



## FY2016 LEARNING AND ASSESSMENT DATA SUMMARY

In FY 2016, the Weingart Foundation began implementation of its Learning and Assessment framework. For all Unrestricted Operating Support (UOS) grants awarded in FY2016, program officers began to systematically document their assessment of grantees across nine functional areas of organizational effectiveness. This data will serve as the baseline against which we will begin to track changes in grantee capacity over time. Through our internal Program Officer (PO) Assessment tool, grantees are rated on 22 items organized into the nine functional areas (listed in the table below). For each item, the program officer indicates the organization’s current capacity in that area on a scale of one through seven as follows:

- 1 – Does not meet minimum threshold. Clear need for increased capacity.
- 3 – Getting by, and there is room for improvement.
- 5 – Solid. Functioning well.
- 7 – Goes above and beyond.

Program officers also indicate the organization’s life cycle stage and complete a financial measures worksheet that tracks key indicators based on audited financials including cash, liquid unrestricted net assets, working capital/operating reserves, and other reserves.

For FY 2016 UOS grantees, we will not be able to report on any changes in grantee capacity for at least another year when these grants are scheduled to close. However, the baseline data provides interesting insight regarding our perception of our grantees’ overall capacity. The table below shows the average scores by Functional Area for all 127 UOS grantees awarded last fiscal year. Not surprisingly, our grantees’ scores reflect the Foundation’s general practice of awarding grants to organizations that demonstrate solid leadership, effective management and financial viability. Our grantees’ average ratings fell solidly between a score of “3 – Getting by, and there is room for improvement.” and a “5 – Solid. Functioning well.” across the nine functional areas. Grantees ranked lowest in Fund Development and Staff and Infrastructure, and highest in Cultural Competence and Executive Leadership. With regard to nonprofit lifecycle stage, a majority of grantees are in either the growth (25%) or maturity stage (63%).

### Functional Area Scores

Functional Area	Average Score
Cultural Competence	4.90
Executive Leadership	4.89
Client/Constituent Engagement	4.70

<b>Organizational Strategy and Adaptability</b>	<b>4.61</b>
<b>Financial Operations and Management</b>	<b>4.56</b>
<b>Board Governance and Engagement</b>	<b>4.50</b>
<b>Diversity</b>	<b>4.34</b>
<b>Staff and Infrastructure</b>	<b>4.02</b>
<b>Fund Development</b>	<b>3.98</b>

Reviewing the scores of individual items within each of the nine functional areas reveals the specific measures that ranked weakest and strongest among UOS grantees. As could be expected, specific items within the Fund Development and Staff and Infrastructure functional areas were represented among the five lowest ranked sub-items. In addition, Board Diversity is listed as one of the weakest areas among grantees, exhibiting the second to the lowest rating. With regard to the strongest areas for our UOS grantees, the five highest ranked sub-items represented a slightly broader cross section of functional areas. PO Assessment scores reflect general confidence in the organizational and programmatic strategies employed by our UOS grantees, their ability serve their constituents in a culturally competent manner, and their overall financial management. It also appears that our UOS grantees demonstrate a solid track record in collaborating with partners to advance their missions, a trend that we saw increase among our grantees in the aftermath of the economic downturn.

#### Areas which demonstrated the lowest scores

<b>Functional Area: Sub-item</b>	<b>Average Score</b>
<b>Fund Development: Capacity</b> Has sufficient capacity from staff and/or volunteers to implement fund development activities.	<b>3.90</b>
<b>Diversity: Board diversity</b> Has board members who reflect the diversity of people and key interests the organization serves.	<b>3.93</b>
<b>Staff and Infrastructure: Staff development and support</b> Provide and/or support ongoing staff development opportunities, including for Executive Director.	<b>3.98</b>
<b>Staff and Infrastructure: Staff structure and size</b> Staff is in place to implement core administrative and programmatic work.	<b>4.06</b>
<b>Fund Development: Funding model</b> Has an appropriate funding model or structure that supports core infrastructure and programs and is integrated into long-term budget projections.	<b>4.07</b>

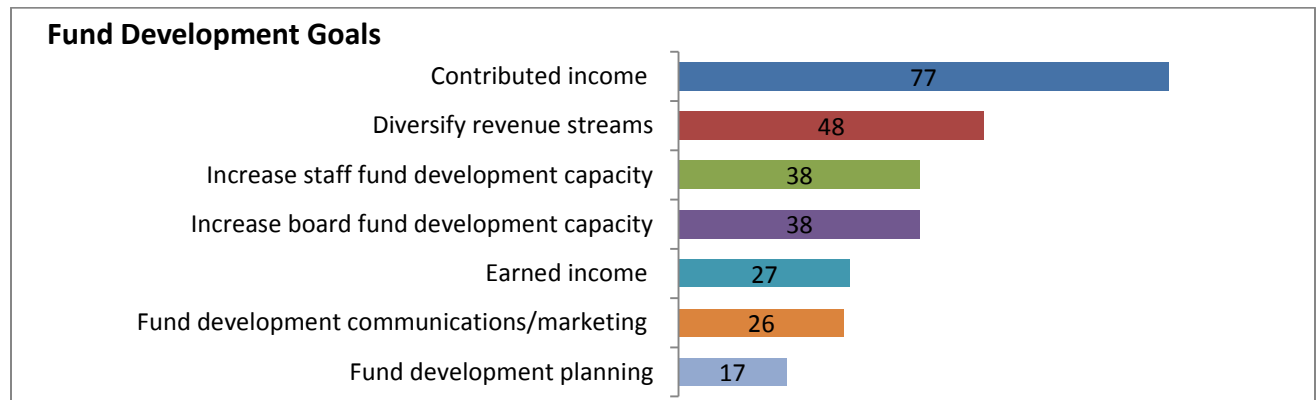
#### Areas which demonstrated the highest scores

<b>Functional Areas: Sub-item</b>	<b>Average Score</b>
<b>Executive Leadership: Strategic thinking</b> Executive Director and/or leadership team develops and implements organizational goals and strategies.	<b>4.93</b>

<b>Cultural Competence: Responsive services</b> Services are responsive to the cultural and linguistic needs of clients/consumers/constituents.	<b>4.90</b>
<b>Organizational Strategy and Adaptability: External engagement</b> Engages with others (e.g., partnerships, advocacy activities) in order to advance mission.	<b>4.90</b>
<b>Executive Leadership: Financial acuity</b> Executive Director and/or leadership team has sound financial acuity and business acumen.	<b>4.86</b>
<b>Financial Operations and Management: Financial reporting</b> Regularly tracks and reports financial activities to be reviewed, managed, and approved by board and staff leadership.	<b>4.82</b>

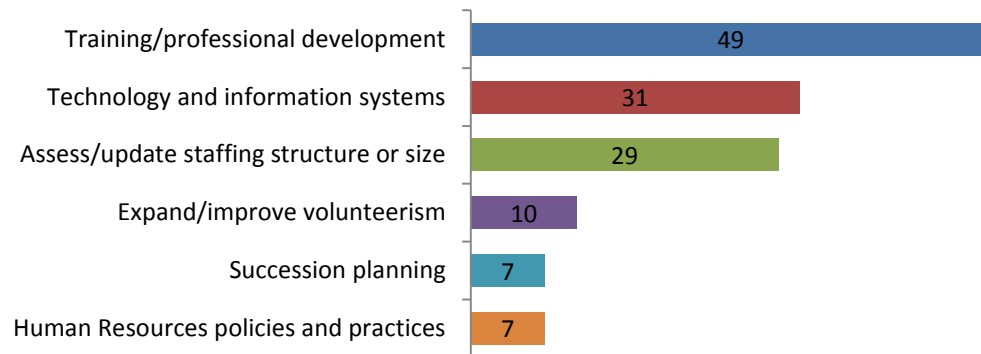
## Grant Goals

Our PO Assessment tool also enables program staff to track the grant goals identified by our grantees, reflecting their intended use of UOS grants. Generally, the most frequently cited grantee goals aligned with those areas that ranked lowest among the functional areas. As noted above, UOS grantees scored weakest in Fund Development capacity. Accordingly, the majority (39%) of UOS grant goals identified by grantees is focused on fund development activities. The chart below depicts the frequency of specific types of fund development goals developed by grantees. Clearly, the most common fund development goal was to increase private fundraising (chosen by 77 of 127 organizations), followed by diversifying funding streams generally, and strengthening Board and/or staff capacity to fundraise.



Grantee goals related to Staff and Infrastructure were the second most prevalent with 18% of total goals focused in this area. Within this domain, as depicted below, goals related to staff training/professional development were the most frequent, followed by goals addressing technology needs. UOS grantees also frequently cited goals to increase staff size and capacity, possibly to meet rising demand for services and fulfill critical administrative functions necessary to operate effectively and efficiently. Related to this, we are seeing an increasing number of UOS grantees identifying the need to strengthen their human resources capacity in various ways including more targeted resources for staff retention, compensation, and professional development. According to program officers, one factor potentially influencing this trend could be changes in minimum wage laws and federal policies related to overtime pay.

### Staff and Infrastructure Goals



Although many UOS grantees are utilizing their unrestricted grants to invest in the two areas of greatest capacity need as reflected in the PO Assessment data – Fund Development and Staff and Infrastructure — only ten grantees (8%) identified “Diversify Board” as a goal of their grant despite their relatively low average score in this area. It will be interesting to track this metric over time as we continue to engage in deeper conversations with grantees about Board diversity and learn more about its relation to organizational effectiveness and our commitment to equity.

Two other functional areas in which a significant number of grantee goals were identified include Organizational Strategy and Adaptability (13%) for activities related to planning, evaluation and collaboration, and Board Governance and Engagement (9%) for Board development activities (not including Board fundraising). Another 13% of UOS goals were focused on programs. Overall, 24% of grantees planned to use UOS dollars to sustain or strengthen current programs, 24% planned to expand to new sites or new communities, and 21% planned to add new or enhance existing service models.

### Financial Position

Our Learning and Assessment system also captures the overall assessment of the financial capacity of grantees and tracks particular indicators based on their audited financials. Program staff rate the financial capacity of the grantees on a scale of weak, moderate or strong. A “Weak” rating is assigned when the grantee generally exhibits the following characteristics: revenues less than expenses; insufficient reserve funds; low cash on hand; substantial year-over-year decrease in total and/or unrestricted net assets; small amount of unrestricted net assets; and/or low liquidity. A “Strong” rating is assigned for grantees demonstrating: revenues greater than expenses; sufficient reserve funds and cash on hand; stability or increases in year-over-year total and/or unrestricted net assets; healthy amount of unrestricted net assets; and/or appropriate liquidity. A “Moderate” rating is assigned when there is a mixture of “weak” and “strong” characteristics. For FY 2016 grantees, 26% were rated as Weak, 51% as Moderate and the remaining 23% as Strong. The average cash on hand at the time of application based on the grantees’ most recent audit was 3.36 months, with 57% of grantees having less than 3 months cash, 28% with between 3-6 months cash, and 15% with greater than six months cash. Thirty-four percent of grantees indicated they had an operating reserve policy in place. However, for these grantees, the average number of months of cash in reserve was less than one, with more than 72% having less than 3 months in reserve. As this is the first time that the Foundation has

been able to track these metrics systematically across our grantees, we will continue to monitor and share how our grantees are faring financially from year to year. We anticipate that as the Foundation continues to operationalize its equity commitment, the types and composition of organizations funded may potentially shift to include a higher proportion of smaller, under-resourced nonprofits serving areas of high need and limited access to philanthropic dollars. This context will be important to consider when comparing future financial assessments of grantees against these baseline figures.

## Grantee Comparisons

As our data represents grantees from this first year of implementing our L&A system, we are limited in our ability to compare assessment scores across groups of grantees based on certain variables such as program area or geographic area served due to the small number of grantees for which we have collected data so far. However, we were able to group grantees according to a couple of other variables with larger sample sizes – specifically the number of UOS grants received by the organization and annual budget size – and compare functional area average scores accordingly. We were interested in exploring past UOS grant history as one variable given our overall theory of change that unrestricted funding is an effective mechanism for building organizational capacity, and that over time, multiple UOS grants will lead to stronger, more effective grantees. We also opted to explore how assessment scores varied depending on the grantees’ annual budget size considering that budget size is often used as a proxy for capacity. As depicted in the tables below, there does appear to be some variation across grantee subgroups when looking at these two variables.

The first table shows average scores for grantees for which their FY 2016 grant represents their first, second or third UOS award. Across most functional areas, there appears to be an association between the number of UOS grants and organizational capacity (with the caveat that the number of 3<sup>rd</sup> time UOS grantees may be too small to generalize the data). However, when looking deeper into the data, there are possible confounding factors that could be contributing to these results. For instance, for grantees that received their 1<sup>st</sup> UOS grant last year, 39% are in the “growth” nonprofit lifecycle stage and 48% are in the “maturity” stage. For 2<sup>nd</sup> and 3<sup>rd</sup> time UOS grantees, those figures are 16% and 77%, and 11% and 63%, respectively, indicating that many of our repeat UOS grantees are farther along in their lifecycle stage than those that received UOS grants for the first time. Further exploration (such as a deeper review of grant application and reporting materials) would be required to understand fully if or how UOS grants contribute to organizational capacity, as well as how other variables such as life cycle stage might be driving these variations, but this preliminary data appears to denote a trend.

### Functional Area Average Scores by Number of UOS grants received

Functional Area	Average Score (n=127)	1 <sup>st</sup> UOS (n=54)	2 <sup>nd</sup> UOS (n=56)	3 <sup>rd</sup> UOS (n=17)
Cultural Competence	4.90	4.77	4.98	4.94
Executive Leadership	4.89	4.80	4.88	5.23

<b>Client/Constituent Engagement</b>	<b>4.70</b>	<b>4.60</b>	<b>4.77</b>	<b>4.82</b>
<b>Organizational Strategy and Adaptability</b>	<b>4.61</b>	<b>4.61</b>	<b>4.59</b>	<b>4.70</b>
<b>Financial Operations and Management</b>	<b>4.56</b>	<b>4.53</b>	<b>4.60</b>	<b>4.54</b>
<b>Board Governance and Engagement</b>	<b>4.50</b>	<b>4.39</b>	<b>4.58</b>	<b>4.59</b>
<b>Diversity</b>	<b>4.34</b>	<b>4.27</b>	<b>4.46</b>	<b>4.11</b>
<b>Staff and Infrastructure</b>	<b>4.02</b>	<b>4.07</b>	<b>4.02</b>	<b>3.88</b>
<b>Fund Development</b>	<b>3.98</b>	<b>3.97</b>	<b>4.03</b>	<b>3.85</b>

The second table below shows the average scores for grantees based on their annual operating budget size. We grouped organizations into three categories based on our internal working understanding of how we typically view grantees by budget size. The three groups are: “small” – budget less than \$1.5M; “mid-sized” – budget between \$1.5M and \$5M; and “large” – budget greater than \$5M. It is interesting to note that in approximately half of the functional areas – Fund Development, Client/Constituent Engagement, Diversity, and Cultural Competence – “small” organizations and “large” organizations rated higher than “mid-sized” organizations. Also, the “large” organizations demonstrated stronger capacity than the “small” ones in these same areas. For the remaining functional areas, grantee capacity appeared to correlate positively with budget size; as annual operating budgets increased, so did grantee capacity in the specific areas of Board Governance, Financial Operations, Staff and Infrastructure, Organizational Strategy and Executive Leadership. Again, we cannot at this point identify any specific reasons for these differences, which also may be confounded with other variables such as life cycle stage and number of previous UOS grants. However, as our L&A system continues to develop, we can continue to explore how the size of an organization’s operating budget relates to its ability to increase its effectiveness across different functional areas.

### **Functional Area Average Scores by Annual Budget Size**

<b>Functional Area</b>	<b>Average Score (n=127)</b>	<b>Up to \$1.5M (n=34)</b>	<b>\$1.5M - \$5M (n=52)</b>	<b>Over \$5M (n=82)</b>
<b>Cultural Competence</b>	<b>4.90</b>	<b>4.91</b>	<b>4.73</b>	<b>5.07</b>
<b>Executive Leadership</b>	<b>4.89</b>	<b>4.72</b>	<b>4.84</b>	<b>5.11</b>
<b>Client/Constituent Engagement</b>	<b>4.70</b>	<b>4.75</b>	<b>4.57</b>	<b>4.84</b>
<b>Organizational Strategy and Adaptability</b>	<b>4.61</b>	<b>4.51</b>	<b>4.57</b>	<b>4.77</b>
<b>Financial Operations and Management</b>	<b>4.56</b>	<b>4.47</b>	<b>4.53</b>	<b>4.69</b>
<b>Board Governance and Engagement</b>	<b>4.50</b>	<b>4.33</b>	<b>4.44</b>	<b>4.73</b>
<b>Diversity</b>	<b>4.34</b>	<b>4.36</b>	<b>4.29</b>	<b>4.37</b>
<b>Staff and Infrastructure</b>	<b>4.02</b>	<b>3.87</b>	<b>4.05</b>	<b>4.10</b>
<b>Fund Development</b>	<b>3.98</b>	<b>3.97</b>	<b>3.85</b>	<b>4.17</b>

## Summary of Preliminary Findings

Initial data from our Learning and Assessment system offers important insight into our assessment of UOS grantees. Initial takeaways include:

- UOS grantees demonstrate strong capacity in particular functional areas that are consistent with our selective due diligence process which prioritizes well-led nonprofits serving the highest need communities in our region;
- Approximately one-fourth of UOS grantees have financial positions rated as “Weak,” signaling the Foundation’s willingness to absorb some financial risk for agencies that strongly support our mission;
- Generally speaking, grantees tend to align their UOS grant goals with the functional areas where they are weakest, supporting the case that UOS provides organizations with the resources and flexibility required to invest in capacity needs as warranted;
- This alignment may also reflect the added value of our rigorous UOS application and due diligence process, which introduces and reinforces the importance of the nine functional areas in organizational effectiveness;
- As the data collected through our L&A system increases with new grants and with end-point data for grants that are closing, we will have the opportunity to conduct more meaningful analyses about how grantee strengths and capacity needs may differ depending on various characteristics such as geographic focus, budget size, or program/issue area. This will become increasingly important given our evolving equity framework and the potential shifts in our grantee pool that may result;
- We anticipate that our L&A data will further deepen our understanding of how unrestricted dollars specifically contribute to grantees’ ability to strengthen capacity and effectiveness.