

General Operating Support Evaluation

Executive Summary

Prepared by TDC - November 2016

Introduction

In 2012, following over 18 months of staff deliberation and research, the Board of Trustees of the Hartford Foundation (the Foundation) voted to add General Operating Support (GOS) to its grant making menu. This decision was responsive to the expressed needs of agencies in the Foundation's region, as well as a growing acknowledgement in the philanthropic community that GOS is a uniquely effective form of philanthropic support.

In late 2012, TDC, a nonprofit consulting firm based in Boston, was selected to work as a partner with the Foundation in its implementation of GOS and as the evaluator of the program's initial rounds of grantmaking. TDC's work with the Foundation had three primary objectives:

- To assist the Foundation with the initial implementation of the GOS grantmaking process
- To build the capacity of the Foundation to carry out the GOS grantmaking process
- To evaluate the success of the GOS grantmaking strategy.

The following is an executive summary that summarizes TDC's findings and recommendations across two evaluation reports covering the period from January 2013 when GOS grants were initially introduced through July of 2015. This summary discusses both the development and early implementation of the GOS process as well as the impact of GOS grant making on the grantee organizations and the Foundation itself. The evaluation process included soliciting feedback from a variety of perspectives including Foundation staff, GOS grantees, and GOS applicants, as well as observation of key decision making meetings and a review of relevant materials.

Background

In January of 2013, General Operating Support (GOS) grants were introduced as an alternative to the Foundation's other major form of grantmaking -- three-year, declining program grants. GOS grants were intended to be more flexible than traditional project grants and were offered as three year grants, with level funding for each year. The size of GOS grant awards would also be comparable to program grants. GOS eligibility criteria were designed to attract organizations with annual budgets between \$200,000 and \$8 million that could demonstrate their stability, both financially and operationally.

The Foundation established additional criteria for GOS applicants related to an organization's financial health and infrastructure that raised the eligibility bar. Applications for GOS grants were also reviewed as a cohort by a team of Foundation staff instead of individually by each

program officer. The Foundation acknowledged at the outset of the GOS grantmaking process that this was a new type of grantmaking and as such, the Foundation and grantees would be learning partners, reflecting on and refining the grantmaking process over time.

Overview of Findings

Over the course of this evaluation, a total of 7 diverse organizations received GOS funding, as summarized below.

GOS GRANTEES	Date of Award	Annual Budget	Grant Award	Annual Award	Award as % of Annual Budget
ROUND 1: \$1,005,000					
The Bridge Family Services	June 2013	\$7,580,351	\$375,000	\$125,000	2%
COMPASS Youth Services	June 2013	\$2,100,000	\$300,000	\$100,000	5%
Jewish Family Services	June 2013	\$4,130,000	\$330,000	\$110,000	3%
ROUND 2: \$484,500					
Hartford Food System	Dec 2013	\$450,920	\$109,500	\$36,500	8%
Mercy Housing & Shelter	Dec 2013	\$5,060,452	\$375,000	\$125,000	2%
ROUND 3: \$225,000					
Amistad Center for Arts & Culture	Oct 2014	\$626,000	\$225,000	\$75,000	12%
ROUND 4: \$255,000					
Leadership Greater Hartford	Dec 2014	\$1,479,856	\$255,000	\$85,000	6%
TOTAL GOS AWARDS			\$1,969,500		

Development and Early Implementation

In TDC’s estimation, the Foundation’s staff was successful in shepherding GOS grantmaking from a set of thoughtful ideas to a new grantmaking program. The staff demonstrated the ability to work as a highly functioning team and hold one another accountable to agreed-upon grantmaking criteria and processes. The team grew in their ability to conduct financial analyses of GOS applicants, with support from NSP staff. TDC heard from the applicant and grantee perspective that Foundation staff undertook GOS grant making in a thoughtful way and most felt overall that the process and requested information were reasonable and fair. Most interviewees appreciated the willingness of Foundation staff to acknowledge GOS as a work in progress, and to acknowledge that in some ways they were the pioneers in this emerging process.

In the early stages, the greatest challenge for GOS grant making was determining how best to frame indicators and capture the impact of the GOS investment for grantee organizations. The evaluators worked with GOS staff and grantees to find the appropriate balance between holding

grantees accountable for outcomes and finding reporting mechanisms that would not be too onerous for grantees. Based on grantee feedback, the reporting requirements for GOS evolved to using each grantee's strategic plan and outcomes as the vehicle for charting progress. Grantees also were encouraged to provide the Foundation with strategic plan update reports they prepare for their boards rather than having to create a separate GOS report.

General Operating Support is Highly Valued and Has Had the Desired Impact

All of the Foundation's GOS grantees stressed that GOS is very valuable funding to have, and difficult to come by. All appreciate that the Foundation is offering GOS, and that the grants are substantial in size. All encourage the Foundation to continue to offer this funding, and expressed their desire to continue to access this important type of support.

It is still relatively early to judge the long term impact of the GOS investments. In addition, it is important to acknowledge that while GOS grants have made a contribution toward grantee outcomes, it cannot be claimed that grantee outcomes can be attributed to GOS grants alone. That said, in TDC's estimation, the significant flexible dollars provided by GOS appear to be contributing to the results that were anticipated by the time of this evaluation – GOS grantees have begun accomplishing their desired outcomes and show evidence of solidifying their already strong organizational infrastructures. The GOS grantees are, by and large, making progress in accomplishing their strategic plans, and have been nimble and flexible in carrying out these plans in the face of changing and unpredictable operating environments. The evidence further suggests that requiring Board members of GOS grantee organizations to be engaged in the application effort has paid off, and that Board members have remained engaged and involved in implementing and monitoring progress on strategic plans. Some grantees noted that the rigorous GOS vetting process employed by the Foundation served as a "seal of approval" of their efforts, and helped them to attract additional funding.

The first five GOS grantees all reported multiple examples of how GOS has positively influenced their thinking about and ability to try new things. Grantees commented that while their goals have remained the same, tactics may have changed because GOS provided start-up funding or a cushion not otherwise available. At the same time, a couple of grantees shared experiences where after additional research or feasibility testing, sometimes accompanied by a change in the funding environment, an expansion idea was put on hold. In both instances, grantees have used data and analysis to ensure their project ideas were on solid ground before jumping in.

The early evidence also suggests that GOS has also helped to promote the financial health of grantee organizations, although it should be noted that sufficient time has not elapsed to make a determination if there are long term positive outcomes regarding the financial health of the organizations. Thanks in part to the Foundation's upfront due diligence and its subsequent

investment, GOS grantees have generally experienced a surplus in the year in which they received their first GOS grant, saw an increase in their unrestricted net assets, increased or maintained their days of cash on hand, and have not taken on any new debt.

Looking to the Future - Recommendations

With a number of rounds of GOS under the Foundation's belt, it is increasingly clear that GOS has secured its place as an essential tool for the Foundation. In addition to a positive impact in organizations as a result of GOS investments, the GOS process has become smoother and more institutionalized for the Foundation and its current and potential grantees. The GOS decision making process has become more integrated with the Foundation's regular grant making. GOS grants are now reviewed and considered with other grants; and some of the due diligence that was initiated through GOS is now part of the due diligence performed with all grant making.

As GOS has become more a part of Foundation operations, the staff have developed and implemented a number of recommendations with which TDC concurs. TDC concurs that there:

- shouldn't be waiting period between operating grant cycles;
- should be some track record with the Foundation in place prior to making a first GOS grant;
- shouldn't be a \$8M annual operating budget cap; and finally,
- should be measurable goals and objectives related to a grantee's strategic plan that are articulated and tracked for GOS grantees.

Make GOS More Broadly Available

In TDC's estimation, there is no question that the Foundation should continue to offer GOS as a grant making option. Rather, the question is how GOS should evolve based on the learnings from these initial phases of effort. TDC recommends that the Foundation make GOS more broadly available based on the very successful experience to date. Our recommendation is based on the following factors:

- Operating support promotes the ability of nonprofits to operate effectively and achieve their desired results.
- Nonprofits are facing a challenging operating environment, and operating support can help nonprofits better weather these challenges.
- Beyond the Foundation's formal GOS program, there are significant other instances where the Foundation is already offering operating support to key grantees.
- The provision of operating support will make it more feasible for the region's nonprofits to partner with the Foundation to realize its strategic plan.

Operating Support Promotes Effective Operations and Results

The provision of general operating support is increasingly considered a best practice in philanthropy. General operating support is the type of funding most frequently requested by nonprofits in national surveys. This national finding is echoed locally, in the Foundation’s Roundtables and “Listen and Learn” convenings over the past several years, as well as in surveys and individual conversations. Nonprofits have expressed a clear preference for GOS for years; and increasing numbers of philanthropic entities are developing policies responsive to this preference.

Grantmakers for Effective Organizations has been a strong proponent of GOS, noting that GOS:

- Enables nonprofits to build a strong and sustainable infrastructure to support programs that will have impact;
- Frees up time from fundraising and program reporting to focus on delivering effective programs;
- Eases the fundraising pressure on nonprofit’s senior staff, reducing burnout and allowing them to focus on the mission;
- Fosters risk-taking and innovation by providing the financial bandwidth to consider new opportunities; and
- Reduces the power imbalance between grantee and grantmaker by allowing nonprofits to determine their own solutions based on their considerable experience in the field.¹

In TDC’s estimation, the experience of the past few years has proven the value of GOS.

Challenging Operating Environment

The current operating environment for nonprofits in the region is extremely difficult, and is projected to remain so for the foreseeable future, given state budget limitations, increased competition for philanthropic dollars and compelling regional challenges. At the same time that resources are constrained and regional needs are acute, the level of expectation for nonprofit performance has been on the rise - nonprofits are increasingly expected to be well run entities, with solid strategic plans, strong management structures, financially sustainable business models and demonstrated impact. This is exceedingly difficult to accomplish when philanthropic resources are limited to program purposes rather than being a more flexible source of support. The provision of GOS can provide a critical tool in encouraging nonprofits to be resilient and thrive in challenging times. While the Foundation’s resources are limited, the ability of the Foundation to offer these resources in the most flexible manner is not.

¹ “What is General Operating Support and Why Is It Important,” **The Smarter Grantmaking Playbook**, Grantmakers for Effective Organizations

The Foundation is already offered operating support in other instances

In considering the future role of GOS at the Foundation, it should also be recognized that the Foundation has a long history of providing operating support for some nonprofits beyond the “official” GOS pool. Many of the large and well established arts groups in the region are currently receiving unrestricted general operating support, even though the funding is not labeled as such. This is also true for other organizations in the Foundation’s grant making portfolio including large health and educational institutions. Additionally, the Foundation is currently expanding its efforts to provide a form of tailored operating support for small organizations. Going forward, it may be more helpful to use a consistent approach to the provision of operating support across these different grantees.

Realizing the Foundation’s New Strategic Plan

The Foundation has recently adopted a new strategic plan, which focuses on equity and opportunity, and prioritizes learning from birth through college, vibrant communities and family economic security. The plan invites partnership with the region’s nonprofits and others, and recognizes that a strong partnership with nonprofits is essential to help address challenging and important regional goals. The plan also highlights key values and strategies that the Foundation will deploy and encourage among its partners, including collaboration, innovation, creativity and strategic risk taking.

TDC urges the Foundation to consider making GOS more broadly available to nonprofits that align with the Foundation’s strategic plan priorities. The region’s nonprofits would welcome the news that operationalizing the Foundation’s strategic plan includes broadening the availability of operating support. As noted above, GOS is often seen as an important factor in providing the flexible financial bandwidth that enables organizations to innovate, collaborate and take strategic risks that are responsive to new knowledge and opportunities.

Operationalizing the Details

TDC recommends that the Foundation:

- **Give most if not all nonprofits in the region the option of applying for GOS or program support.** We anticipate that most organizations will choose GOS, but some may seek program support. As part of the refinement of this policy, the Foundation should **consider whether and how the provision of GOS funding ties to the Foundation’s strategic plan priorities.**

- **Refine the financial criteria for GOS to be a bit less rigorous, while still excluding organizations with a structural deficit and/or significant and multiple annual deficits.** If organizations are at financial risk, there should be an explicit conversation about why they might be supported despite this situation and what the plan is for addressing the financial situation. The development of a plan for addressing financial sustainability could be closely coordinated with NSP support.
- **Conduct due diligence that mirrors that currently undertaken for GOS applicants for the expanded pool of eligible organizations.** TDC recommends that the Foundation continue to require submission of a thoughtful and detailed current strategic plan, the active engagement of the Board in the application effort, and other due diligence efforts and materials that are now part of the process. TDC further recommends that the Foundation continue to conduct a detailed financial analysis up front of all applicants, and track financial progress on a regular basis. This aggregated data could then be reviewed each year to better understand the impact of GOS and the overall financial status of the region's nonprofits.
- **Consider tying GOS more explicitly to the provision of technical assistance and building the capacity of grantee organizations in need of such support.** If the Foundation relaxes the criteria for GOS dollars, the availability of those highly desirable dollars might be leveraged to encourage applicants and/or grantees to invest in such efforts as developing a thoughtful strategic plan that includes measurable outcomes, and/or building a plan for financial sustainability. The new Small Agency Initiative will provide an important opportunity to explore the efficacy of this approach. TDC is familiar with many other efforts across the country which have provided a tailored combination of technical assistance and operating support, often resulting in positive and enduring community impact.

TDC is honored to have been given this opportunity to serve as an evaluator and thought partner for Foundation's GOS grantmaking effort and hopes that this report proves helpful as the Foundation continues to expand and refine the provision of GOS to the region's nonprofits.