

FY26 Institutional and Financial Stabilization Grants for History & Humanities Organizations

ADDITIONAL GUIDANCE FOR CASH RESERVE, WORKING CAPITAL FUND, AND DEBT/DEFICIT REDUCTION PROJECTS

The Cultural Trust's Institutional and Financial Stabilization (IFS) grants can support a wide range of eligible projects and expenses. These include debt/deficit reduction and establishing or growing a cash reserve or working capital fund. When the Cultural Trust makes grants for cash reserves, working capital funds, or debt or deficit reduction, the grant funds are not expended on specific project expenses or activities; rather, the only project activities are creating or growing the cash reserve or working capital fund (by depositing the grant funds in a cash reserve or working capital account), or paying down the debt or deficit.

Because these projects function a little differently from typical project-based grants, this additional guidance is available to clarify what constitutes an eligible project, explain the specific support materials required within these project categories, provide additional context to the evaluation criteria, and more.

If you have further questions about the cash reserve/working capital fund or debt/deficit reduction project categories, please contact Cultural Trust or Historical Commission staff for additional assistance:

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I. Cash Reserve/Working Capital Fund Guidance

What is the difference between a cash reserve and a working capital fund?

A cash reserve and a working capital fund serve different purposes. A cash reserve is designated for a specific purpose and is not intended to be utilized regularly in the course of ordinary operations. The specific purpose of a cash reserve might be to address unplanned expenses, maintain operations in the event of an emergency (such as a pandemic), or to fund future maintenance and repairs for a facility. Many organizations think of a cash reserve as a “rainy day fund.” A working capital fund, by contrast, is utilized regularly in the course of ordinary operations. It serves to smooth out uneven cash flow over the course of the year.

Cash reserves, working capital funds, and funds that serve both purposes are sometimes referred to more generally as “operating reserves.”

What is the difference between working capital and general operating support?

General operating support (GOS) is funding that grows an organization’s revenue and increases its operating budget. GOS is intended to be spent down by the organization over the course of a year, and an organization can typically apply for this kind of support each year.

Working capital addresses cash flow issues, not revenue issues. Working capital is not budgeted to specific line items in the operating budget; instead, it is a separate pool of cash that can be tapped into when the timing of planned revenue does not align with planned expenses. For example, if an organization has received a reimbursement-based grant for a construction project, it needs to pay its contractors before it receives reimbursement from the grant funder. If the organization has a working capital fund, it can draw down on the fund for the outlays, then replenish the working capital fund after it has received reimbursement for the expenses through the grant. A working capital fund functions as an internal line of credit, frequently being drawn down upon and replenished.

What is the “project” for a cash reserve/working capital fund grant?

For the purposes of Cultural Trust cash reserve/working capital fund grants, the “project” is the act of establishing/growing the fund — that is to say, depositing the grant funds into an account in accordance with the organization’s cash reserve/working capital fund policy. For the purposes of your grant application, the subsequent use of the fund is *not* considered part of the project activities, though it should be considered in discussing the intended purpose of the fund and the potential impact of the project on your organization. Therefore, the length of time to complete the project is considered the time it will take to create the account (if applicable) and deposit the grant funds. Subsequent reporting on the grant will require reflection on how the fund was used.

What specific support materials are required for a cash reserve/working capital fund project application?

Applicants must submit Board-adopted organizational policies for managing and replenishing the reserve/fund. Per Section II below, panelists rely upon the cash reserve/working capital fund policy to evaluate the project plan and the project’s suitability, feasibility, impact, and sustainability, so be sure to include sufficient detail.

How do I create a cash reserve/working capital fund policy?

There are many resources and templates available online to help you create a cash reserve/working capital fund policy that is appropriate and realistic for your organization. The following resources offer a starting point for developing your reserve policy, but you should work with your organization's leadership and financial management team, and consult other resources as necessary.

- [Nonprofit Operating Reserves and Policy Examples](#) (Propel Nonprofits)
- [Developing your Reserve Fund Policy — A Template and Guide for Nonprofits](#) (BDO USA)
- [Operating Reserve Policy Toolkit for Nonprofit Organizations](#) (National Center for Urban Statistics, Center on Nonprofits and Philanthropy at the Urban Institute, and United Way Worldwide)

II. Interpretation of Evaluation Criteria As Applied to Cash Reserve/Working Capital Fund Requests

1. Stability/Capacity Challenge:

- The applicant articulates a specific, real, and significant challenge to the organization's stability/capacity.

2. Project Plan:

- The proposed project is sufficiently detailed and specific, demonstrating a firm understanding of the mechanics of the project in order to successfully complete it.
For projects requesting cash reserve/working capital funds:
 - The applicant makes clear the purpose of the fund and demonstrates a firm understanding of the type of fund they intend to establish or grow, including whether the fund is to function as a working capital fund or cash reserve, or both.
 - The timing and circumstances under which the organization intends to draw on the fund are clear and specific.
 - The details about how the fund will be (or is) financially organized, managed, expended, and replenished are clear and specific.
 - The target size – total dollar value – of the cash reserve/working capital fund (including but not limited to the Cultural Trust funds request) is clear.
- The intended project outcomes are clear and follow logically from the project activities.

3. Project Suitability:

- The proposed project is an appropriate solution to the identified stability/capacity challenge.
For projects requesting cash reserve/working capital funds:
 - The type of cash reserve or working capital fund the applicant has proposed is an appropriate solution to the identified stability/capacity challenge.
- The proposed project aligns with the organization's overall strategic planning and financial health as a logical next step.

4. Project Feasibility:

- The proposed project budget and quotes are reasonable, realistic, and sufficient to complete the project.
For projects requesting cash reserve/working capital funds:
 - The proposed size – total dollar value – of the cash reserve/working capital fund (including but not limited to the Cultural Trust funds request) is reasonable, realistic, and sufficient to address the identified stability/capacity challenge.
- The identified expenditures are appropriate to the project.
 - For projects involving **consultants**: The identified consultant is appropriate and suitable to the project.
 - For projects involving **equipment/software purchase**: The proposed purchases are appropriate and suitable to the project.
 - For projects requesting support for **staff/board development**: The enrollment costs are appropriate and the training curriculum is suitable to the project.
 - For projects adding a **new staff position**: The job description is appropriate and suitable to the project.

- For projects requesting **cash reserve/working capital funds**: The board policies for managing and replenishment of the fund are appropriate and reasonable.
- For project requesting **debt/deficit reduction**: The plan to avoid a recurring deficit is appropriate and sufficient.
- The applicant has the necessary infrastructure, capacity, and organizational commitment in place to support the project or provides a reasonable plan for obtaining the needed resources.
 - For projects requesting cash reserve/working capital funds:*
 - The applicant has the necessary infrastructure, capacity, and organizational commitment in place to support the project.
 - The applicant has the necessary infrastructure, capacity, and organizational commitment to achieve the total dollar value of the fund proposed, over and above the requested Cultural Trust funds, or provides a reasonable plan for obtaining the additional funds.

5. Project Impact and Sustainability:

- The project as proposed will result in significant improvement to the long-term stability or capacity of the organization.
- The applicant provides a sufficient plan for how the gains from the project will be sustained after the grant period.
 - For projects requesting cash reserve/working capital funds:*
 - The applicant instills confidence that they can maintain and replenish the fund past the period of the grant, in accordance with board policies.

III. Debt/Deficit Reduction Guidance

What kind of debt/deficit is eligible within this project category?

The grant guidelines state that funds may NOT be used to address a recurring operating deficit. Eligible projects must address a debt/deficit incurred as the result of a one-time event or specific, discrete challenge. The repayment of government loans is NOT eligible.

What is the “project” for a debt/deficit reduction grant?

For the purposes of Cultural Trust cash reserve/working capital fund grants, the “project” is the act of paying down the debt or deficit — that is to say, paying the creditor or depositing the deficit reduction funds into the appropriate organizational account. Therefore, the length of time to complete the project is considered the time it will take to pay the creditor or deposit the grant funds.

What specific support materials are required for a debt/deficit reduction project application?

Applicants must submit a plan to avoid a recurring deficit that outlines how they will build organizational sustainability both during and after the grant period. Per Section IV below, the panelists rely upon the plan to avoid a recurring deficit to evaluate the project’s suitability, feasibility, impact, and sustainability, so be sure to include sufficient detail.

IV. Interpretation of Evaluation Criteria As Applied to Debt/Deficit Reduction Requests

1. Stability/Capacity Challenge:

- The applicant articulates a specific, real, and significant challenge to the organization's stability/capacity.

2. Project Plan:

- The proposed project is sufficiently detailed and specific, demonstrating a firm understanding of the mechanics of the project in order to successfully complete it.
For projects requesting funds for debt/deficit reduction:
 - The applicant makes clear and demonstrates a firm understanding of how the debt/deficit was originally incurred.
 - The proposed project is sufficiently detailed and specific, demonstrating a firm understanding of how exactly the grant funds will be expended to eliminate or reduce the debt/deficit.
- The intended project outcomes are clear and follow logically from the project activities.

3. Project Suitability:

- The proposed project is an appropriate solution to the identified stability/capacity challenge.
For projects requesting funds for debt/deficit reduction:
 - The proposed project to reduce or eliminate the debt/deficit will adequately address the identified stability/capacity challenge.
- The proposed project aligns with the organization's overall strategic planning and financial health as a logical next step.

4. Project Feasibility:

- The proposed project budget and quotes are reasonable, realistic, and sufficient to complete the project.
For projects requesting funds for debt/deficit reduction:
 - The proposed size – total dollar value – of debt/deficit reduction funds (including but not limited to the Cultural Trust funds request) is reasonable, realistic, and sufficient to address the debt/deficit identified.
- The identified expenditures are appropriate to the project.
 - For projects involving **consultants**: The identified consultant is appropriate and suitable to the project.
 - For projects involving **equipment/software purchase**: The proposed purchases are appropriate and suitable to the project.
 - For projects requesting support for **staff/board development**: The enrollment costs are appropriate and the training curriculum is suitable to the project.
 - For projects adding a **new staff position**: The job description is appropriate and suitable to the project.
 - For projects requesting **cash reserve/working capital funds**: The board policies for managing and replenishment of the fund are appropriate and reasonable.
 - For project requesting **debt/deficit reduction**: The plan to avoid a recurring deficit is appropriate and sufficient.

- The applicant has the necessary infrastructure, capacity, and organizational commitment in place to support the project or provides a reasonable plan for obtaining the needed resources.

For projects requesting funds for debt/deficit reduction:

- The applicant has the necessary infrastructure, capacity, and organizational commitment in place to support the project.
- If the grant funds alone are not sufficient to address the complete debt/deficit, the applicant provides a reasonable plan for obtaining the remaining funds needed to address the complete debt/deficit.

5. Project Impact and Sustainability:

- The project as proposed will result in significant improvement to the long-term stability or capacity of the organization.
- The applicant provides a sufficient plan for how the gains from the project will be sustained after the grant period.

For projects requesting funds for debt/deficit reduction:

- The applicant instills confidence that they have addressed or will address the root cause of the debt/deficit and that they will avoid incurring a similar debt/deficit in the future.