fixed stipends for engagement, or wages for work performed. Grantees must clearly distinguish among these categories in their budgets, contracts, and reporting to ensure proper accounting, compliance with tax and labor laws, and accurate classification under Non-Personnel Operating Costs (NPOC). The following subsections define each type and outline the appropriate budgeting and documentation standards.

4.3.5.2.1 Incentives

Incentives are typically **one-time, relatively small-value payments or items** given to participants to encourage participation, celebrate milestones, or recognize achievements. They are not tied to the performance of labor.

Examples:

- $250 for attending all nine weeks of a program.

- Branded gear.

Budgeting:

- Budget as **NPOC – Incentives**.

- Clearly describe the purpose, amount, how the participant earns the incentive, and frequency in the grant plan and budget.

4.3.5.2.2 Stipends

Stipends are **predefined payments** to participants for their involvement in program activities. They may be recurring and tied to specific deliverables or training participation, but they are **not wages** unless the participant is an employee.

Compliance Notes:

- May require 1099-NEC reporting if total ≥ $600/year.

- If stipend is tied to work performed under the direction of the organization, it may be considered wages and subject to W-2 reporting and minimum wage laws.

Budgeting:

- Budget as **NPOC – Stipends**.

- Indicate in the grant plan whether stipends are taxable and how classification was determined.

4.3.5.2.3 Wages

Wages are payments to participants who meet the definition of an **employee**. This includes youth employment, internships, and other work-based programs where participants perform services under the control and direction of the organization.

Compliance Notes:

- Must be paid through payroll and reported on **Form W-2**.

- Must meet MCO, Minimum Wage Ordinance, and other applicable employment laws.

- Payroll records must be available to HRC upon request.

Budgeting:

- Budget as **NPOC – Participant Wages** (not Administrative or Programs).

- Payroll taxes and related costs for participant employees should be budgeted in NPOC, not Fringe, as they do not relate to grantee staff.

4.3.6 Materials & Supplies

The Materials & Supplies cost category includes tangible items purchased specifically for the funded program that are **consumed within a year** or have a **per-unit cost below $5,000**. Materials and supplies must be directly tied to program delivery or program administration and must be reasonable, necessary, and allowable under the grant.

This category is distinct from:

- **Non-Personnel Operating Costs (NPOC):** which may include services, rentals, capital equipment, or other non-tangible items.

Examples of Allowable Materials & Supplies

- Program-specific supplies for workshops or classes (e.g., art materials, printed workbooks, sports equipment).

- Office supplies used for program administration (e.g., pens, folders, printer paper).

- Educational materials for participants (e.g., books, activity kits).

- Safety or hygiene supplies required for program activities (e.g., PPE, first aid kits).

- **Durable supplies** such as laptops, cameras, or projectors with a per-unit cost under $5,000, when specifically included in the approved budget.

  - **Please note:** Luxury or high-end program equipment is considered *unreasonable* and may be disallowed. Examples include premium-brand cameras or lenses when standard models meet program needs, top-tier laptops or tablets with specifications beyond what is necessary for service delivery, or specialized tools or devices not directly tied to approved program outcomes. If grantees are uncertain whether an item qualifies as reasonable, they must consult their Grant Manager before purchase to confirm allowability.

Non-Allowable Costs in Materials & Supplies

- General organizational supplies not tied to the funded program.

- **Capital expenditures/equipment** (≥ $5,000 per unit, with useful life over one year) unless explicitly pre-approved and listed in the line-item budget.

- Costs already recovered through the indirect cost rate.

- Luxury or decorative items that do not contribute to program outcomes.

Key Rules & Distinctions

- All purchases must have a clear programmatic purpose and be documented in the budget narrative.

- **Durable supplies** (under $5,000 but useful beyond one year) must be specifically budgeted; otherwise, they may be disallowed.

- **Shared materials (used by multiple programs):**

  - If the same supplies benefit more than one HRC-funded program or other organizational activities, the cost must be **allocated in proportion to actual usage**.

    o   Proportionality can be determined by:

        ▪   **Staff time allocation** (e.g., if 30% of staff hours using the material are charged to the HRC grant, then 30% of the material cost may be charged).

        ▪   **Participant counts** (e.g., if 40 of 100 participants served are HRC-funded, then 40% of the cost may be charged).

Units of output (e.g., if 25 out of 100 printed manuals are distributed to HRC-funded participants, then 25% of printing costs may be charged). The allocation method must be documented in the budget narrative or invoice backup and applied consistently.

- **Consumable items purchased in bulk:**

    o   When purchasing large quantities of items (e.g., PPE, books), costs must be charged **based on the actual number of units used for the HRC-funded program**.

    o   Proportionality can be determined by:

        ▪   **Distribution records** (e.g., tracking how many units were handed out in an HRC-funded workshop vs. other programs).

        ▪   **Reasonable estimates tied to attendance** (e.g., if 60% of workshop participants were HRC-funded, then 60% of bulk-purchased snacks may be charged).

    o   Unused or reallocated items must not be charged to the HRC grant and should be excluded or adjusted in subsequent invoices.

- Shared materials (used by multiple programs) must be allocated proportionally and excluded from the indirect cost pool to prevent double charging.

- Consumable items purchased in bulk should be charged proportionally to the grant based on actual use.

- Costs of an indirect nature (e.g., general office stock replenishment) should be covered through indirect recovery, not charged directly.

Budget Entry Requirements

When listing Materials & Supplies in the budget:

- **Cost Category:** Materials & Supplies.

- **Account:** Mat/Sup.

- Provide a brief item description, quantity, unit cost, and program use.

- For bulk or shared purchases, include the allocation method in your Budget Narrative.

Example Budget Lines

Cost Category	Account	Sub-Category	Description	Qty/FTE	Unit Cost	Total Cost
Materials & Supplies	Mat/Sup	Art Supplies	Art kits for youth workshop (paints, brushes, canvases)	25	$20	$500
Materials & Supplies	Mat/Sup	Printing	Printer paper and toner for program reports	1 lot	$350	$350
Materials & Supplies	Mat/Sup	PPE	PPE for program volunteers (masks, gloves, sanitizer)	10	$15	$150

4.3.7 Subawards / Contractual

The Subawards/Contractual category covers:

- **Subrecipients** (also called subawardees/subcontractors) are responsible for programmatic decision-making, carrying out a substantive portion of the program, and share responsibility for the outcomes listed in the grant agreement. Subgrantees must have an HRC-approved subaward agreement with the grantee; and

- **Fiscal sponsor fees (FS Fee)** if applicable. A fiscal sponsor fee may be applied in lieu of an Indirect rate and may not exceed 15%.
    - **Important:** Payments to **independent contractors or vendors** performing limited, specification-based services belong under **Non-Personnel Operating Costs (NPOC)**, not here. The **only vendor-type exception** allowed in this category is the **Fiscal Sponsor Fee.**

Distinction: Subrecipient vs. Independent Contractor or Vendor

Subawardee	Independent Contractor or Vendor
Responsible for **executing a substantive portion** of the program scope	Hired to perform a specific, limited service to your specs (facilitator, graphic designer, speaker, AV tech, equipment setup)
Shares responsibility for program outcomes	Not responsible for overall program outcomes
May determine program direction with grantee	Provides deliverables that grantee defines
Budgeted here (Account = NPSvcs)	**Budgeted in NPOC** (Account = NPSvcs)

Special case: Fiscal sponsor fee is budgeted here (Account = **FS Fee**) even though it is paid to a fiscal sponsor, because it functions as the **chosen overhead mechanism** in lieu of Indirect.

4.3.7.1   Allowable Subawards / Contractual Costs

- Payments to **pre-approved subawardees** listed in Appendix E of the grant agreement.

- Services/components that a subawardee is responsible for delivering per the approved scope.

- **Fiscal sponsor fee** (if elected) as defined in the fiscal sponsorship agreement (**see Overhead Mechanism below**).

- Costs consistent with the executed budget, HRC policy, and applicable law.

4.3.7.2   Non-Allowable Costs

- Payments to independent contractors or vendors **(budget under NPOC)**.

- Payments to entities not listed in Appendix E of the grant agreement.

- Costs that duplicate other budget categories (no double-charging).

- Organization-wide/indirect costs billed through a subaward unless expressly approved by HRC.

4.3.7.3   Overhead Mechanism — Mutual Exclusivity (FS Fee vs. Indirect)

- HRC permits **one** overhead method per grant term:

    1. **Indirect Rate (15% of MTDC), or**

    2. **Fiscal sponsor fee**.

- These are **mutually exclusive**:

    o If **FS Fee > 0**, then **Indirect = $0** and **MTDC is not calculated**.

    o If **Indirect > 0**, then **FS Fee = $0**.

- The chosen mechanism must be declared in the **Budget Narrative** and reflected in the budget lines.

- **Documentation:**

    o **FS Fee:** Sponsor agreement plus invoice showing the % of total billings (or agreed formula).

    o **Indirect:** Show MTDC base and the 15% calculation on each invoice (no vendor invoice).

4.3.7.4   Key Rules

- Grantees must have a **signed and HRC-approved contract/MOU** with all subrecipients. The contract must define deliverables, timelines, costs, and payment methods (e.g., hourly or flat fee deliverables-based). Any changes to the contract/MOU require HRC pre-approval.

- Costs must be **allocable**, reasonable, and well-documented.

- Items included in your **indirect pool** cannot also be charged through a subaward (**no double-recovery**).

- Any change to subrecipient arrangements requires **prior written approval** from HRC.

4.3.7.5   Budget Entry Requirements — Subawards/Contractual

When listing Subawards/Contractual costs in the budget:

- **Cost Category:** Subawards/Contractual.

- **Account:**

    o **NPSvcs** for **subrecipient** lines; or

    o **FS Fee** for the **fiscal sponsor fee** (if elected in lieu of Indirect).

- **Sub-Category:** Provide the **legal name** of the subrecipient or fiscal sponsor.

- **Description:**
    - For subrecipients: brief scope summary aligned to the agreement.
    - For FS Fee: "fiscal sponsor fee — *X*% of total billings (no Indirect applied)."
- **Unit Cost and Total Cost:** Provide the **total amount** for the grant period. Summarize payment calculations (ex., hourly, deliverables-based, etc.) in the **Budget Narrative**.

Example Budget Lines — Subawards/Contractual

Cost Category	Account	Sub-Category	Description	Qty/FTE	Unit Cost	Total Cost
Subawards/ Contractual	NPSvcs	ABC Community Services	Deliver 12 after-school youth leadership workshops	1.0	$50,000	$50,000
Subawards/ Contractual	NPSvcs	XYZ Health Collaborative	Provide ongoing culturally competent mental health counseling	1.0	$35,000	$35,000
Subawards/ Contractual	FS Fee	Fiscal Sponsor, Inc.	**Fiscal Sponsor Fee — 8% of total billings (Indirect = $0; MTDC not calculated)**	0.08	—	Estimate*

* Final FS Fee will track the agreed percentage of total reimbursable billings and support with sponsor invoices. In other words, the fiscal sponsor fee is charged against actual billings. Dollar amounts may vary based on total reimbursements under the grant.

4.3.7.6   Fiscal Sponsor Fee Classification and Basis

Fiscal sponsor (FS) fees must be budgeted and invoiced under Subawards/Contractual, not Indirect. A fiscal sponsor is a separate legal entity that performs administrative and fiduciary functions on behalf of a sponsored project—such as managing payroll, insurance, and compliance—under a contractual relationship.

Per 2 CFR §§ 200.1, 200.331–.333, payments to another entity to carry out a portion of the award are treated as subrecipient or contractor costs, not internal overhead. Indirect costs, defined in 2 CFR §§ 200.68 and 200.414, cover organization-wide expenses that benefit multiple activities and are not readily assignable to a single project.

Classifying FS fees as contractual ensures audit transparency and prevents double-recovery of indirect costs.

Fiscal Sponsor Fee Basis
When a fiscal sponsor charges an administrative fee, the **same principles that govern indirect cost recovery apply**. The fee must be calculated **only on the grantee's Modified Total Direct Cost (MTDC) base**, as defined in **2 CFR § 200.68**. The fiscal sponsor may not assess its fee on excluded costs such as **subawards exceeding $50,000 per entity, participant support costs, or equipment**. Fiscal sponsors must clearly state the **basis and percentage** of their fee in the **Budget Narrative** and confirm that **no additional indirect recovery** is claimed on the same grant.

See section *4.3.8.4 Modified Total Direct Costs (MTDC) Base* on page 47 for more details.

4.3.8 Indirect Costs

Indirect costs are the general administrative and overhead expenses that keep an organization running—e.g., executive leadership, finance/HR, organization-wide rent and utilities, insurance, audit/accounting, and organization-wide IT systems—that cannot be tied to a single program or activity. Because these costs benefit the organization as a whole, they are **not billed directly** to an HRC grant. Instead, HRC reimburses them through a **fixed 15% indirect rate applied to Modified Total Direct Costs (MTDC)**. Example: if your MTDC is $100,000, your indirect is $15,000, for a total reimbursable of $115,000.

4.3.8.1   Definitions

- **Direct Costs**
  Expenses that can be specifically identified with a particular project, program, or activity (e.g., project-dedicated staff wages and fringe, project supplies, project transportation, project-specific contractors, and training that is necessary for the project).

- **Indirect Costs**
  Expenses incurred for common or joint objectives that cannot be readily identified with a single program (e.g., executive and general admin salaries, org-wide rent and utilities, org-wide insurance and audit/accounting, org-wide IT). Under HRC policy, these are **recovered exclusively via the 15% rate** and are **not billed directly** to HRC grants.

- **Shared Costs**
  Expenses that benefit multiple programs or cost objectives (e.g., rent, utilities, org-wide IT, admin staff). Under HRC policy, **shared costs are treated as indirect** and **may not** be billed as direct costs to HRC **unless** they are **exclusively** dedicated to the HRC-funded project and **pre-approved in writing** by HRC (see "Limited Exceptions" below).

Important: Costs of an indirect nature (shared overhead) should **never** be billed directly to HRC. Do not list administrative salaries, organization-wide rent, or enterprise IT as direct costs **unless** they are truly program-exclusive, documented as such, and **pre-approved**.

4.3.8.2   Preventing Double-Charging

HRC strictly prohibits charging the same cost as both a direct (shared) cost and an indirect cost—within a single grant or across funders. To avoid overlap:

- Costs charged directly to a project **must be excluded** from the indirect cost pool.

- Indirect pools may include only overhead **not** billed directly to HRC or any other funder for the same period.

- Use a documented, reasonable basis (e.g., time records, exclusive-use documentation) for any **exceptional** direct treatment of typically indirect items.

- Documentation must clearly show whether a cost was charged directly or recovered indirectly and be consistent across budgets and invoices.

- Describe cost treatment in your **Indirect Cost Attestation & Cost Narrative**.

4.3.8.3   Approved Method (Single Rate)

- **Mandatory 15% De Minimis Rate on MTDC.**
  HRC permits **only one** method for recovering overhead: **15% of MTDC** (2 CFR §200.414(f)). The

15% rate must be applied **consistently across all HRC-funded projects** within a grantee's fiscal year.

- **NICRA / Alternative Rates Not Accepted.**
  HRC does **not** accept NICRAs or other rates/methods. Where controlling law requires otherwise, the grantee must obtain **prior written approval** from HRC Finance before deviating from this policy.

- **Fiscal sponsors.**
  Grantees may **not** claim both a fiscal sponsor fee **and** the 15% indirect on the same grant. Choose one mechanism and document the choice during agreement execution.

4.3.8.4   Modified Total Direct Costs (MTDC) Base

The **MTDC** is the base to which the 15% rate is applied. It is **not** the total cost of the program; it is a subset of **eligible direct costs**.

Included in MTDC:

- Salaries and wages for **project-dedicated** staff

- Associated fringe benefits

- **Project-specific** materials and supplies

- **Project travel** necessary for implementation

- **Professional development/training** that is **project-specific and necessary** to perform the award

- The **first $50,000 per entity per grant year** of each subaward, subcontract, or contractor agreement that directly benefits the project

Excluded from MTDC:

- Any **shared/overhead** costs (e.g., rent, utilities, org-wide IT, general admin/exec salaries)

- **Capital expenditures and equipment** (≥ $5,000 per unit and useful life > 1 year)

- **Client aid, subsidies, stipends, or direct cash assistance**

- **Honorariums, entertainment**, fundraising, or lobbying

- The **portion** of any subaward/subcontract **exceeding $50,000 per entity per year**

- Any other **unallowable** costs under HRC policy or 2 CFR Part 200

Note on durable supplies: Computing devices and other durable items **under** $5,000 per unit are typically supplies and may be included in MTDC **if** they are project-specific and included in the approved budget. Items ≥ $5,000 are capital and excluded from MTDC and prior HRC approval is required if charged to the grant.

4.3.8.5   Limited Exceptions for Direct Treatment of Typically Indirect Items (Pre-Approval Required)

Certain costs that are **normally indirect** may be treated as **direct only when all** the following is true: (1) **Exclusive use/effort** for the HRC-funded project is documented; (2) the cost is **necessary and reasonable** for the scope; (3) it is **specifically budgeted and pre-approved** in writing by HRC.

- **Facilities/Rent:** Dedicated facilities or space used **exclusively** for delivering the HRC-funded program (e.g., leased classroom or event space tied to the program schedule).

- **IT/Software:** Equipment, licenses, cloud services, and IT services purchased **solely** for the project (e.g., a case-management license used only by grant staff; a laptop issued exclusively to a grant-funded role).

- **Administrative/Executive Staff:** The **documented** proportion of salary/fringe for an admin/executive staffer who spends **≥ 50%** of their time on **program-specific** duties for the HRC-funded project. Remaining general management time is indirect. Direct portions must be excluded from the indirect pool to prevent double recovery.

Caution: Organization-wide infrastructure (enterprise software, shared servers, helpdesk, cybersecurity tools) and general admin functions remain **indirect** and may not be shifted into direct charges.

4.3.8.6   Calculation and Documentation

Formula
Indirect Cost = **MTDC × 0.15**
Example: MTDC = $100,000 → Indirect = $15,000 → Total Invoice = $115,000.

Invoice Presentation

- Show **direct** and **indirect** lines separately.

- Display the **MTDC base**, the **15% rate**, and the **calculated indirect** amount.

- Apply the rate **consistently on each invoice** in the fiscal year.

4.3.8.7   Required Records & Attestation

- Maintain payroll/time records, GL extracts, leases/agreements, and other support for direct costs and MTDC.

- Submit an **Annual Indirect Cost Attestation & Cost Narrative** (HRC form) at negotiation and annually thereafter, confirming use of the 15% rate and that shared/overhead is **not** billed as direct.

- Retain records for **7 years** after the end of the grant term (or longer if required by law).

4.3.8.8   Compliance & Enforcement

HRC may disallow costs or take corrective actions for: charging overhead as direct, applying 15% to **total** instead of MTDC, including > $50,000 per entity/year of subawards in MTDC, missing timekeeping for direct personnel, or failing to submit the Attestation. Noncompliance may result in invoice rejection, payment withholding, disallowance and recovery, suspension, or termination, consistent with grant terms and applicable law.

For full requirements, definitions, examples, and FAQs (including facility/IT/admin exceptions and fiscal sponsor guidance), see **HRC Policy on Indirect Cost Rate**. Participant Incentives, Stipends, and Wages

Many HRC grantees offer various forms of monetary support to participants. These supports— **incentives, stipends, and wages**—are considered **Non-Personnel Operating Costs (NPOC)** under the HRC budget structure because they are not payments to grantee staff. They must be budgeted and invoiced in the NPOC cost category and comply with all applicable federal, state, and local requirements.

Key Compliance Requirements

- **HRC Cost Category**:
    o   All participant incentives, stipends, and wages must be budgeted under **NPOC**.

- - Do not budget these items under *Admin* or *Programs*, as those categories are reserved for staff labor costs only.

- **Federal Tax Rules**:

    - **$600 threshold**: Payments totaling **$600 or more in a calendar year** to an individual who is not an employee generally require issuance of a **Form 1099-NEC**.

    - **Employees**: If participants are classified as employees, payments must be processed through payroll and reported on **Form W-2**.

    - Grantees are solely responsible for determining correct classification (independent contractor vs. employee) and ensuring compliance with IRS and Department of Labor rules.

- **City Laws**:

    - If payments are wages, they must comply with the San Francisco **Minimum Compensation Ordinance (MCO)** and other applicable laws. See https://www.sf.gov/information--minimum-compensation-ordinance for more details.

Required Written Policy

Grantees providing any participant incentives, stipends, or wages must have a **written policy** that includes:

1. **Eligibility Requirements**: Tasks, deliverables, or participation thresholds.

2. **Amount & Frequency**: Payment amounts and intervals.

3. **Payment Process**: Documentation requirements and method of payment.

4. **Recordkeeping**: How records are maintained and retained.

5. **Tax Compliance**: Procedures for determining classification and meeting 1099/W-2 requirements.

This policy will be reviewed during Fiscal and Compliance Monitoring. HRC may request additional documentation at any time.

5 Invoice Guidelines

HRC grants are administered on a cost-reimbursement basis, meaning that you must first incur and pay costs before being reimbursed by HRC. This cost-reimbursement basis is different than receiving part or all of grant award at the start of the term. Grantees must submit all invoices to their Grant Manager via email communication. After final HRC approval of an invoice, City policy is that payment will be issued within 30 days of confirming an acceptable invoice, but payment may be received sooner.

This guide is the official reference for preparing and submitting invoices under your HRC grant agreement. You will also receive the following companion documents, which contain further detail and examples:

- **HRC Invoice Template Guidance**

- **HRC Invoicing Guidelines for Grantees**

- **HRC Grant Invoice Variance Directive**

- **HRC Guidance: Grantee Contractor & Subcontractor Invoice Requirements**

Grantees must review these documents carefully, in addition to reviewing your grant agreement and HRC's Policy on Allowable and Unallowable Grant Expenses.

5.1.1 Submission Timeline

- **Deadline:** Submit each invoice **within 30 days** after the service period ends.

- **Cadence:** Monthly submission is required unless your Grant Manager (GM) and HRC's CFO approve a different schedule in writing.

- **Order:** Invoices must be submitted **in chronological order** (e.g., January 2026 must be submitted before February 2026). Out-of-order submissions will be returned unprocessed.

5.1.2 Timing of Expenses

- Expenses must be invoiced in the month in which they are incurred and paid by your organization. Each invoice package should reflect only those costs tied to that same service month.
- Invoices should not defer or reassign expenses to a later month for administrative convenience.
- Pre-paid expenses for future activities (e.g., field trips, travel, special events) must be invoiced in the month payment is made, not when the activity occurs. Written pre-approval from your Grant Manager is required before incurring any pre-paid expense.
- Certain costs that naturally span multiple months (e.g., utility bills, insurance, software subscriptions, or vendor invoices covering partial months) may be invoiced in the month the charge is posted to your organization's financial system. If exact alignment is not feasible, document the allocation method and note it in the supporting materials.
- Exceptions may be granted by your Grant Manager when grantees have no control over billing cycles or timing. These exceptions must be documented in writing and retained with the invoice file.
- Invoices that do not follow these timing rules may result in delayed or denied reimbursement.

5.1.3 Invoice Submission & Resubmission

All invoices must be submitted by the grantee and maintained as an official financial record within your organization. HRC Grant Managers are responsible for reviewing invoices for compliance with your grant agreement and City policy, but they will **not revise or resubmit invoices on your behalf**.

If your invoice contains errors, omissions, ineligible or unallowable costs, the invoice will be returned to you with specific guidance for correction. You must then revise and **resubmit the corrected invoice** using the same email process outlined in the following sections.

Resubmission requirements:

- Corrections must be made **by your organization only**.

- The corrected invoice must **retain the same unique invoice number.**

- Both the PDF and Excel versions must be updated to match.

- The resubmission email must follow the same file naming and subject line format as the original submission, **with the version number at the end if the file name** (e.g., [HRC Invoice] DKI-TA-006 – SF Community Nonprofit – Invoice 1008 – 202501 v2, [HRC Invoice] DKI-TA-006 – SF Community Nonprofit – Invoice 1008 – 202501 v3, etc.).

- Supporting documentation must be adjusted as needed and included in full.

Important: Grantee invoices are legal and auditable documents. Alteration by HRC staff would compromise accountability, financial integrity, and the audit trail. The responsibility for accuracy and compliance rests with your organization.

Failure to correct and resubmit within the timelines set by your Grant Manager may result in delayed or denied payment.

5.1.4 File Naming & Email Subjects for Submissions

File Naming:

- PDF: Grant#_OrgName_Invoice#_YYYYMM.pdf

- Excel: Grant#_OrgName_Invoice#_YYYYMM.xlsx

Email Subject Line:
[HRC Invoice] Grant# – Org Name – Invoice# – YYYYMM
(Example: [HRC Invoice] DKI-TA-006 – SF Community Collaborative – Invoice 1008 – 202501)

Email Body Must Include:

- Organization/Supplier Name

- Supplier ID

- Grant Number & Purchase Order ID

- Unique Invoice Number

- Remittance Address

- Service Period & Invoice Date

- Total Amount Requested & Remaining Balance

5.1.5 Required Files for Each Submission

You must submit both files together each invoice cycle:

1. **A PDF of your signed invoice** containing:

   o Invoice header with:

      1. Organization/Supplier Name

      2. Supplier ID
      3. Grant Number
      4. Purchase Order ID
      5. Remittance Address
      6. Unique Invoice Number
      7. Invoice Date
      8. Service Period covered (start and end dates)

   o Authorized signature

   o Budget vs. Actuals (BvA) for Invoice table, including total amount requested and remaining grant balance

   o Receipts Crosswalk for Invoice table

   o All supporting documentation (performance reports, receipts, contracts, deliverable proof, etc.)

2. Excel **Budget Workbook** (Line Item Budget Chart) containing:

   o Tab 1: BvA for Invoice – current month's expenditures

   o Tab 2: Receipts Crosswalk for Invoice – indicates the budget category that each receipt ties to

   o Tab 3: BvA Full Grant History – cumulative data for the full grant

The Excel workbook and PDF must **match exactly**. Inconsistencies are grounds for rejection.

5.1.6 Documentation Requirements

All claimed costs must be:

- **Allowable** (per contract and HRC and City policy)

- **Necessary and reasonable** for program delivery

- **Accurately documented** with clear, verifiable proof of goods/services received

- **Legible** (PDF scans only, no photographs)

- **Redacted** for sensitive data (SSNs, account numbers, personal addresses, minors or participant names – unique identifiers or initials are appropriate alternatives)

Acceptable documentation includes:

- Payroll registers (with pay periods, names, rates, fringe)

- Paid invoices or sales receipts (vendor, date, items, totals) indicating a zero balance

- Credit card receipts **with** supporting itemized, paid invoice

- Bank statements (redacted) **with** supporting itemized invoice

- Delivery receipts

- Processed/cancelled checks (redacted)

- Training agendas, reports, presentation decks, attendance logs

5.1.7 Independent Contractor, Vendor, & Subawardee Invoice Requirements

Definitions

- **Independent Contractor or Vendor:** Performs discrete services, billed under Non-Personnel Operating Costs.

- **Subawardee:** Is responsible for a substantive portion of the program, billed under Subawards, and must be listed in Appendix E of your grant agreement.

Hourly-Based Invoices Must Include:

- Hourly rate (matching signed contract between grantee and the third party)

- Number of hours worked

- Dates of service

- Description of activities performed (aligned to grant objectives)

- Timesheets or service logs for verification

Flat-Fee / Deliverable-Based Invoices Must Include:

- Description of deliverable

- Documentation showing completion (final product, agendas, photos, acceptance emails)

- Invoice referencing deliverable and matching budget

- Verification deliverable aligns with signed agreement

Required for All Subawardees:

- Signed contract and scope of work on file with HRC; any changes to contracts and/or MOUs require preapproval by HRC.

- Retain records for **at least 5 years**

- Must align with allowable cost categories

5.1.8 Variance Reviews

If your invoice exceeds **130% of expected monthly billing** (total grant ÷ number of months), your GM will request a written explanation and documentation before approval. Valid reasons include one-time or periodic costs, natural variations due to the structure of planned programming, or allowable urgent needs.

5.1.9 Accuracy & Review Process

- **Step 1 – GM Review:** Your GM reviews for completeness, accuracy, allowability, alignment with budget, and proper documentation.

- **Step 2 – HRC Accounting Review:** Once the GM clears the invoice, HRC's Finance team verifies compliance with City financial standards, checks calculations, and ensures documentation meets audit requirements.

- **Revisions:** If issues are found, the invoice is returned to the GM with written feedback. The GM will relay this to you with required corrections.
- **Resubmission:** A corrected invoice restarts the payment timeline; payments are not processed until a compliant invoice is received.

5.1.10   Escalation for Repeated Invoice Rejections

If HRC's Grant Managers or Finance team rejects an invoice twice for material issues (e.g., ineligible costs, missing documentation, incorrect totals), your grant may be placed in an escalated status leading to corrective action up to an including early grant termination.

6 Budget Revision Guidelines

A Budget Revision is a redistribution of funds that changes the total dollar amount in any line item, whether between cost categories or within the same cost category. If a grantee feels that reallocating funds within line items will best serve program needs, the grantee must submit a request to HRC. All re-allocations must be requested, reviewed, and documented using HRC's Budget Revision Form. Grantees cannot shift funds between budget line items without HRC approval.

Revisions cannot materially alter the approved grant plan, deliverables, or service model. If scope changes are needed, consult your GM about a formal grant amendment.

6.1.1 How to Use the Budget Revision Excel File

The Budget Revision file has three tabs:

1. **Instructions** – This tab explains deadlines, allowability, and the remain-in-scope rule.

2. **Budget Revision Form** – Grantees must provide a clear, detailed justification on this tab, including:

    o   An overview of how you are requesting to reallocate funds.

    o   The reason why the request if being made, including how it is responsive to program needs.

    o   The programmatic impact of the requested reallocation.

3. **Proposed Budget Revision** – Enter the numbers:

    o   Begin by updating the table with the most current Budget vs. Actual (BvA) Full Grant History from your invoice workbook. Include your original budget and all previously approved budget revisions.

    o   Enter the requested budget in the appropriate column.

    o   Ensure that the Variance column formulas are correct so that the dollar change reflects the difference from the currently approved budget (positive = increase, negative = decrease).

    o   To streamline the process, the Proposed tab is pre-formatted with your current budget chart and variance formulas. This setup ensures consistency across submissions and makes the review process more efficient.

    o   In the **Notes** column, provide a brief **line-by-line description** explaining the reason for each proposed change (for example, reallocation due to staffing adjustments, additional program supplies, or cost savings).

Approved revised budgets will be incorporated into the BvA Full Grant History tab. This updated BvA must be submitted with all future invoices for the remainder of the grant term.

6.1.2 Revision Request Process

1. **Grantee confirms need and scope** – Ensure changes are necessary, allowable, and within scope.

2. **Grantee completes both tabs** – Budget Revision Form (narrative) and Proposed Budget Revision (numbers).

3. **Grantee internal approval** – Obtain internal approval from your Executive Director or authorized signer approval.

4. **Grantee submits to HRC** – Email the Excel file (not a PDF) to your GM with a summary of changes and rationale.

5. **HRC review and approval**

   o   Grant manager reviews for clarity, allowability, accuracy, and scope. Grant manager makes recommendation to the Grants Administration Manager.

   o   Final approval is determined by HRC's Grants Administration Manager, in consultation with HRC's Finance Division as needed.

6. **Finalize** – If HRC approves the revision, the grantee will update the revised budget on their invoice workbook (both the BvA Full Grant History tab and BvA for Invoice tab). The revised budget becomes the official version for invoicing.

6.1.3 Requirements for All Revisions

- **Any movement between line items must be documented.**

- Revisions can be retroactive no more than one month from submission.

- You must be current on invoicing when requesting a revision.

- HRC cannot process invoices while a revision is pending.

- **Deadline:** All budget revisions for the fiscal year must be submitted by **April 30** (July 31 for summer-only programs). No exceptions.

- HRC may deny requests at its discretion.

7 Performance Reporting

All grantees shall collect, maintain, and report complete, accurate, and timely data on all programs and services funded under this agreement. Grantees are required to submit monthly, quarterly, and annual reports to track progress of programming and ensure accountability.

1) <u>Monthly Progress Reports</u>: Narrative progress reports detailing program activities. These reports provide HRC staff with regular updates and allow for timely identification and resolution of any issues that arise.

2) <u>Quarterly Metric Reports</u>: Primarily quantitative reports that demonstrate grantees' progress toward the key activities outlined in their grant plan. This includes:

   a) *Number of individuals served*. Grantees will also provide, to the best of their abilities, demographics of the communities they serve, including age, race and ethnicity, gender identity, and zip code. This will be summary data, and not individual participant-level data.

   b) *Number of individuals impacted or reached*. This represents the broader audience that is indirectly engaged or indirectly benefits through exposure to the program's outcomes, content, or events.

   c) *Outputs for each key activity*

3) <u>Annual Report</u>: A 1-2 page narrative report summarizing program activities, outcomes, and impact over the past year. If the grant will continue into the next year, the report will also include a brief overview of programming for the upcoming year.

8 Monitoring Overview

HRC monitors all grants and contracts to ensure that public funds are used responsibly, services are delivered as promised, and all programmatic, fiscal, and compliance requirements are met. Monitoring is not an audit—it is a collaborative process to assess organization health, identify risks, and strengthen program delivery.

Fiscal & compliance monitoring under the Citywide Nonprofit Monitoring and Capacity Building Program for agencies identified through the City's annual risk assessment. In some cases, HRC may conduct its own fiscal reviews using the same citywide standards. All HRC grantees participate in quarterly site visits that review both program and fiscal status, and they undergo an annual Fiscal and Compliance Monitoring Review, either jointly or through an HRC-only process.

8.1 Monitoring Types

8.1.1 Program (Contract) Monitoring

Program monitoring ensures that each grantee's work reflects the commitments outlined in their agreement and advances HRC's program objectives and equity goals. During this process, HRC confirms that services and activities align with the approved scope of work, verifies performance measures and service targets, and assesses how effectively programs are engaging and serving their intended communities.

Monitoring activities may include reviewing program documentation such as sign-in sheets, curricula, agendas, and participant records; comparing actual services delivered to contracted targets; and conducting interviews with staff, participants, or partners to understand program impact. HRC may

also observe program activities during site visits and review outreach and engagement strategies to ensure they are inclusive and effective.

8.1.2 Fiscal & Compliance Monitoring

Fiscal and compliance monitoring ensures that funds are spent appropriately, budgets are followed, and all City, state, and federal requirements are met. It also helps assess an organization's fiscal health and internal controls.

There are two types of reviews. **Joint Monitoring**, led by the Controller's Office, applies to agencies receiving at least $200,000 annually from two or more City departments or over $1 million from one department and is conducted virtually using standard Citywide forms. **HRC-Only Monitoring** applies to agencies funded solely by HRC and follows the same Citywide standards.

8.1.3 Required Documents

Programs must keep all grant-related records for the entire funding cycle and at least five years afterward. This includes financial records, attendance sheets, case notes, assessments, and improvement plans. At any time, HRC may request different levels of document review. These requirements are in place to promote accountability, sound fiscal management, and transparency in the use of public funds.

During a **Core Review**, grantees must provide key documents such as the organization-wide budget, recent audited financials, IRS Form 990, balance sheet, profit and loss statement, payroll tax filings (DE 9 / DE 9C and IRS 941), and board materials, including by-laws and meeting minutes. Agencies must also show compliance with the City's Public Access Ordinance (§12L) and maintain an updated cost-allocation plan and board manual.

For the **Expanded Review**, HRC may request additional materials such as fiscal or personnel policies, subcontractor files, or other supporting documents.

8.1.4 Preparing for Monitoring

Keep your organization "monitoring-ready" year-round:

- Maintain organized files for all fiscal and program records.
- Ensure each reported expense has original source documentation.
- Track services and participant data consistently.
- Review your service targets, outcomes, and budget regularly.
- Train staff on HRC requirements for invoicing, reporting, and cost allowability.

8.1.5 Partnership Approach

HRC's monitoring process protects public funds, strengthens organization capacity, and ensures funded programs make a measurable, positive impact in San Francisco. Monitoring is a shared responsibility and an opportunity to build stronger, more effective partnerships.

8.2   Annual Economic Statement

If your nonprofit organization received $1 million or more annually from the City and County of San Francisco, you are required to make an annual economic statement publicly available.

Learn more about the requirements and the new ordinance.

8.3   Audit Policy

HRC requires grantees to comply with the **City's Policy on Audit Requirements for Nonprofits**.

See Auditing Firm Directory for Nonprofits | SF.gov for more details.

8.3.1 Coordination with Monitoring

- The **Audit Requirements** are separate from, but related to, the **Fiscal and Compliance Monitoring** process described in this handbook.

- Audit results, including any findings and management letter comments, may be reviewed as part of your annual monitoring and can influence your compliance status.

8.3.2 Findings and Corrective Action

- If your audit or review includes findings, material weaknesses, or significant deficiencies, you must submit a **Corrective Action Plan** within 30 days of report submission.

- HRC may require additional technical assistance, elevated monitoring, or follow-up documentation to ensure findings are resolved.

8.4   City and County of San Francisco Corrective Action Plan (CAP) Process

The City implements a formal Corrective Action Plan (CAP) process when a grantee does not meet one or more programmatic, fiscal, or compliance requirements. The CAP outlines specific actions, timelines, and supports to bring the contractor back into compliance with City policy and regulations and ensures that the grantee meets contract obligations. The HRC issues CAPs as necessary and in alignment with Controller's Office policies.

9   Financial Systems

HRC grantees participate in certain functions of the city-wide financial systems, SF City Partner, and SF Paymode-X. In this section you will find information about how to access your accounts, check payments, and update your organization's compliance and other information. This information is also available on the Financial Systems page of the City's website.

9.1   Checklist For HRC Grantees:

9.1.1 Step 1 Confirm SF City Partner Account

You must be a compliant City Supplier and have an account on the SF City Partner website. See the step-by-step instructions on how to become a City Supplier and set up your SF City Partner account on the SF City Partner page.

If you have any questions, please contact the Helpdesk at sfcitypartnersupport@sfgov.org or (415) 944-2442.

9.1.2 Step 2 Confirm SF Paymode-X Account

The City & County of San Francisco uses SF Paymode-X to provide direct deposit for payments. SF Paymode-X is an Automatic Clearinghouse (ACH) provider and provides benefits such as remittance information printed on your payment stub and an email notification each time you receive a payment.

To set up your SF Paymode-X account, visit the City's SF Paymode-X page.

For City Supplier-related questions, please contact the Helpdesk at sfcitypartnersupport@sfgov.org or (415) 944-2442. For log in questions, please contact Paymode-X at (866) 252-7366.

9.1.3 Step 3 Confirm Addresses

When you have access to your SF City Partner and SF Paymode-X accounts, please confirm your mailing and remittance addresses. This will ensure that any check payments and other correspondence are sent to the correct location. This is particularly important for large organizations that have multiple office or branch locations. Grantees with multiple addresses in their account should confirm all the addresses, especially the remittance address where paper checks are mailed.

For any questions, please reach out to the Helpdesk at sfcitypartnersupport@sfgov.org or (415) 944-2442.

9.2   Frequently Asked Questions (FAQs)

How can I check my HRC payments?

Please follow these steps before reaching out to HRC staff.

1. Check your SF City Partner Account: Please refer to the section above.

2. Check your SF Paymode-X Account: Please refer to the section above.

3. If payment details are still unclear in your SF City Partner and SF Paymode-X accounts, please provide the following information to your Grant Manager:

   - Organization and program name

   - Purchase Order number

   - Invoice number

   - Date of Invoice

   - Invoice Amount

   - Description of payment details

If you received a payment from another department, please provide the same information above to your contact at the other department.

How can I update my bank account information?

You can update your bank account information in your SF Paymode-X account.

How can I update my mailing and remittance address?

You can update and view your mailing, and remittance addresses in your SF Paymode-X and SF City Partner accounts. This will ensure that any check payments and other correspondence are sent to the correct location. This is particularly important for large organizations that have many office or branch locations. Organizations with multiple addresses in their account should confirm all of them, particularly the remittance address where checks are mailed.

How can I update my business tax and other compliance requirements?

Visit the [Treasurer & Tax Collector's (TTX) website](#) to view or update your business tax and other compliances. Please contact TTX directly with any questions, because HRC does not have access to view or update this type of information.

Who should I contact if I have questions?

Please use the resources below before reaching out to your Grant Manager.

- SF City Partner Helpdesk at sfcitypartnersupport@sfgov.org or (415) 944-2442.

- Review job aides on the [SF City Partner website](#)

- SF Paymode-X Helpdesk at (866) 252-7366.

10   Programmatic Policies & Procedures
10.1 Privacy Policies & Practices

This section describes HRC's policies and practices related to the collection, use, and management of personally identifiable information (PII) and anonymous survey data. To monitor grants and evaluate funded services, HRC collects a variety of information about the services you provide and the clients you serve. HRC is committed to protecting the confidentiality of the information with which it is entrusted in accordance with local, state, and federal law.

10.1.1   Purpose

HRC requires grantees to report information about funded services for monitoring and evaluation. In most cases, HRC does not require PII about participants. When participant information is collected (such as through surveys or required program reporting), HRC follows confidentiality and privacy practices, and expects grantees to do the same. Any collection of participant PII must be limited, purposeful, and compliant with applicable privacy protections.

HRC does not require and will not accept participant information such as Social Security Numbers, personal addresses, phone numbers, banking details, or immigration status. Immigration status is legally protected and may not be collected or reported under any circumstances. Grantees are strongly advised not to record immigration status information in their own systems unless required by law and accompanied by appropriate safeguards.

Staff names may be included in payroll documentation, but personal contact or banking information must never be submitted.

10.1.2   Invoices and Supporting Documentation

To protect privacy and confidentiality, grantees must not include PII about participants in any invoices or supporting documents. Invoices should never contain:

- Participant names, addresses, phone numbers, or contact details
- Social Security Numbers (SSNs) or Tax Identification Numbers (TINs)
- Bank account or routing information for organizations, staff, or participants
- Medical or health-related information
- Immigration or citizenship status information

The only staff information permitted in invoices is staff names tied to payroll or program roles.

10.1.3   Redacting Sensitive Information

Because any documents submitted to HRC may be subject to public disclosure under state Sunshine Laws, grantees are responsible for ensuring sensitive information is removed before submission.

Redaction Best Practices:

- **Redact**: SSNs, TINs, EINs, dates of birth, addresses, personal contact info, bank account details, medical/health data, and immigration status.
- **Methods**: Use digital redaction tools that permanently remove data. Black markers, strikethroughs, or highlights are not sufficient.

Compliance Monitoring:

- HRC may audit submitted documents to ensure compliance.

- If noncompliance is found, documents will be returned to the grantee for correction before resubmission.

10.1.4   Use of Participant Images and Media Releases

Any photos, videos, or other media featuring program participants that are used in connection with HRC-funded activities, materials, or communications must be accompanied by a media release policy. This requirement protects participant privacy, ensures ethical representation, and aligns with City standards for public communications and data protection.

Requirements.

1. **Organizational Responsibility.** Each grantee is responsible for obtaining and maintaining signed media release forms from participants prior to using or sharing their likeness in any organizational materials or forwarding them to HRC.

2. **Confirmation to HRC.** HRC does **not** collect participant release forms directly. However, grantees must confirm that any media submitted to HRC (e.g., for reports, social media, or promotional use) was obtained under a valid, organization-approved media release policy.

3. **Compliance Verification.** Upon request, grantees must be able to produce documentation confirming that participant consent was secured and retained consistent with their organization's policy and applicable privacy laws.

4. **Prohibited Use.** Photos or media depicting participants without appropriate consent may not be submitted to, published by, or otherwise used in association with HRC or City materials.

11 Grantee Conduct Expectations

11.1 Conduct Expectations for Grantees

Our commitment is to foster a workplace environment and relationship that leads to mutual dignity and respect. HRC expects all grantees to uphold the highest standards of professionalism, integrity, and respect in the execution of grant-funded activities. These expectations apply to all grantee staff, contractors, volunteers, and representatives when engaged in work funded by HRC or when representing the funded program.

HRC grantees must maintain a respectful and safe environment. HRC values differing perspectives and resolving conflicts constructively. Grantees are also expected to uphold these values and standards, engage in clear, professional communication with HRC staff, partners, participants, and the broader community, All grantees must abide by the City's _Equitable, Fair, and Respectful Workplace Policy_ in all interactions related to HRC-funded work.

All grantees must comply with all applicable federal, state, and local laws, as well as City policies and the terms of their HRC grant agreement. Compliance is a shared responsibility and reflects our collective commitment to integrity and accountability in public service. Grantees are expected to promptly report any potential violations of law or policy to the appropriate authority and to safeguard the confidentiality of participant information and sensitive program data at all times.

11.1.1   Accountability

Grantee leadership holds primary responsibility for ensuring that all staff and representatives understand and uphold these conduct expectations and meet all requirements of the HRC grant

agreement. Accountability is essential to maintaining trust, integrity, and compliance in all HRC-funded work. Any failure to meet these standards or contractual obligations may result in corrective action up to and including termination of the grant agreement in accordance with HRC policy and applicable law.

12 Other HRC Policies

12.1 Grantee Travel Policy

This policy outlines allowable transportation and travel expenses under HRC-funded grants, both within and outside San Francisco. It aligns with the City and County of San Francisco's travel policy for City and County employees. All expenses must be reasonable, necessary, and directly related to approved grant activities.

Local Travel for Grantee Staff

Local travel for grantee staff may be an allowable expense under the grant when it meets all the following criteria:

- **Budget Alignment**: Travel expenses must be included in the approved grant budget or authorized through an approved budget modification. Unbudgeted or discretionary travel will not be reimbursed.

- **Program Necessity**: Travel must be directly tied to grant-funded activities and necessary for carrying out the program. Examples include attending required meetings with HRC, traveling to off-site program delivery locations, or conducting outreach to grant participants.

- **Non-Personal Use**: Travel solely for personal convenience (e.g., commuting from home to the staff member's primary work site) is not allowable.

- **Reasonableness of Cost**: Grantees are expected to use the most cost-effective and appropriate mode of transportation available, considering time, distance, and business necessity.

- **Documentation Requirement**: Travel costs must be supported by appropriate documentation, such as receipts, mileage logs, or meeting agendas, and must clearly demonstrate a business purpose.

- **Consistency with City Policy**: Rates for mileage reimbursement and other local travel expenses must follow the City and County of San Francisco's travel policy and cannot exceed the maximums established by the City.

12.1.1   Specification of Travel Modes in Budgets

Grantees must specify anticipated modes of travel in their grant budgets and narratives, in accordance with the HRC Handbook (*Budget Structure and Guidance > Specification of Travel Modes in Budget*).

- **Staff Travel**: Allowable modes include public transit, personal vehicles (IRS mileage rate), and grantee-owned vehicles. Taxi or rideshare services are not allowable as a routine mode and require explicit budget approval or advance written approval using HRC-Travel-01 form. Reimbursement is subject to a 10% administrative deduction, capped gratuity (15%), and prohibition on premium services.

- **Program Participant Travel**: Allowable modes must be identified in the budget narrative. Public transit and organization-arranged transportation are preferred. Taxi or rideshare services are only reimbursable when explicitly budgeted and justified for safety, accessibility, or programmatic reasons.

- **Exceptions**: Requests outside approved modes require written justification, advance approval from the HRC Grant Manager, and documentation for audit.

12.1.2   Public Transit First Policy

Grantees must prioritize the use of public transportation (e.g., MUNI, BART) whenever feasible. Higher-cost options such as taxis, rideshares, or personal vehicles should only be used when public transit is unavailable, impractical, or unsafe.

12.1.3   Local Travel for Grantee Staff

12.1.3.1   Use of Taxis or Rideshare Services

Use of taxis or rideshare services (e.g., Uber, Lyft) for grantee staff is **not allowable** unless **all** the following conditions are met:

- **Preapproval Requirement**
  - o   Prior written preapproval from the assigned HRC Grant Manager must be obtained before incurring any rideshare or taxi expense.

- **Public transit is infeasible** due to:

  - o   Lack of service during required travel times, or

  - o   Transport of materials/equipment, or

  - o   Travel to inaccessible or unsafe locations

- **Written justification is submitted with the invoice**, including:

  - o   Date and time of trip

  - o   Staff name and role

  - o   Trip purpose

  - o   Explanation of why public transit was not feasible

- HRC will only reimburse **90% of the actual fare** for approved staff taxi or rideshare trips. For example, if a ride costs $20, HRC will reimburse $18.

- **Gratuity** will not be reimbursed above 15%.

- **Itemized receipts are required**.

- **Premium services** (e.g., Uber Black, Lyft Lux) are not reimbursable. Grantees must always select the lowest-cost, standard service option available for the trip.

HRC may deny reimbursement if preapproval is not obtained, or if justification is incomplete or insufficient.

12.1.3.2   Use of Personal Vehicles or Grantee-Owned Vehicles

Reimbursement for the use of a personal vehicle or a grantee-owned vehicle is allowable if:

- It is listed in the approved grant budget or scope of work

- Travel is business-related and necessary to carry out grant activities, such as for meetings outside of grantee's office or to transport program participants or materials for program purposes

- Reimbursement does not exceed the IRS mileage rate

Required documentation:

- Date of travel

- Trip purpose

- Start and end locations

- Number of miles driven

Mileage logs must be retained for audit and submitted with invoices. Please see the HRC Mileage & Vehicle Travel Reimbursement Log Template for required format and documentation. When using a personal vehicle for grant-related travel, HRC reimburses mileage at the current IRS standard mileage rate (https://www.irs.gov/tax-professionals/standard-mileage-rates).

The IRS mileage rate is a comprehensive rate that covers a range of vehicle expenses (e.g., fuel, maintenance, wear-and-tear, insurance, depreciation). Because these expenses are built into the rate, they **cannot be billed in addition to mileage**.

Parking Expenses

- Parking expenses and tolls may also be reimbursable when use of a personal vehicle or grantee-owned vehicle is allowed. Parking expenses must be reasonable, necessary, and directly related to approved grant activities. Parking tickets and moving violations may never be reimbursed.

Insurance Requirement

- Grantees must obtain and maintain **active Commercial Automobile Liability Insurance** in the amounts required under their executed grant agreement (see **Article 10, Insurance Requirements**). Proof of such coverage must be available for review upon request.

12.1.4   Local Travel for Program Participants

Taxi or rideshare services for participants are reimbursable only if:

- They are **explicitly listed in the approved grant budget**, and

- They are necessary for **safety or accessibility**, such as:

  - Nighttime travel for vulnerable populations

  - Transportation for participants with disabilities

  - Travel to locations not served by public transit

Grantees must maintain a **Transportation Log** including:

- Participant name or unique ID

- Trip ID or receipt number

- Date and time

- Trip purpose or destination

Logs must be kept on file for audit purposes and submitted upon request.

Gratuity will not be reimbursed above 15%.

Confidentiality Requirements

- If the origin or destination is a client or participant's home, **do not provide the full residential address** in any documentation submitted to HRC.

- Instead, list only:
  - A cross-street address, or
  - The general neighborhood, or
  - The destination program/school/organization name.

- Personal information about participants or vulnerable groups must **never be submitted to HRC and should be redacted using a software program— black marker redaction is not a sufficient security protocol**.

- Grantees are required to retain full, unredacted records (including residential addresses where applicable) **within their own organization** for audit purposes, but all personal information must be redacted prior to submitting logs or invoices to HRC.

12.1.5   Additional Requirements for Travel with Minors (<18 years old)

If children or other minors under the age of 18 will participate in travel funded by HRC grants, the following requirements apply to all youth-serving organizations:

12.1.5.1   Consent Forms

- Grantees must obtain **signed consent forms from a parent or legal guardian** for all minors participating in travel.

- These forms must be **completed and stored by the grantee organization**; HRC does not collect or retain copies to protect confidentiality.

- Consent forms must be available for review during monitoring or audit.

12.1.5.2   Background Checks

- All staff, volunteers, and contractors chaperoning minors must undergo **background checks appropriate to their role** (e.g., DOJ/FBI fingerprinting, state-level registries).

- Grantees are responsible for implementing and maintaining background check procedures consistent with best practices for youth, elders, and individuals with disabilities.

- Documentation of compliance must be retained by the grantee and provided to HRC upon request.

12.1.5.3   Insurance Requirements

- Grantees must obtain and maintain **active Commercial General Liability and Commercial Automobile Liability insurance** as required by Article 10 of the executed grant agreement.

- Policies for youth-serving organizations must include **Abuse and Molestation coverage**.

- HRC will monitor grantee insurance coverage as part of ongoing grant oversight. If the insurance does not align with the activities described in the grant plan, HRC will require updated coverage within a set timeline.

12.1.5.4   Confidentiality and Records

- Personal identifying information for minors (e.g., home addresses, health details, social security numbers) **must not be submitted to HRC**.

- Grantees must retain these records internally for audit purposes and redact any personal information before providing documentation to HRC.

12.1.6   Travel Outside the Bay Area

12.1.6.1   Pre-Approval Requirement

All travel outside the Bay Area, both within and outside of California requires prior approval:

12.1.6.2   How to Submit a Travel Request

Grantees requesting travel must submit a **letter or memo on organization letterhead** to their Grant Manager at least **one month before the trip**. The request should include:

- **Organization name** as listed in the grant agreement
- **Trip details**: destination, dates, transportation type and cost, lodging name and cost, estimated food costs, car rental details, and any registration fees
- **Purpose of trip**: why the travel is needed for grant work, the benefit to participants, and the impact if not attended

12.1.6.3   Lodging, Meals, and Incidentals

- **Lodging**: Reimbursed at actual cost, not to exceed the federal **GSA lodging per diem rate** for the travel location and dates. Itemized receipts are required.
- **Meals & Incidental Expenses (M&IE)**: HRC follows the **federal GSA per diem rates** for M&IE.
  • Grantees may either:
  – Request reimbursement of **actual meal costs with itemized receipts**, up to the GSA daily maximum; or
  – Request a **flat per diem** for M&IE at the GSA rate without receipts, if this option was approved in advance in the travel budget.
- **Mixed Method Not Allowed**: Grantees must choose one method (receipt-based reimbursement **or** per diem allowance) for each approved trip; they cannot combine both.
- **Non-Reimbursable Items**: Alcohol, luxury lodging, entertainment, room service, and gratuities above 15% are not reimbursable.

12.1.7   General Compliance

- All transportation and travel costs must be **reasonable, allowable, and aligned** with grant objectives
- **Receipts and documentation** must be submitted with all reimbursement requests
- **Incomplete or unapproved expenses will not be reimbursed**

12.2 Food and Nutrition Policy

This policy establishes requirements for the purchase and provision of food with HRC grant funds. It ensures that food purchases serve a clear programmatic purpose, comply with San Francisco laws, and promote healthy nutrition for participants. This policy applies to all HRC grantees providing food or beverages as part of their funded programs.

12.2.1   Programmatic Purpose

- Food purchases must be directly tied to funded program activities, support program goals, and be included in the approved grant budget.

- Food may only be provided to **program participants**. It may not be purchased for organizational or grantee staff, board members, or volunteers, except when they are consuming the same meal alongside participants during program delivery.

12.2.2   Allowable Uses

HRC funds may only be used for food when **all** the following conditions are met:

1. **Program Delivery**

   o   Food is provided directly to program participants (e.g., youth programs, community workshops, or participant convenings).

2. **Participant Access**

   o   Meals or snacks are necessary to support participation and cannot be reasonably obtained by participants elsewhere during the activity.

3. **Budget & Approval**

   o   The expense is included in the approved grant budget.

   o   The purchase is pre-approved by HRC prior to the event.

     1.   Pre-approval requests must be submitted at least **three (3) weeks** before the planned purchase date.

   o   If the purpose of the grant-funded program is to provide routine and ongoing food access and nutritional support (such as cooked meal delivery, groceries, produce, etc.), HRC may provide standing pre-approval for program food purchase throughout the grant period. Approval may be revisited at HRC's discretion.

4. **Cost Standards**

   o   **GSA Per Diem Rates Apply**
       All food purchases must comply with the federal **GSA per diem rates** for the location and date of the event. These rates serve as the maximum allowable cost for meals and incidentals (M&IE).

   o   **Per Person Cost Calculation**

     o   Grantees must calculate food costs on a **per-participant basis** to ensure reasonableness.

     o   For planned events, grantees may use the **projected number of participants** (based on RSVPs, enrollment, or expected attendance) when determining whether the cost per person is within GSA limits. Actual attendance variances may occur; however, costs will be reviewed to ensure there is no **unreasonable variance** between projected and actual participation.

     o   For small group meals (e.g., taking 20 students to a restaurant), grantees must calculate costs based on the **actual number of participants served**, not projected headcount.

   o   **Catering and Event Costs**

     o   For catered events, costs may include food, delivery, service charges, disposables, and rentals. These costs should be included in the per-person calculation and measured against the GSA daily M&IE rate.

- If catering costs include items not directly tied to food service (e.g., décor, non-food rentals), those must be itemized separately and may be deemed unallowable.
  - **Documentation**
    - Grantees must provide itemized receipts and documentation showing how the per-person cost was calculated.
    - If fewer participants attend than projected, grantees must retain records supporting the variance (e.g., sign-in sheets, RSVPs) and demonstrate that costs were reasonable in light of projections.
  - **Cost Principles Apply**
    Federal and City cost principles apply regardless of attendance. Costs must be **reasonable, necessary, and allocable** to the funded program. Excessive costs or costs benefiting staff/board without participants may be disallowed.
  - **Gratuities**
    Gratuity will not be reimbursed above **15%** of the food subtotal.

12.2.3   Prohibited Uses

HRC funds may not be used for:

- Staff-only meetings, retreats, celebrations, or recognition events.
- Routine or recurring organizational meetings without a participant-facing program component.
- Alcoholic beverages.
- Sugar-sweetened beverages (per **SF Administrative Code Chapter 101**).
  - https://sftreasurer.org/business/taxes-fees/sugary-drinks-tax
- Packaged bottled water (per **SF Environment Code Chapter 24**).
  - https://www.sfenvironment.org/policy/chapter-24-bottled-drinking-water
- Food that does not meet **SF Administrative Code Ordinance 91-16** healthy food standards.
  - https://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/ordinances16/o0091-16.pdf

12.2.4   Nutritional Standards & Best Practices

- Serve healthy foods regularly and limit unhealthy foods.
  - **Healthy foods** include fruits, vegetables, whole grains, lean proteins, low-fat dairy, and minimally processed foods with low added salt or sugar.
  - **Unhealthy foods** include highly processed foods, items with trans fats, fried snacks, high-sugar or high-sodium foods, candy, chips, and pastries.
- Offer appropriate portion sizes and provide culturally relevant and diverse food options.
- Make healthy options equally appealing and accessible when offering less healthy foods.
- Address allergen and dietary needs.
  - Grantees must take reasonable steps to accommodate common food allergies (e.g., peanuts, tree nuts, shellfish, dairy, eggs, soy, gluten) and dietary restrictions (e.g., vegetarian, vegan, religious or cultural dietary practices).

- o   This may include labeling food items, providing alternative options, or selecting vendors that can meet dietary accommodations.
- o   Costs for allergen-friendly or dietary accommodations are allowable when they are reasonable and necessary for equitable program participation.
- Staff should model healthy eating behaviors and avoid consuming unhealthy foods or beverages in front of participants during program time.

12.2.5   Cost Standards

- Food costs per participant must not exceed the federal GSA per diem rates:
  - o   Always check the GSA website for the most current rates
    - ▪   https://www.gsa.gov/travel/plan-book/per-diem-rates
  - o   GSA per diem rates for the Continental United States are typically updated and released in mid-August each year for the upcoming federal fiscal year, which begins on October 1st and is when rates become effective.
- Rates include food, allowable beverages, taxes, and tips, and quoted delivery fees.

12.2.6   Budgeting

- Food must be explicitly included in the approved grant budget. Any budget revisions must be submitted per HRC's Budget Revision Policy.

12.2.7   Invoicing

- All food purchases must be invoiced in compliance with the HRC Invoicing Policy.
- Invoices must be accompanied by itemized receipts and documentation showing participant counts.

For more resources on nutrition guidelines and policies, please see SFUSD's Nutrition guidelines.

12.3 Gift Cards

HRC discourages the use of gift cards due to the strict compliance, requirements, and security risks they present. Gift cards are considered equivalent to cash and require strict control and oversight. In rare and limited circumstances, HRC may approve the use of gift cards for eligible participants when no other distribution method is feasible, and the programmatic need is clearly documented. This exception is most relevant for programs serving high-risk and high-need populations, including youth under 25, where emergency or basic-needs support is integral to case management and no other form of assistance is practical.

This policy establishes the requirements for pre-approval, purchase, storage, distribution, documentation, and monitoring of gift cards in HRC-funded programs.

12.3.1   Allowable Uses

Gift cards may be used only when:

- **As participant incentives** – Incentives are one-time payments of a relatively small amount provided to participants (especially youth) for successfully participating in a program or meeting specific benchmarks or program goals. Incentives must be directly tied to approved program outcomes and included in the executed grant budget.

    - **Examples:**
      • A youth participant receives $250 for attending all nine weeks of a program.
      • A youth participant receives a $50 gift card for completing a specific task as part of a program.

- **As emergency assistance, stabilization support, barrier removal, or other essential programmatic support** – Gift cards may be used in rare and limited circumstances when no alternative distribution method is feasible, and the programmatic need is clearly documented. Examples may include groceries, transportation, or basic necessities needed to remove barriers to participation.

12.3.2   Prohibited Uses

Gift cards may **not** be used to:

- Circumvent City procurement rules or purchasing requirements.

- Provide compensation or gifts to grantee staff or City employees.

- Distribute without pre-approval or without a documented programmatic purpose.

12.3.3   Approval Requirements

All gift card programs **must receive written pre-approval** from HRC before any purchase or distribution occurs. To ensure transparency and proper oversight, gift cards must be explicitly included in the executed grant budget and agreement. Each gift card program must also have a clearly documented purpose that is directly connected to specific program goals and outcomes.

12.3.4   Organizational Policies & Procedures Requirement

Before purchasing or distributing gift cards under an HRC-funded program, the grantee must have an approved **executed internal policies and procedures** that:

1. **Define Allowable Purposes** – Clearly state the specific programmatic purposes for which gift cards may be used, consistent with HRC's approved uses.

2. **Establish Internal Controls** – Detail secure storage, restricted access, and custody transfer protocols; require use of Chain of Possession and Distribution Trackers.

3. **Set Eligibility Verification Steps** – Outline how participant eligibility will be determined, verified, and documented prior to distribution.

4. **Define Participant Earning Criteria** – Clearly describe the specific activity, milestone, or condition by which a participant "earns" a gift card (e.g., attending a workshop, completing a survey, achieving a program milestone). The earning criteria must be documented in advance, applied consistently, and tied directly to program goals.

5. **Require Documentation & Record Retention** – Specify the documentation to be maintained (receipts, trackers, acknowledgment forms, verification records) and commit to retaining records for at least seven (7) years.

6. **Include Oversight & Reconciliation** – Assign staff responsible for inventory counts, reconciliations, and discrepancy reporting; require periodic internal reviews.

7. **Address Misuse or Loss** – Define reporting and corrective action steps if cards are lost, stolen, or misused.

12.3.5   Eligibility & Documentation

- Programs must define eligibility criteria (e.g., age, income, program participation).

- Staff must verify eligibility **before** distribution and maintain proof of verification.

- Distribution must be tied to measurable milestones such as attendance or program completion.

12.3.6   Storage & Security

- Gift cards must be stored in a secure, locked location with access limited to authorized staff.

- A **Chain of Possession Tracker** must be maintained from receipt through final distribution.

12.3.7   Distribution Procedures

- Use a **Distribution Tracker** to record recipient name or unique identifier, date, amount, and purpose.

- Recipients must sign an acknowledgment form confirming receipt.

- No cards may be distributed without proper documentation.

12.3.8   Inventory & Monitoring

- Conduct regular inventory counts and reconciliations.

- Immediately report any discrepancies to HRC.

- HRC or the Controller's Office may conduct periodic audits to ensure compliance.

12.3.9   W-9 Requirements

Gift cards are considered cash equivalents under IRS rules and City policy. As such, they may be treated as taxable income to the recipient and subject to standard documentation and reporting requirements.

- **Grantee Responsibility**: It is the **sole responsibility of the grantee** to determine and comply with applicable IRS requirements related to the issuance of gift cards, including collection of tax forms, tracking aggregate values, and issuing any required tax reporting to recipients. HRC does not collect, review, or retain participant W-9 forms.

- **Recommended Practice – W-9 Collection**: Grantees are encouraged to collect a completed W-9 form from any individual receiving gift cards with a cumulative value of $25 or more in a calendar year and to track aggregate distributions.

- **Advising Recipients**: Grantees should inform recipients that the value of any gift card **may be considered taxable income**.

12.3.10   Record Retention

- All related records—including receipts, trackers, eligibility verification, and acknowledgment forms—must be retained for **seven (7) years** in accordance with City policy.

12.3.11   Accountability

- Misuse or failure to comply with these requirements may result in repayment of funds, suspension of the gift card program, or other corrective actions.

- Significant issues will be referred to the Controller's Office and may be subject to audit or investigation.

12.3.12   Confidentiality Requirements

No Personal Identifying Information Submitted to HRC
Personal identifying information of participants (e.g., home addresses, phone numbers, social security numbers, medical or immigration status) must never be submitted to HRC in gift card trackers, invoices, or supporting documentation.

Use of Unique Identifiers
Distribution Trackers submitted to HRC must record recipients by **unique participant ID, case number, or initials** rather than full legal names or sensitive details.

Internal Retention of Full Records
Grantees must retain full, unredacted distribution records (including recipient names, signatures, W-9s, and other eligibility verification) **within their own organization** for a minimum of seven (7) years for audit purposes. These records must be produced if requested for monitoring or audit.

Redaction Standards
Any personal information included in supporting documentation must be redacted using a secure electronic redaction tool. **Manual black marker redaction is not a sufficient security protocol.**

Vulnerable Populations
Special care must be taken when serving vulnerable populations (e.g., minors, survivors of violence, undocumented participants). Confidentiality protocols must ensure that no information that could directly identify or expose a participant is submitted to HRC.

12.4 Equipment & Supplies at the End of a Grant

When a grant agreement is completed or terminated (for any reason, including end of term or termination for convenience), grantees are responsible for informing HRC of all **equipment and durable supplies** purchased using HRC grant funds.

12.4.1   Scope of Review

- This requirement applies only to **durable items** with a usable life beyond the grant period (e.g., laptops, projectors, generators, cameras, large appliances).

- It does **not** apply to consumables or program supplies intended for immediate use during the grant term (e.g., office supplies, food, disposable outreach materials, program giveaways).

- Items conveyed to participants for their personal use or programmatic benefit (e.g., stipends, gift cards, bus passes, direct service materials) are also **exempt**.

12.4.2   HRC Disposition Authority

- HRC retains authority to determine the disposition of grant-funded equipment and durable supplies once the grant has ended.

- Options may include:
  • Allowing the grantee to retain the item for continued community benefit,
  • Transferring the item to another HRC-funded nonprofit to support similar program goals, or
  • Requiring return of the item if it is no longer programmatically justified.

- In most cases, HRC expects that grantees will continue to use items for ongoing public-serving purposes. Transfers to other organizations will occur only when practical, clearly beneficial, and administratively feasible.

12.4.3   Notification & Documentation

- Grantees must provide HRC with an inventory list of grant-funded durable equipment and supplies at closeout.

- HRC will also maintain its own internal tracking of durable equipment purchased under each grant award.

- Final disposition decisions will be documented in writing to ensure transparency and accountability.

12.4.4   Liability & Practicality

- HRC will consider feasibility, costs, installation requirements, and liability before requiring any equipment transfer.

- Items with significant setup costs, permanent installation, or impractical reuse will generally not be subject to transfer.

13   Technical Assistance & Capacity Building

HRC is committed to improving program quality and driving better outcomes for program participants. We understand that your organizations grow stronger when we invest in the professional development of staff who administer and deliver programs. To meet the needs of front-line staff, program administrators, and non-profit executives at all levels of experience, HRC may conduct trainings and offer capacity building services from time-to-time.

14   Disclaimer – Use of Generative AI Assistance

This Handbook includes material generated with the assistance of generative artificial intelligence (AI) tools. All AI-generated content has been thoroughly reviewed, verified, and refined by HRC staff to ensure it accurately reflects the intentions, priorities, and compliance requirements of the HRC. In preparing this document, we adhered to best practices, including:

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