

# How to Use Grants

File C5-08

Grants are an important resource in developing a new business. A grant can provide seed money for exploring a business opportunity, supply working capital for a business plan or provide assistance in other ways.

Below are eighteen keys to the effective use of grants. These keys are categorized by the four aspects of grant usage. Use these keys as a checklist for successful usage of grants.

## Grant Investigation

**1. Grants are not “free money.”** Farm groups often believe that grant money can be used for any purpose they want. In other words, it is like receiving “free” money. However, grant money can only be used for the purpose outlined in the RFP (request for proposals) by the granting organization. Usage is further defined in the grant application you submit.

**2. Receiving a grant is not an “end in itself.”** Receiving a grant is just a step in the business development process. The goal is to create a successful business venture. Farm groups often believe that once they receive a grant they have accomplished their task. However, it is usually just the beginning.

The proper way to use a grant is to focus on your business opportunity and consider applying for a grant only when you need additional funds to explore the opportunity. At this stage, look for a granting organization that will provide you funds for the purposes you need. Many groups follow a different path. They hear about an RFP (request for proposals) from a granting organization and immediately try to apply for it. Often the purpose of the grant does not match their needs, so they shift the focus of their project to meeting the qualifications of the grant. This lack of focus on your core values does not create a strong foundation for new start-up business ventures.

**3. Do you need a grant?** Grant funds are usually used to finance the investigation of a business concept, provide working capital for ramping-up a business or other purpose. Grant funds can be used to supplement existing funds which may include funds provided by the farm group itself. They should not be considered as a replacement for your own funds. If you are serious about this project, you need to invest some of your own funds.

**4. Are you ready for a grant?** You should have a specific purpose and specific achievable goals for the use of grant funds. If you don’t, you are not ready for a grant. For example, if you are exploring a [business idea or concept](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-65.html), [www.extension.iastate.edu/agdm/wholefarm/html/c5-65.html](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-65.html), do you have specific aspects of the concept you want to explore? If you are using the funds to finance a [feasibility study](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-66.html), [www.extension.iastate.edu/agdm/wholefarm/html/c5-66.html](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-66.html), has the business concept sufficiently been defined to receive the maximum benefit from the study. If you are using the funds to provide working capital for a start-up business, are all elements in place, including financing for the other aspects of the business or business start-up. In other words, where are you in the [business development process](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-02.html), [www.extension.iastate.edu/agdm/wholefarm/html/c5-02.html](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-02.html)?

**5. What does the granting source want to accomplish?** The granting source will not provide you grant funds because you are a “nice person.” It has specific purposes and goals of what it wants to accomplish. Look for grant opportunities where the purpose of the grant funds is the same as what you want to use the funds for.

## Grant Application

**6. Commitment to the project.** If you are applying for a grant, you need to be committed to the project. For example, if your project is to investigate a business opportunity, you need to be ready to carry through on the investigation.

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**7. Understand the Request for Proposal (RFP).**

Review the RFP to obtain an understanding of what the granting organization is requiring. Many grants have scoring criteria requiring that specific criteria be addressed in your application. Failure to address even one criterion may be grounds to disqualify your application from further review.

**8. Writing a grant proposal.** You may want to [prepare your own grant application](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-06.html), [www.extension.iastate.edu/agdm/wholefarm/html/c5-06.html](http://www.extension.iastate.edu/agdm/wholefarm/html/c5-06.html), or you may want to hire a [grant writer](http://www.agmrc.org/directories-state-resources/agmrc-directories), [www.agmrc.org/directories-state-resources/agmrc-directories](http://www.agmrc.org/directories-state-resources/agmrc-directories), to prepare the application. A professional grant writer can organize and present the document in a form that will be favorable to your request for funds. However, hiring a grant writer does not relieve you from your duties. You still need to be engaged. The group requesting the grant funds must provide the grant writer with the project information, materials and reasoning needed for the grant application.

**9. Grant contract.** It is typical for grant recipients to forget about the grant application once the grant funds have been received. However, the application continues to have an important role. The grant application, when approved and funded, is like a contract between the grantor and the grantee. It contains a description of the responsibilities of both parties. It outlines how and when grant funds will be dispersed, the activities for which they will be dispersed, the reporting requirements (including match requirements if applicable) of the grantee and other pertinent information for the relationship. So, use the grant for its designed purpose.

**10. Meet match requirements.** Many grants require “match.” This means that you will need to invest some of your own money (or money from someone other than the granting organization) in the project. The requirement may be a one-to-one match. This means that you will put up one dollar for every dollar the granting organization puts up. Other ratios of grant funds to other funds may be outlined in the application.

Some organizations allow for non-monetary or “in-kind” match. In-kind match is often provided by the “time” committed to the project by the members of the group receiving the grant. If in-kind match is allowed, it needs to be [carefully documented](http://www.extension.iastate.edu/agdm/wholefarm/xls/c5-06inkindmatchform.xlsx), [www.extension.iastate.edu/agdm/wholefarm/xls/c5-06inkindmatchform.xlsx](http://www.extension.iastate.edu/agdm/wholefarm/xls/c5-06inkindmatchform.xlsx), as to the number of hours and activities involved.

Regardless of whether the match is cash or in-kind, the match needs to be applied to the activities outlined in the grant.

### Grant Administration

**11. Work with the grant representative.** Someone from the granting organization will be assigned to work with you. This is the person who will monitor the grant funds and receive your reports. It is important that you establish a positive relationship with this person. If you chose the right grant (in terms of the purpose of the grant) and prepared an honest application of what you want to do with the grant funds, the relationship between you and the grant representative should be a win/win situation because you both have the same goals.

**12. Grant management and accounting.** Preparing the grant application may be just the beginning of your work. If you receive the grant, you will need to manage the grant funds, provide proper accounting of both the grant funds and any match funds that may be required. In addition, many grants require that an audit be completed on the project once grant funds have been expended.

**13. Grant reporting.** Understand all reporting requirements required by the granting organization. These will be outlined in the RFP, letter of conditions and grant agreements. Many grants have periodical reporting requirements that are required during the period of time that grant funds are being used, and then again when all grant funds have been expended. Failure to meet these reporting requirements may result in the loss of the grant, or may add additional time or reporting requirements to the project.

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**14. Don't subsidize current operations.** It is tempting to use grant funds to shore-up your fledgling business, especially if things are not going well. Don't use the grant funds to subsidize current operations unless the grant specifically provides for it.

**15. Spending grant funds.** We all know that spending someone else's money is easier than spending our own. The same is true of grant funds. This is often referred to as "burning" through grant funds. If you aren't careful, the grant funds are spent and you have not achieved your purpose.

### Grant Follow-up

**16. Did the grant help you achieve your business goal?** If you received the grant to investigate a business idea or concept, did you properly investigate the idea and reach a conclusion about its viability? If you received the grant to provide working capital, is the business up and running?

**17. Is the granting source satisfied with your use of the funds?** After you have written your final report, discuss with the granting organization the grant and how the funds were used. Developing a good relationship is important if you ever want to apply for another grant.

**18. Don't live off grants.** If you have received a grant, it is easy to spend your time trying to get another grant. Remember, receiving a grant is not an end in itself. Rather, it is meant to provide financial resources to help you achieve your business goal.

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