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NONPROFIT AGENDAS

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4 steps to better grant management

Grants have long been the lifeblood of many nonprofits, and more organizations are wading into grant waters amidst continuing economic uncertainty. Establishing or revamping your grant management process doesn't happen overnight, but the long-term payoffs (and potential payouts) make the investment well worth it. Here are some steps for improving your grant management.

1. Take a cross-functional approach

The receipt of a grant doesn't affect only one department — it has implications across the organization. That's why the development, program and finance departments all should be involved throughout the life cycle of a grant, from proposal writing to final reporting.

At the proposal stage, for example, development needs input from the program people about the relevant activities and expected outcomes. The finance department can provide valuable guidance when developing the budget. And everyone needs to agree on realistic deliverables, timelines and reporting deadlines before they're incorporated in a proposal.

Communication among the different functions should continue after the grant is awarded. Ongoing communication regarding the programming work and expenses can help the team identify problems following the terms of the grant on a timely basis, when they can still be addressed without adverse consequences.

2. Keep your systems in mind from the beginning

You'll find it much easier to manage grants when you think about your existing systems from the outset. This is just one more reason to be cross-functional in your approach to grants.

For example, you'll preempt headaches down the road if you consider your accounting system as you develop the budget for a grant proposal. If you plan to use your chart of accounts to track costs, the budget format should match up with those existing accounts. If you don't, you may end up needing to produce reports manually. Manual reporting eats up staff time and can lead to human errors with multiple repercussions. (See "How automation can help fill your staffing gaps" on page 4.)

3. Develop formal policies and procedures for key areas

No part of grant management should be handled on an ad hoc basis — it's a recipe for disaster. Implement policies and procedures to ensure you cover all the bases.

For example, administrative processes should coordinate resources throughout the grant's life. They also can help your organization build up a "grant repository" so you aren't re-inventing the wheel with each application and awarded grant. The repository can include documentation commonly required by grantors, templates and FAQs. This information must, of course, be kept up to date.

> *A comprehensive calendar, visible to all internal stakeholders, is the foundation for reliable grant management.*

Financial processes should focus on compliance with funder requirements. Compliance is top of mind for grantors and can enhance or undermine your reputation, affecting your ability to land future grants. Proper processes are needed to facilitate the timely collection of the requisite data.

Operationally, policies and procedures should center on gathering data to build your case for program effectiveness and outcomes. You also can use this information for marketing your organization to other audiences, such as individual donors.

4. Maintain — and abide by — a grant calendar

A comprehensive calendar, visible to all internal stakeholders, is the foundation for reliable grant management. The calendar should include all important dates, from application to reporting deadlines, with time built in to secure necessary reviews and sign-offs.

It also should reflect staff vacations and other leave so you plan for the necessary coverage to stay on track. Similarly, include the dates — and build in preparation time — of your annual audit, board meetings, and other activities and events that consume a significant amount of your organizational resources. Unexpected occurrences will arise, but the more you can anticipate, the better your odds of satisfying grantors' expectations.

GRANT ACCOUNTING IS COMPLEX

In addition to properly managing grants, it's important to understand how to recognize such awards under the Financial Accounting Standards Board's (FASB's) rules.

The first step is to determine whether an award is a contribution or an "exchange transaction" subject to FASB's five-step revenue recognition rules. It's probably an exchange transaction if the grantor receives commensurate value for the assets it transfers to your organization (for example, a research and development grant where the grantor retains intellectual property rights in the results).

If an award is a contribution, you also must determine whether it's conditional. A conditional contribution generally includes 1) a barrier your organization must overcome to receive the contribution (for example, a matching requirement or restrictions on allowable expenses), and 2) either a right of return of the transferred assets or a right of release of the promisor's obligation to transfer assets. Under FASB's rules, you recognize unconditional contributions, including promises to give, when you receive them. Conditional contributions aren't recognized until you overcome the barriers.

Bottom line

The lack of a solid grant management system will only increase the complexity and burden of grant-related tasks as your organization grows. Making the effort to improve your system now could open the door to greater funding, financial stability and, ultimately, mission-oriented work. ●

How automation can help fill your staffing gaps

Like many other employers suffering through the so-called Great Resignation, some nonprofits are struggling to fill — and keep filled — all of their positions. Automating processes with software could provide relief for organizations of every size.

Case for automation

Nonprofits understandably might fear that automation will remove the human touch valued by everyone from founders to constituents — but they have plenty of reasons to embrace the technology. For example, automation removes the risk of human errors that can end up creating more work for your stretched staff.

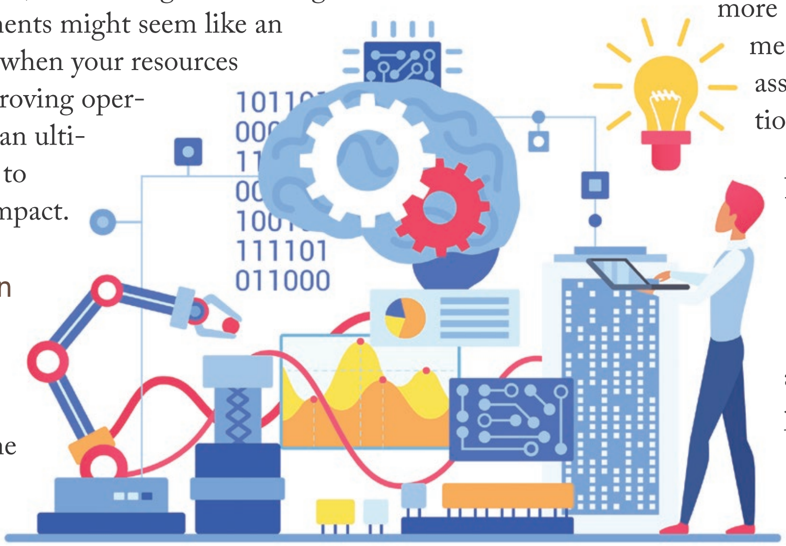
Moreover, automating mundane tasks frees up staff time so employees can focus on more fulfilling efforts, from nurturing donor relationships to mission-oriented work. At a time when many employees don't hesitate to leave jobs for what they perceive as greener pastures, ensuring meaningful work can go a long way toward improving their satisfaction. In turn, you can save money on recruitment, retention, onboarding and training. Technology investments might seem like an unaffordable luxury when your resources are limited, but improving operational efficiencies can ultimately position you to greatly boost your impact.

Target automation areas

The most obvious targets for automation are those routine but essential tasks that are both time-consuming and tedious, if not demoralizing, for staff. Think maintaining contact information on supporters or updating your website. But automation also can support some of your most important functions, including:

Event management. Big events may require hundreds of staff hours to plan, promote, execute and follow up, much of it spent on administrative work. This can prove especially overwhelming for organizations that don't have dedicated event planners on staff. Automation can make it easier for you to track workflow, as well as handle tasks like registration, mailings, and ticket and agenda distribution. It also can simplify budgeting and financial reporting for events.

Marketing. You need to make the most of every dollar in today's competitive environment for donation dollars. Automation can help you determine the most effective marketing strategies and channels. And you can deliver more tailored, even personalized, messaging to different audience segments, whether based on location, demographics or giving history. Automation can also facilitate more efficient social media posting and assembly and distribution of newsletters.



Fundraising. Optimized donation forms on your website can collect critical information and automatically populate your databases. You can issue receipts automatically and schedule follow-up contacts. Artificial intelligence can analyze mountains of donation and other data, detect patterns, and suggest when previous donors might be ready to contribute again and in what amounts. You can deploy automation to perform prospect research, too. Bots are capable of crawling the Internet much more effectively and quickly than even the most online-proficient human could ever hope to do.

Reporting. Whether required for grantors, other stakeholders or internal purposes, you can easily produce regular reports that monitor and analyze your key performance indicators and metrics. When such metrics are updated on a real-time basis, you can track them on a dashboard and make timely adjustments to campaigns and budgets while you still have time to head off or mitigate adverse consequences.

Your first steps

When you're ready to automate, be sure you start by identifying the appropriate areas for adaptation and *then* search for the solutions that fit. Reversing the order of these steps could leave you with costly technology that doesn't meet your needs. We can help you get started in the right direction. ●

Envisioning the future

How to assemble a succession plan

Succession planning is an important activity for every nonprofit organization. It's not a matter of if, but when you'll need a plan. Prior planning can help determine whether the transition will be seamless and successful or risk your organization's future.

You can't draft a plan overnight, and the sooner you develop one, the better prepared your organization will be for a leadership transition. Let's look at some things to consider when creating a succession plan.

Include the correct employees

Don't limit succession planning to the executive director (ED) position. Your plan should include every employee who's considered indispensable and difficult to replace due to experience, institutional knowledge or other characteristics. Whose departure would have the most significant consequences for your organization and its strategic plans?

When you look at it that way, you can see that succession planning often should be broader than first considered. In addition to the ED, you might need to develop plans for high-level staff (for example, the development director) and even board members.

Define job qualifications

This step calls for more than simply reviewing or updating job descriptions. It can be a good time to examine priorities and realign some job responsibilities. This will ensure that successors have the requisite qualifications to carry out your organization's short- and long-term strategic plans and goals, which their job descriptions might not reflect.

HR experts emphasize that succession planning should take a forward-looking perspective. The current jobholder's experience and qualifications are only a starting point. What worked for the last 10 or 15 years might not be enough for the next 15 or 20.

Identify in-house candidates

When the time comes, many organizations publicize open positions and invite external candidates to apply. However, it's easier (and often advantageous) to groom internal candidates before the need arises. To do so, you'll want to identify your "high potential" (HiPo) employees — those with the ambition, motivation and ability to move up substantially in your organization.

Assess your staff using performance evaluations, discussions about career plans and other tools to determine who can assume greater responsibility now, in a year or in several years. You may discover HiPos in lower-ranking positions, so look beyond the director or manager level.

Implement action plans

Once you've identified potential internal candidates, it's time to develop individual plans for each to follow. Consider your organization's needs and plans, as well as each candidate's personality and learning style.

An action plan should include multiple components, such as job shadowing. This will give you a good sense of how a person would fill the position under consideration. It also can provide opportunities such as leadership roles on special projects, training, and mentoring and coaching. Share your vision for the person's future to ensure common goals. You can update action plans as your organization and employees' needs evolve.

If such an action plan seems like overkill, understand that it'll prepare candidates in a way that makes futures transitions less rocky and risky. Formal development plans also are likely to boost your recruitment and retention. But avoid leaving HiPos in holding patterns. If they don't receive timely promotions or other growth opportunities, they may pack up their skills and qualifications and leave.

Share the details

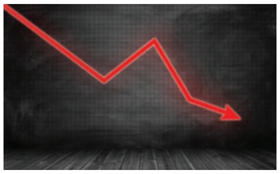
Succession planning isn't something to keep under wraps. You won't receive the recruitment and retention benefits if potential and existing staffers don't know you have formal plans for nurturing talent. You'll also want to share the plan's existence with stakeholders, such as grant makers and major donors. They'll appreciate the assurance that you're prepared and are unlikely to end up knocked off course by a significant departure.

Avoid interruption

Early succession planning not only makes for a smoother transfer of responsibility, but might also enable leaders to spot issues that need to be cleared up before the transition. A leader's departure doesn't have to be negative. Leadership succession can, in fact, result in positive press and higher donations. Contact us for help developing a comprehensive succession plan. ●

News for Nonprofits

How operating reserves have fallen



The number of nonprofit executives whose organizations had four months or more of operating reserves in 2022 fell more than 10% from the previous year, according to "Nonprofit Standards: A Benchmarking Survey." The discrepancy came even as 76% of respondents saw revenue rise in the most recent fiscal year.

According to the survey, your nonprofit should have at least six months of reserves available to help ensure it can survive economic volatility. The problems associated with inadequate reserves are only compounded by inflation-driven increases in operating costs and employee compensation.

To mitigate the effects of inflation, 65% of the survey's respondents are increasing salaries and wages. Just over half are pursuing operational efficiencies, and about the same number are increasing fundraising. To increase liquidity, nonprofits might consider cutting variable costs and negotiating with suppliers to stretch out payment horizons. ●

MacKenzie Scott's gifts don't dissuade donors

As of December 2022, MacKenzie Scott has given an estimated $14 billion to more than 1,600 organizations. When she first announced her intention to donate her fortune, fears arose that her gifts would cause other donors to pull back and that smaller organizations wouldn't be able to handle such large, unrestricted gifts.

A new report from the Center for Effective Philanthropy (CEP) goes a long way toward dispelling these concerns. CEP has conducted a three-year study of the impact of Scott's large, unrestricted gifts on recipients. The organization is focusing on the nonprofits that received a gift from summer 2020 to summer 2021 and recently released its first of three expected reports.

Among key findings, CEP says few recipients have encountered organizational challenges or faced disruptions, such as declines in other funding, as a result of the grants. Rather, they were able to address long-standing needs and experienced increased confidence and credibility for their organizations. ●

CEO compensation climbs while gender pay gap persists

Candid's 2022 nonprofit compensation study found that, though median compensation for CEOs increased by 4.7% overall, it dropped by 5.2% for organizations with budgets greater than $50 million. About 30% of incumbent CEOs at those organizations saw either a compensation cut or no change. The biggest increase was 7.3% in nonprofits with budgets between $250,000 and $500,000.

The pay gap between male and female CEOs is slowly declining, but female CEOs still are paid only $0.73 on average for each dollar paid male CEOs. Median compensation for female CEOs trails the median compensation for male CEOs in all budget groups, with the disparity increasing as the size of the budget grows. The difference is nearly $100,000 in pay in organizations where the budget is $50 million or more. ●

The support you need. The service you're looking for.

Succeeding in the not-for-profit sector today requires more than a strong commitment to your mission. It takes shrewd fiscal management, careful regulatory compliance, skillful use of technology and the assistance of advisors who know the issues nonprofit organizations face and how to address them.

This is where Sechler Morgan CPAs, PLLC comes in. Our team of experienced professionals cherishes the opportunity to support nonprofit organizations, meet their management challenges and fulfill their missions. We offer a variety of specialized accounting, tax and consulting services including:

- Audit intermediary services
- Budget and policy design
- Outsourced accounting/bookkeeping
- Tax form preparation (990, etc.)
- Strategic and management consulting
- Speaking on financial literacy and other topics
- Technology and virtual system design

RESPONSIVE QUALITY

We are committed to providing responsive, personalized service to the highest quality. We take time to truly understand your Organization so that we can customize our recommendations to your specific situation. Our goal is to make your processes easier, streamline your operations and ensure your success in reaching *your* goals.

We welcome the opportunity to discuss your mission and vision so that we may assist you with our expertise. Please call us at 602-230-2700 or e-mail info@azcpa.com and let us know how we may support you. Be sure to visit our website at www.azcpa.com for additional tools and information, as well as our archive of this newsletter.

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