

More Than Money

Real work **BEGINS** after the grant is won



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Summer 2011

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Inside

Winning a grant in the early 21st century is tough: fewer are available and more nonprofit agencies are pursuing each of them.

Add in that donations are typically coming in lower and slower – and that client bases grow, but program fees can't – and a won grant is more important to the revenue stream than ever before.

But after the grant is won, the real work begins. Your agency needs to deliver whatever it promised in the grant application, and it often needs to report to the grantor on funds that are used.

In the grant process, there are at least two opportunities to assure the

grants work both for the giver and the recipient. First is when the application, "the ask," is made. It should be crafted to best facilitate the needs of both parties within the grant application context.

Second is during the grant period itself. The minimum level of control and reporting is defined in the grant documents, but the wise agency will look beyond these and report its progress with even greater frequency.

"It makes them feel more part of what is going on," says Dennis Kennedy, the CFO of Auberle, a large social services agency outside of Pittsburgh, Pa. "Furthermore, if you are staying in touch on a regular basis and, for some reason you are having trouble launching programs that would fully utilize those funds, it is less of a rude surprise to them later."

Grant funds can be viewed in three categories:

Unrestricted, temporarily restricted and permanently restricted.

Unrestricted funds are monies that the donors have not required to be spent upon specific programs or efforts, or within defined time frames. Often these are individual donations or proceeds from special events that have been advertised as benefiting the agency in general.

Occasionally, some grant funds may go directly to pay for general operating expenses as defined in the grant documents, but more often grant funds are subject to some restrictions.

Temporarily restricted funds are constrained either by a donor-specified purpose or a time period.

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See *Real work begins after grant is won* on back

Financial news & notes for nonprofit organizations from:



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Getting a balanced view

Are 360-degree evaluations the way to go?

People who choose to work in the world of nonprofits are special people. They want to contribute to a cause, to make a difference in their world and in the lives of others.

But, the employees of nonprofit organizations are also normal people. And as such, they need feedback to be their best. A 360-degree evaluation is a great way to give needed feedback to your employees and volunteers.

A 360-degree evaluation gathers information from a wide array of people who deal with the employee on a regular basis. Rather than just gathering information from above (top-down evaluations), 360-degree evaluations ask for input from the employee himself, colleagues, subordinates, superiors, vendors and clients.

In a nonprofit setting, volunteers can also be included in the mix. The resulting report helps the employee and his supervisor get a more balanced view of the employee's performance.

Most instruments keep individual responses confidential, but they do show how each specific group responded. That can be revealing. For example, Employee A may get high marks from colleagues but low marks from volunteers. That might indicate a need for training on how working with volunteers differs from working with paid staff. Employee B might rate herself very low on some items that are rated much higher by other parties. There may be a confidence issue to address here.

The old adage of "two heads are better than one" plays in as well. If, for instance, the employee and the supervisor don't get along particularly well, a standard review taken from that one supervisor might prove negative. It may be that the employee is very good in many ways, but the relationship with the supervisor needs work. Gathering information from a variety of sources can help you identify those types of issues and address them specifically.

Of course, 360-degree instruments should be designed carefully. First, they should coincide with the agency's culture and predetermined goals. For instance, you shouldn't measure the employee on something he's never been told was important.

Second, rating statements must be clear and precise. You don't want to ask one question about two attributes. For example, if you ask the participant to rate the statement, "Employee provides

timely and accurate information," you're asking the rater to consider two independent issues – timeliness and accuracy. Better to ask for two separate ratings.

There are many 360-degree evaluation providers on the market. If you're trying to choose one, be sure they can customize the questions to your particular culture and job issues. Look at samples of their questionnaires to be sure they ask clear rating questions, not double-issue questions as noted above. Also, be sure they can maintain confidentiality of responses and provide reporting in a clear and useful format.


Many 360-degree companies also provide a telephone or in-person debrief to the employee. This can be beneficial, because the employee may feel freer to talk about reactions to the responses with this nonsupervisory third party.

The 360-degree evaluation provider will also have more experience reading, interpreting and debriefing employees on their reports and, therefore, may be able to provide needed insights to the employee and supervisor. The 360-degree reports become a great coaching and staff development tool.

This type of evaluation, when used correctly, is a great way to provide useful, timely feedback to your team. Remember, people can perform well only when they know what they need to focus on. Provide feedback, and watch your team thrive. – Denise Altman, CPA, M.B.A., president of Altman Initiative Group and director of the Business Success Institute

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The **right way** to brainstorm **for best results**

A glowing lightbulb is positioned in the upper left quadrant of the page. Below it, a black and white photograph of a man with his hand on his chin, looking upwards in a thoughtful expression, occupies the left side of the page.

Brainstorming. The word is tossed around loosely to mean any kind of problem solving or creative thinking. But did you know that it is also a specific and valuable group technique?

Brainstorming is a method of generating novel and innovative solutions among a small group of people. It harnesses the axiom about group dynamics that the “whole is greater than the sum of its parts.”

The technique of brainstorming can be useful in a nonprofit organization. Here is how it works to achieve the best results:

Get together a group of four to 15 people. Purists of the technique advise starting with a brief icebreaker exercise to get the group warmed up and relaxed. You can skip this if the people already know each other and are comfortable together.

The group facilitator gives a summary of the problem to be solved and then allows five or 10 minutes for group members to write down as many ideas for solutions as they can come up with.

The next step is to have people report what they have written, plus any new ideas, while a designated recorder writes them on flipcharts or some other surface for all to see.

The following rules for brainstorming are what make it a powerful technique. The rules should be posted and read aloud, and then followed closely.

Don't allow any judgment or critique of ideas. Evaluating people's ideas slows down idea generation and stifles creativity. Evaluation will come later. At this stage, don't even discuss the ideas. Just write them down.

Try to come up with wild and exaggerated ideas. Nothing is too ridiculous. Even if an idea is impractical, it might stimulate creativity in others. One idea often begets several others.

Go for quantity of ideas, not quality at this stage. You will be narrowing down the list later. Keep each idea brief. Don't elaborate. Think fast and then move on.

Build on other people's ideas. Try to add something to or spin off from previous ideas. Combine two or more ideas into a new one. Let yourself be inspired by what has been said.

Every person's ideas have merit. Everyone is unique and has a different font of wisdom that you want to tap into. Encourage everyone to speak up and not hold back.

Let the group continue as long as ideas are forthcoming. Don't be too quick to end if there are lulls. Periods of silence can be useful for thinking of more ideas.

When you have harvested all the ideas, the evaluation can begin. First, combine items that are similar. Then take a vote on which items are worth keeping. Winnow down the list to just the ideas that seem to hold some promise.

Discuss the merits and flaws of each item, one at a time. Make improvements where possible. Continue to narrow the list by holding another vote if necessary.

In the end, you should come away with a solution or a short list of potential solutions to the problem. The result will almost surely be better than what the same individuals could have generated working separately. – Jeff Van Pelt, Ed.D., SPHR

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Real work begins after grant is won *continued from front*

In the case of a purpose restriction, for example, a donor may give \$10,000 toward buying office equipment. If the agency can buy the equipment for \$8,000, the remaining \$2,000 often can be added to the general operating fund.

An example of time-restricted funds may be an individual's donation of \$2,500 for agency employees to receive this year's continuing education. The first of next year, unspent funds from the \$2,500 may be moved from temporarily restricted funds to the general fund.

An example of permanently restricted funds might be an endowment for a music education department or a donation specified to pay only for adolescent medical services in a full-service hospital. Regardless of the needs in the other areas of these institutions' operations, those particular gifts must be used exclusively for music education in one and adolescent medical services in the other.

Often, permanently restricted funds are further limited in that the principal – the donation itself – cannot be spent. Instead, only the proceeds earned from investing the principal may be allocated directly to the granted program.

Consequently, it is important to accurately control and

report on the uses of restricted funds. Control and reporting begins with “the ask,” Kennedy says.

“When seeking donations, the agency should try to craft the donation as ‘open’ as possible,” he says. “The agency will be much better off.”

Reporting and controlling restricted donations can be further complicated when more than one restricted grant is won for a single program. Frequently, each grantor will have different restrictions. Some will be more difficult, less “open,” than others.

“It is prudent to apply expenditures to the most restrictive funds first,” Kennedy advises. “In other words, if you incur an expense that might apply to three different [restricted] funds, each more restrictive than the other, apply it to the most restrictive first. Later on, it might be more difficult to find the fit.” – *Rick Compton*

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The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation. Please be advised that, based on current IRS rules and standards, the information contained herein is not intended to be used, nor can it be used, for the avoidance of any tax penalty assessed by the IRS.

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