

Hartford Foundation for Public Giving

Phase II Evaluation Report General Operating Support Grants

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Introduction

In late 2012, the Hartford Foundation issued a request for proposals for consultant assistance with the implementation and evaluation of its GOS grantmaking. 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 first three rounds of grantmaking. As the Foundation's partner, TDC watched the grantmaking process unfold; helped Foundation staff refine and strengthen the process over time; developed the evaluation framework, which was designed to answer many of the questions articulated at the outset of the GOS grantmaking process; and in 2015, reported on the first phase of GOS grantmaking.

This is the second report to evaluate General Operating Support (GOS) grantmaking. GOS grantmaking was introduced in three phases, or rounds of grantmaking, which occurred over a period of eighteen months.

The Phase II evaluation process included soliciting feedback from Foundation staff and grantees. In pages that follow, TDC reports on the results of the second phase of implementation of GOS grantmaking, from July 2014 through July 2015. This includes five organizations that are in their second year of GOS funding (Round 1 & 2) and two organizations that are embarking on their first year of funding (Round 3 and 4), as noted 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		

Evaluation Methodology

TDC's work with the Foundation has 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

TDC's primary focus during the first phase of the evaluation was to facilitate the development of a group review and decision-making process among Foundation staff that would hold everyone accountable to the criteria established for GOS grants, and enable the staff to carry out the grantmaking and implementation process without consultant support going forward. At the conclusion of the first phase of the GOS evaluation, TDC offered the following key observations and recommendations:

- In TDC's estimation, the results of the Phase I evaluation affirm that the Foundation should continue to offer GOS as a grantmaking option.
- Foundation staff has embraced the implementation of GOS grantmaking, demonstrating the ability to work as a highly functioning team and holding one another accountable to agreed-upon grantmaking criteria and processes.
- The Foundation should reflect on the learning from this first phase of effort to consider how GOS might continue to evolve to provide support to more organizations (i.e. examining and perhaps redefining current criteria for GOS eligibility).
- The Foundation should review and rethink the best way to capture the impact of these grants (i.e. examining and perhaps redefining outcomes reporting requirements)

The Phase II evaluation builds on what has been learned thus far and focuses on Year 2 outcomes as identified in the Foundation's GOS evaluation framework (copy attached). The activities undertaken to accomplish this phase of the evaluation included:

- A review of all grantee reports and copies of grantee strategic plans/updates that have been submitted to the Foundation through summer 2015.
- A review of the findings from the Foundation's 2014 *Listen and Learn* sessions.
- A meeting with Foundation Community Investment team staff to discuss the progress of GOS grantmaking and grantees, including lessons learned and how staff's thinking about GOS has evolved and influenced other Foundation grantmaking.
- Working with NSP to analyze each grantee's financial position over time, using annual audited financial statements submitted to the Foundation by grantees.

- Individual telephone interviews with each grantee to hear their perspectives about the GOS grantmaking process and how GOS support has enabled them to continue to have an impact in their communities. We sought to understand if/how GOS has allowed an organization to be more responsive, innovative, or flexible in its work, and how GOS has contributed to the overall sustainability of each organization.

In the pages that follow, we review the work accomplished by Foundation staff and by GOS grantees toward achieving the outcomes identified in the GOS evaluation framework.

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GOS Phase II Evaluation Activities and Outcomes

The GOS evaluation framework identifies outcomes for the Foundation and outcomes for grantees. We begin this discussion with the second-year outcomes articulated for the Foundation, followed by second-year grantee outcomes for The Bridge, COMPASS Youth Collaborative, Hartford Food System, Jewish Family Services and Mercy Housing. First-year outcomes are included for Amistad and Leadership Greater Hartford.

Foundation Outcomes

1. Foundation is flexible and responsive to organizational needs

Indicators to be used to measure progress included:

- Staff stay abreast of organizational needs and bring pertinent information to GOS grantmaking process.
- Grantees and external stakeholders believe the Foundation's use of GOS is responsive to organizational needs. Grantee reports contact with staff is helpful and appropriate.

In the summer and fall of 2014, the Hartford Foundation for Public Giving held a series of 12 nonprofit convenings by sector to learn more about what its nonprofit partners viewed as trends in the field, challenges, potential opportunities, and gaps in service. Staff also asked for feedback and ideas about how the Foundation could provide better service and prioritize grant funding. Over 120 agencies and 150 individuals participated in these conversations.

There were two key take-aways from these sessions that related to the value of GOS. First, participants stressed the need for unrestricted dollars in order to maintain operations, noting that this type of sustaining support is hard to find. Second, nonprofit leaders also encouraged local funders to collaborate more in their efforts to provide funding. The Foundation reported publicly on what had been learned through these sessions, noting its introduction of GOS grants in 2013, and acknowledging that the application criteria for GOS grants has been rigorous, thereby limiting GOS funding to top-performing, financially-stable organizations. The Foundation also recognized the need to expand availability of GOS and committed to exploring ways to do so while continuing to balance its grantmaking with its role of fiscal guardianship.

TDC's interviews with grantees affirm that the Foundation's interactions around GOS have been helpful and appropriate. Grantees appreciated that Foundation staff invested significant time at the outset of the grant award process to ensure that grantees understood the reporting process. Grantees also expressed a high level of comfort in reaching out to Foundation staff if and when

needed. The need for access to GOS as reported from the *Listen and Learn* sessions was echoed by GOS grantees:

- We never get dollars like this ... we live in a restricted world, unrestricted dollars are, unbelievable, a big deal
- Being one of a few recipients of GOS was prestigious. Like the good housekeeping seal. Proud that we stand in good company.
- Is there any role the Foundation can play in helping other funders understand the value of GOS – sharing stories of success, etc. Can they help other foundations understand that it's okay to give this type of support, that it gives organizations greater flexibility – and they'll still get recognition, results?

2. Foundation's thinking about GOS continues to evolve

Indicators to be used to measure progress included:

- The grantmaking process is reviewed and adapted in response to helpful feedback received and solicited from all internal and external stakeholders;
- Grantees perceive the process to be fair and manageable;
- A system and processes are in place that enable staff to fully facilitate the grantmaking process;
- Lessons learned from GOS grantmaking influences other grantmaking

At the conclusion of and in response to the findings of the Phase I GOS evaluation, Foundation staff formed a GOS 2.0 Staff Workgroup to review current GOS criteria and the grantmaking process and offer recommendations for change. A separate task force was also established to explore how the Foundation might work more intentionally with small and emerging organizations to offer mission support as a grantmaking option.

The GOS 2.0 working group focused its work on reviewing and refining the current GOS criteria and grantmaking process, with an eye toward relaxing or changing specific eligibility criteria that would enable more organizations to apply for a GOS grant. TDC facilitated one GOS 2.0 working group meeting with the Community Investment team aimed at identifying issues, concerns and suggestions about the GOS grantmaking process. Small staff groups then worked independently to develop preliminary recommendations to be shared with the group for further discussion and approval. This process appeared to work well and accomplished its goal. The GOS grantmaking process appears to be working well and staff will likely continue to tweak it based on each year's experiences. The recommendations developed by the group in June 2015 are noted below. As a result of these recommendations, the GOS applicant inquiry process was changed accordingly.

1. Should there be a waiting period before current GOS grantees can apply for a subsequent round of GOS funding?
 - The Foundation should consider ongoing GOS funding if an organization is able to successfully demonstrate and document its intention and proven ability to sustain impact in the community.
 - At the 2.5 year mark, Foundation staff will know if an organization is in good standing. If so, they would be eligible to begin the application process for another GOS grant. All GOS reports must be submitted before a new grant award would be made.
2. Should organizations that are statewide or provide some programs/services outside the Foundation's catchment area be eligible to apply for a GOS grant?
 - In general, 75-80% of an organization's programs/services must be provided in the region served by the Foundation. This requirement is only for internal use.
 - The location of an organization's administrative office should be in the Foundation's region.
3. Before being deemed eligible to apply for a GOS grant, should an organization be required to have been the recipient of a successful program grant from the Foundation?
 - In order to be eligible to apply for GOS funding, an organization must have established a positive relationship with Foundation staff and have demonstrated positive outcomes. This relationship must be built by working successfully with Foundation staff to secure and successfully execute a program grants.
4. Should the Foundation consider accepting applications from organizations with annual operating budgets of less than \$200K?
 - The working group defers a recommendation on this question until the Small Organizations Task Force implements its project.
5. Should the Foundation consider accepting applications from organizations with annual budgets greater than \$8M?
 - The Foundation should eliminate the cap on annual budget size for GOS grants. There are organizations that currently receive 3-year operating support/regular grants from the Foundation. Going forward, these organizations should apply for support through the GOS grant program.
6. Should GOS grants be made available to organizations that cannot meet all of the GOS criteria?

- The Foundation should only consider entertaining an application from an organization that cannot meet all basic GOS requirements if the organization is addressing an issue deemed critical by the Foundation and/or is providing important access to programs/services for underserved populations. The Foundation must still ensure that the organization has sufficient stability to carry out its intended work over a 3 year period.
 - The absence of solid program evaluation instruments/plans, while important, should not make an otherwise strong and stable organization ineligible to apply for GOS funding. However, the organization must make a formal commitment (i.e. a strategic plan goal) to establish solid evaluation tools and processes during the GOS grant period.
 - The absence of a fundraising plan should not make an otherwise strong and stable organization ineligible to apply for GOS funding. However, the organization must make a formal commitment (i.e. a strategic plan goal) to establish a fundraising plan during the GOS grant period.
7. Should an organization be required to have a full-time paid Executive Director to be eligible to apply for GOS support?
- The working group believes that a paid full-time Executive Director is likely necessary to ensure an organization's stability, however, this could be an area of flexibility in certain situations, depending on the agency.
8. How should the Foundation evaluate an organization's stability when its financials reflect a deficit?
- In order to be eligible to apply for GOS funding, an organization should not have an annual operating deficit that is greater than 10% of its budget over a 3 year period.
 - If an organization has a structural deficit, meaning the deficit is attributable to an unsustainable business model, they are not eligible for GOS support
 - The level of operating reserves can be less than 3 months if revenue is stable, with no wild swings
 - If an organization has sufficient assets to cover a one-time deficit, they may be considered for GOS if all other financial indicators are positive
9. Should strategic plans submitted by organizations during the GOS RFQ process be required to contain measurable goals and objectives?
- If a plan submitted at the RFQ stage does not have specific and measurable goals and objectives, the organization will be required to revise its plan to comply with this requirement before moving forward to the application stage.
10. Should the Foundation develop a recommended grant award range for GOS grants?

- Consideration should be given to developing a range for grant awards that is based on/proportional to an organization's annual operating budget.
- The working group also suggests there should be flexibility within the ranges to increase the funding level for an organization for a specific reason.

At the end of 2015, the Small Agency Workgroup produced a report that included findings from their research and recommendations for consideration about providing mission support combined with technical assistance to organizations with annual budgets of \$200,000 or less (below the current threshold for a GOS grant). In 2016, the Foundation launched its first Small Agency Initiative which consists of combined capacity building and "mission support" grants. Key components will include:

- An RFP rather than responsive grantmaking approach to recruit a cohort of 10 agencies to participate in a two-year program.
- Each grantee will receive an organizational assessment, cohort-based strategic planning, and other cohort-based training sessions which will be driven by the needs identified by grantees.
- Participating nonprofits will also be eligible for small mission support grants of \$5,000 per year for each year of the two-year program.
- A select group of small nonprofit leaders will be periodically convened to continuously engage the small nonprofit community in Foundation and community efforts.
- An evaluation conducted by a professional selected through an RFP process to assist with development and implementation of program evaluation strategies during the first two years of program implementation.

Conversations with the Community Investments team indicated that several lessons learned through GOS grantmaking have been adapted for use in other Foundation grantmaking. First and foremost, staff spoke about an organization's strategic plan as an important foundational document that now helps to sets the stage for any grant request. In addition, staff noted the value of board minutes in helping to better understand an organization's overall situation and functioning over time. Also called out as particularly valuable by some staff was the financial analysis tool developed by NSP to assess the financial position of an organization applying for GOS grant funds.

Grantees very much appreciated the Foundation's decision to change its GOS reporting from the original four outcome areas (program, governance, infrastructure and financial) to using each grantee's strategic plan and outcomes as the vehicle for charting progress. Grantees further appreciated the ability to provide the Foundation with strategic plan update reports they prepare for their boards rather than have to create a separate GOS report. Several board leaders who participated in interviews with TDC also noted that discussions about their organization's strategic plans have become much more consistent and robust.

Two grantees offered food-for-thought related to GOS financial criteria, specifically the no-deficit requirement.

- We needed 3 years in the black. So many organizations can end up with small deficit at some times. It's important to see how organizations respond to such issues. For us, we made a decision to delay a new program a few months because of low enrollment, which resulted in a deficit.
- Arts organizations have structural deficits almost by nature. How can the Foundation deal with that?

TDC's observations are that the GOS grantmaking process has become normalized for Foundation staff and grantees. This does not mean that the process has or will become stagnant, but rather that staff are continuing to ask for grantee feedback, seeking input from other nonprofits, and they are comfortable making changes to GOS grantmaking based on lessons learned. This is a healthy approach that will serve the Foundation and its grantees well in the years ahead. Finally, it must be noted that grantees were thrilled to learn that they will be eligible to reapply for GOS every three years.

In the next section of this report, we discuss our findings regarding the Phase II GOS outcomes articulated for the Foundation and the following grantees: The Bridge, COMPASS Youth Collaborative, Hartford Food System, Jewish Family Services and Mercy Housing.

Grantee Outcomes

1. Enhanced infrastructure

Indicators to be used to measure progress included:

- Grantee collects, analyzes and uses pertinent data to inform its work and improve outcomes;
- Grantee's financial health remains stable or has improved (discussed in Outcome #6)

All grantees entered the GOS process utilizing metrics to gauge their progress and success. Grantees that relied heavily on government contracts tended to rely more heavily on such data to report on participant outcomes. All grantees appeared to monitor financial data on a regular basis in order to make informed financial management decisions.

A review of grantee reports reveals that more grantees are either using or making progress toward using more measurable indicators to indicate progress toward desired outcomes (i.e. an increase from X to Y; a reduction from X to Y;) with timelines. Another grantee reported the

development of manuals for training and evaluating staff as well as linking their work to an outcomes data base system. This grantee noted that GOS enabled the organization to mitigate program siloes and create alignment and deeper intentionality across programs. “We now have measurability -- we can see impact through changes in school climate, test scores, indicators of other things. We think about how to measure in useful and predictable ways, adopt certain models ... to help decide where we need to focus to create more impact.” For another grantee, a strategic focus area was looking at the correlation between an increase in the number of clients and clinician productivity and outcomes.

One grantee reported a cultural diversity goal for its management and professional staff and reported on change/progress from one year to the next for each type of employee. Another organization reported the development of a fundraising dashboard that is tracked and discussed at each board meeting.

2 & 3. Continued progress on strategic plan priorities *and* Continued realization of articulated community benefits

Indicators to be used to measure progress included:

- Grantee is able to clearly articulate how its programs benefit the individuals served and the impact on the broader community;
- Grantee has reported progress on goals;
- Grantee is meeting its GOS goals and indicators;
- Grantee has discussed adjusting goals and/or indicators with staff, if appropriate

In TDC’s conversations with grantees, it was clear that grantees are mission-focused and that their work is driving toward community benefit. This macro-level commitment is not explicitly described in the annual reports provided to the Foundation, which is understandable. Since each organization’s plan is constructed to address its mission, and the board is responsible for establishing and upholding the mission and the plan, the focus of these updates is to report on progress against the strategic plan. If progress is being made on the goals, then it can reasonably be presumed that progress is being made on the mission. If progress is not being made or reported, it becomes the responsibility of the board to understand why and then determine if a minor or major adjustment is needed. It is more likely that grantees think and write more about their organization’s mission and macro-level community impact during a strategic planning process or when seeking financial support.

As we look at the annual reports prepared by grantees for the Foundation, we find that two of the three first-round GOS grantees continue to report to the Foundation using the four original goal

areas (programs, governance, infrastructure and financial health). The remaining five grantees either are reporting, or will report,¹ on the annual progress of their respective strategic plans. Of the three grantees currently reporting on their strategic plan results, only one prepares a separate report for the Foundation. The other two organizations share the annual report they prepare for their boards. All grantees appear to conduct an annual review of their plans with their boards, with at least one grantee also reporting a six-month check-in with the board. A couple of grantees reported that board meetings include strategic plan updates, with one grantee board chair crediting the GOS grant process for promoting such discussion with the full board.

Grantee reports vary in presentation format and content, but all note progress against goals. Most reports are presented as charts rather than narrative, but all include explanatory narrative where appropriate. For example, the program section of one grantee's report notes what has been tried, what has been learned and what has been changed as a result, whereas another grantee simply reports the result against the goal. One grantee further explains that data is being used to identify trends and pinpoint more specific problem areas that can lead to more effective interventions. Another grantee that had identified development of a new revenue generating project as a goal, reported that a feasibility study resulted in an "uncertain" status for this venture, so it is on hold for the moment. Another grantee described an intense focus on and commitment to program evaluation as a key goal for the organization, noting the need to "prove that our model works."

One grantee reported their succession plan goal had been completed, while another grantee noted theirs remained a work-in-progress. Another grantee reported a goal of increasing the number and diversity of board members, subsequently noting the increase in the number of board members, but remaining silent on progress toward the diversity goal.

Most grantees had goals related to communications and/or fundraising in their strategic plans and all reported on the activities undertaken in each area. Most organizations were involved in groundwork/foundational activities including hiring new or additional staff, developing a communications plan, updating a website, and launching a specific campaign. In a couple of cases, grantees reported significant and measurable fundraising successes, as well as increased board engagement in these efforts. Once staff has been hired, and systems and websites are in place, it is reasonable to expect other grantees will also be able to establish next-phase goals and offer similar data to support accomplishment of their goals.

4 & 5. Nimble and able to capitalize on opportunities that are appropriate; say "no" to those that are not appropriate and Innovative and willing to take risks

¹ Round 3 and 4 grantees had not yet completed their first year of funding at the time of this report.

Indicators to be used to measure progress included:

- Grantee demonstrates ongoing strategic thinking and analysis related to potential opportunities;
- Grantee decision making about opportunities is grounded in data and best practices and is aligned with strategic plan;
- Using best practices as a foundation, grantee seeks out opportunities to be an innovator in its field; and
- Grantee thinks creatively about program development and implementation.

The first five GOS grantees (Rounds 1, 2 &3) all reported multiple examples of how GOS has positively influenced their thinking about and ability to try new things. Grantees have commented that while their goals have remained the same, timing and or 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. Examples of innovative opportunities and actions undertaken by grantees include:

- Our goal was to reduce dependency on state funding. We were able to open a third clinic and collaborate with local schools, as well as generate revenue from Medicaid and private insurance. With additional staff, we were also able to expand clinical hours at another location and generate more revenue.
- We piloted “blended learning” at one school – we’re the first nonprofit to do this within a school. We’re also working on introducing anti-violence programming that employs student voices and student centered learning.
- We’ve been looking to identify a new signature program that would be revenue generating. We’ve explored many different options ... thought it would be home care, older adults ... but funding priorities from other sources have changed. GOS gave us the ability to say no to something we thought we would do and turn to something else. Very recently we’ve become part of a disabilities initiative with other community organizations and we’re likely to start an initiative focused on employment opportunities for young adults with disabilities. We would also be the lead for this.
- When we started GOS, I don’t think we even were thinking about our mobile bus. The planning and execution of that moved faster than we thought possible, and GOS enabled us to move -- that was a fortunate confluence.
- Another unanticipated opportunity is serving as fiscal sponsor for another organization. This has been worthwhile for us – we see it as an entry point into state level/funded work.

- Getting more deeply involved in building youth leadership is paying dividends in the depth of programming we're able to do. GOS enabled us to make a part-time youth director position a full-time position, which meant we could leverage those funds to hire more topnotch interns to carry out more work.

6. Financially more stable

Indicators to be used to measure progress included:

- Grantee's financial health remains stable or has improved
- Grantee's progress on its financial goal(s) and indicator(s) demonstrate increased financial stability

The primary indicator for this outcome is the financial stability of each grantee – either maintaining a healthy position or becoming more stable. The second indicator was developed at the outset of the GOS process, when each grantee was required to identify a financial goal and accompanying indicators. When the Foundation changed the GOS reporting process to measure progress against each grantee's strategic plan, this indicator became obsolete. That said, many grantees have included one or more financial goals in their plans.

When this reporting change was made, the Foundation also informed current and future grantees that a new grant condition was being added, namely that grantees must agree to submit annual audited financial report for each year that they receive GOS funding. This practice would enable the Foundation to capture and analyze six years of financial data for each grantee: three years of audited financials submitted with the GOS application and an additional three years submitted with annual GOS reports. The goal is for the Foundation to be able to track the financial position of each grantee over time, as well as develop a snapshot of all grantees as a cohort over time to see if grantees are in fact able to maintain or enhance their financial stability, as well as see if any trends or common practices emerge.

This report includes financial data from Round 1 and 2 grantees (Bridge Family Center, COMPASS Youth Collaborative, Hartford Food System, Jewish Family Services and Mercy Housing & Shelter). Round 3 and 4 grantees (Amistad Center and Leadership Greater Hartford) are not included as there was no new financial data due to their more recent grant dates. Data used for this analysis consisted entirely of audited financial statements produced since the grant review period concluded.² For all organizations, sufficient time has not elapsed to make a determination if there are long term positive outcomes regarding the financial health of the

² At the time of GOS application, organizations also provided internally produced financial reports which were more current than audited financial reports and were used for initial financial analysis.

organizations following the receipt of a GOS grant but early indicators are positive. The review revealed the following information about specific indicators tied to grantees' financial positions:

Profit/Loss

All organizations experienced a surplus in the year in which they received their first GOS grant payment. Four of the organizations had a surplus in the following year. Audited financial data was not yet available for the fifth organization as they operate on a calendar fiscal year.

Unrestricted Net Assets

Four of the five organizations saw a notable increase in their unrestricted net assets ranging from 30-36 percent. The fifth organization saw a significant increase in temporarily restricted net assets, likely due to significant program growth, while unrestricted net assets fell to a negative (\$148,033). This organization also experienced an increase in overall expenditures of 29 percent during the same time period.

Cash Position

All of the organizations either increased or maintained their Days of Cash on Hand. Four organizations met or exceeded the benchmark of 90 days cash on hand. The fifth organization increased their metric from 19 days (FY 2013) to 44 days (FY 2015).

Debt

None of the organizations took on any new debt.

Deficits in the interim fiscal period

The fiscal year that was in progress at the time the GOS grant decision was made, but prior to receipt of the first GOS payment was also reviewed. Three of the five grantees ended that fiscal year with small deficits ranging from 2-4% of expenses (-\$8,948 to -\$175,628). Internally produced interim financial statements evaluated during the grant review indicated that only one organization was operating at a loss. This finding suggests that it would be helpful for Foundation staff to ask additional questions related to interim, internally produced financial statements provided by grantees. Specifically, it is important to understand if there has been a funding change during the time period or were there year-end audit adjustments (i.e., depreciation, etc.) that weren't being captured on the interim statements?

Administrative Percentage

The percent of expenses spent on management and fundraising continues to be low for this cohort ranging from a low of 5.7% to a high of 16.0%. The Foundation recognizes that organizations calculate this percentage in myriad ways and further appreciates that funders sometimes drive organizations to report artificially low administrative support percentages.

The Foundation has been and remains a firm believer that nonprofit organizations require an adequate and ongoing investment in their core operating/administrative functions in order to remain strong and sustainable. An annual administrative investment of at least 20% of expenses would be considered reasonable. If an organization is reporting a significantly lower percentage on its GOS application, it would be helpful for the grantee to explain why its calculation is so low and how the organization is funding core operating/administrative functions.

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Conclusion

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 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 Phase II 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 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. This should be applauded and requirements put in place to reinforce this “good governance.”

GOS grantees also appear to be on continued sound financial footing, thanks in part to the Foundation's upfront due diligence and its subsequent investment. Going forward, the Foundation should continue to conduct an annual financial analysis of GOS grantees, and should consider the prospect of providing feedback to grantees about this analysis. TDC recommends that the Foundation incorporate the financial due diligence and monitoring that have been a part of GOS into regular grant making. TDC further recommends that the full grant making staff continue to build their own capacity to conduct this financial due diligence and monitoring. The more that Foundation staff do this, the more proficient and comfortable they will become at this important element of due diligence. Currently, the experience is limited to too few GOS grant application assessments each year to build this proficiency.

In addition to establishing the anticipated impact of the GOS investments, this Phase II evaluation also captures that 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 a number of recommendations with which TDC concurs. TDC is supportive of the GOS 2.0 Work Group's overall approach of being more flexible and providing more latitude for well-managed non-profits with a solid track record. We concur with the group's recommendations 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.

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Looking to the Future - Recommendations

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.

Below, we provide more detail about each of these factors.

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, as conducted by Grantmakers for Effective Organizations and the Council on Foundations. 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 in the recent past, 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 (Grantmakers for Effective Organizations) 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.³

Four years ago, when Foundation staff proposed that the Board adopt the new policy that launched general operating support they highlighted many of these points and noted, “Although nonprofits have a variety of funding needs, they often prefer general operating support because, particularly in challenging economic times, it allows them to allocate funds where they are most needed. Agencies are not expected to expand programs or develop new programs to secure GOS funding. Theoretically, this prevents an agency from over-expanding and allows it to avoid mission creep. When core needs are addressed, organizations arguably can be more flexible and innovative, and assume somewhat greater risks. From the funder’s perspective, agencies may be better able to achieve goals that benefit the community.” In TDC’s estimation, the experience of the past few years has proven the Foundation’s staff correct about this initial hypothesis.

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. As noted above, 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.

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

³ “What is General Operating Support and Why Is It Important,” **The Smarter Grantmaking Playbook**, Grantmakers for Effective Organizations

as such. This is also true for other organizations in the Foundation's grant making portfolio including large health and educational institutions. (Judy, Erika, Annemarie and Sharon– Have we stated this correctly?) Additionally, as noted earlier in this report, 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 just 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. As TDC understands it, the new strategic plan has received a positive reception in the community and implementation plans are underway.

As part of this implementation planning, TDC urges the Foundation to consider making GOS more broadly available to nonprofits that align with the Foundation's 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

Given the realities detailed above, TDC encourages the Foundation to begin a dialogue about how GOS might be made more widely available. TDC would welcome the chance to help facilitate this dialogue.

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, particularly if they need it for matching or leveraging other program

dollars. 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. We encourage the Foundation to build the capacity of all staff involved in grant review to undertake this financial analysis for their prospective and current grantees. 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. We look forward to a dialogue with Foundation staff about our findings and recommendations and are delighted to continue to partner with the Foundation as the next chapter of GOS grantmaking unfolds.