



## FY 2017 *Year In Review*

ANGELA CARR, BELEN VARGAS, JOYCE YBARRA

With the announcement of our equity commitment in August 2016, FY 2017 marked a year of transition for the Weingart Foundation. The FY17 Program Plan outlined initial steps toward realizing our equity commitment while maintaining many of our longstanding priorities. As a result of that and having started the year with many applications already in the pipeline, FY17 grantmaking was largely a continuation of the previous fiscal year's grant strategies, with some variation reflecting our evolution toward equity. A review of FY17 grantmaking data<sup>1</sup> demonstrates that the Foundation's Program Plan was effective in directing resources in ways that reflect this intentional shift.

### FY17 *Grant Strategies*

#### **Unrestricted Operating Support**

to strengthen the effectiveness of nonprofits advancing equity in communities facing the most obstacles

#### **Capital Grants and Program Related Investments**

to bring new services to underresourced communities

#### **Geographic Areas of Focus**

in South LA and Southeast LA cities to increase the capacity and availability of nonprofit resources

#### **Foundation Initiatives**

in Child Welfare, Immigrant Integration, Housing, and Vulnerable and At-Risk Youth

#### **Leadership**

to advance policies and practices that strengthen the nonprofit sector

### *In summary:*

- **Unrestricted operating support (UOS)** remained the highest allocation of funding representing 80% of grant dollars awarded. UOS dollars supported critical areas of nonprofit infrastructure and sustainability, most commonly in fund development capacity, staff development, and planning.
- Responsive grantmaking shifted in a few notable ways that align with our equity approach. When compared with FY16 grant data, the percentage of grant dollars increased from 9% to 19% to organizations whose core function is **policy, advocacy, and organizing**.
- There was also a significant change in the geographic distribution of grantees between FY16 and FY17. The percentage of grants to **Statewide organizations** increased from <1% to 9%. Much of this shift is driven by the fact that many policy/advocacy grantees serve the entire State given the nature of their work, although the Foundation's funding to these grantees support efforts that directly impact communities in Southern California.

<sup>1</sup>Data presented in this report excludes non-responsive grants (e.g., director's discretionary and matching).

- UOS grantmaking in particular also reflected our heightened commitment to the two **geographic areas of South LA and Southeast LA County**. Among LA County UOS grantees, the percentage of funding increased slightly from 13% in FY16 to 15% in FY17 to nonprofits serving South LA Service Planning Area (SPA) and more significantly from 2% in FY16 to 11% in FY17 to nonprofits serving the East LA SPA (inclusive of Southeast LA cities).
- Consistent with our commitment to build the capacity of small and often under-resourced organizations providing critical services in low-income communities, the number of **Small Grant Program “graduates”** nearly doubled from 10 to 19.
- Under a refined **Capital Grant** program<sup>2</sup>, capital funding decreased from 16% of grant dollars in FY16 to just 5 grants totaling 6% of grant dollars in FY17.
- The Foundation’s **Program Related Investment Fund** extended the impact of our grantmaking through awards totaling \$9.5M on top of our required payout, inclusive of our first loan guarantee of \$6M.
- The Foundation made targeted investments (5 grants totaling \$634,500) toward **Foundation Initiatives** initiated in previous fiscal years including: **Child Welfare, Full Cost Recovery, and Nonprofit Sustainability Initiative**.
- The Foundation introduced a **Special Opportunity Fund (SOF)** to respond to special and unforeseen opportunities. In FY17, 16 SOF grants totaling \$4.025M were awarded, more than half of which supported rapid response **immigrant integration efforts** following heightened post-election enforcement activity and threats.

In addition to our grantmaking, the Foundation elevated its leadership voice, hosting the Advancing Equity convening in March 2017. With 175 leaders in attendance, the convening represented a cross-sectoral dialogue and starting point for future collective action, including Foundation-led efforts in FY 2018 to develop initiatives in the areas of leadership development and youth organizing.

---

<sup>2</sup> In FY17, the Foundation maintained a distinct Capital grant program and budget allocation. In the current FY18, capital grants are now considered and budgeted under the Special Opportunity Fund.



FY 2017

## Grantmaking Snapshot

In FY 2017, the Foundation made 254 grants totaling \$31M through our responsive grantmaking programs. Of these, 80% was **Unrestricted Operating Support (UOS)** funding primarily supporting efforts to strengthen grantee infrastructure for fund development and diversification, staff infrastructure and development, and planning.

**\$9.5M**  
in program related investments and loan guarantees awarded.

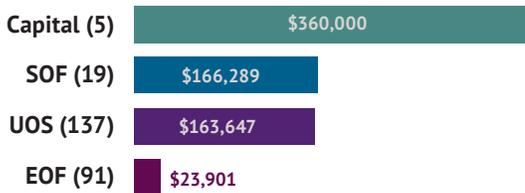
**91%**  
of grantees primarily serve economically disadvantaged and underserved communities.

**1 in 5 Grants**  
was awarded to a first-time grantee, continuing the Foundation's commitment to be accessible to organizations without a prior grant relationship.

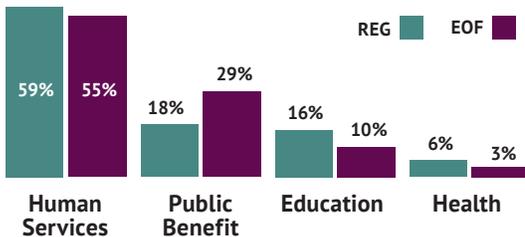
**7 of 10**  
of our RGP and EOF grantees are small and mid-sized nonprofits with annual budgets under \$5M.

**\$4.4 M**  
in grants supported Immigrant Integration efforts.

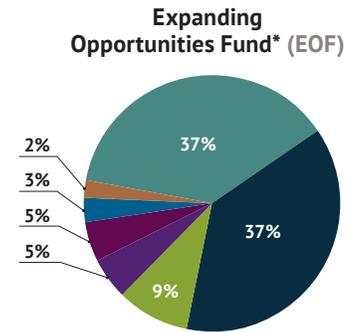
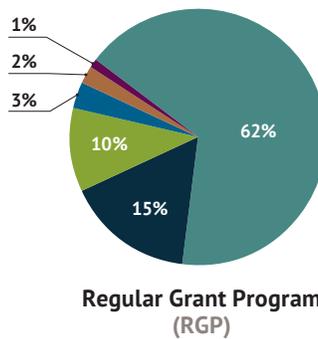
### Average Grant Size



### Program Area



### So. Cal. Counties Served



\*As of FY18, the Expanding Opportunities Fund no longer exists and has been folded into the Foundation's UOS program.

### By Service Planning Area

Percent of Dollars within Los Angeles County for RGP & EOF grants



#### OUR MISSION

To build a better Southern California by supporting nonprofit organizations to more effectively serve the underserved.

# FY17 Learning and Assessment Data Summary

## *Functional Areas of Organizational Effectiveness*

**Board Governance and Engagement**

**Financial Operations and Management**

**Fund Development**

**Staff and Infrastructure**

**Diversity and Inclusion**

**Organizational Strategy and Adaptability**

**Executive Leadership**

FY2017 marked the second implementation year of the Weingart Foundation’s Learning and Assessment (L&A) framework. Through this system, all grantees awarded Unrestricted Operating Support (UOS) are assessed across seven functional areas of organizational effectiveness. During FY17, the Foundation collected baseline PO Assessment data for 134 grantees that received UOS (see Box 1 for details on the PO Assessment tool). This is the data against which we will monitor changes in grantee capacity over time.

Table 1 shows the average scores by Functional Area for 134 UOS grantees awarded in FY17. Overall, grantees exhibit moderate capacity across all domains with average ratings above 4. Organizations ranked highest in the areas of *Diversity and Inclusion* and *Executive Leadership*, and lowest in the areas of *Fund Development* and *Staff and Infrastructure*. These rankings are somewhat consistent with FY16 L&A data, with the exception of the *Diversity and Inclusion* domain which ranked 3rd highest last year. There was a statistically significant increase in the average rating for *Diversity and Inclusion* this year when compared with last, placing it as the highest rated functional area. This increase is likely influenced by the Foundation’s equity commitment

*Table 1: FY17 Functional Area Ratings*

<b>FUNCTIONAL AREA</b>	<b>AVERAGE RATING</b>
Diversity and Inclusion	4.83
Executive Leadership	4.75
Organizational Strategy and Adaptability	4.65
Financial Operations and Management	4.47
Board Governance and Engagement	4.38
Staff and Infrastructure	4.09
Fund Development	4.05

## *PO Assessment Tool: What It Measures*

Grantees are rated on 22 items organized into seven **functional areas of effectiveness**. For each item, the Program Officer indicates the organization's current capacity 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.

The **financial capacity** of grantees is also assessed using a number of indicators derived from their audited financials. The Program Officer assigns a rating of weak, moderate or strong based on the following characteristics:

**Weak:** 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

**Moderate:** mixture of "weak" and "strong" characteristics

**Strong:** 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

The organization's **life cycle stage** is also noted at the time of review.

announced earlier in the year. For FY18, we anticipate that the baseline ratings across all functional areas may continue to shift along with changes in the overall composition of our grantee pool resulting from our equity lens. Grantees may increasingly represent grassroots and often under-resourced nonprofits deeply embedded in communities of high need as well as organizations whose core work falls outside of traditional direct service provision, which has largely been the mainstay of our past grantmaking. With regard to nonprofit lifecycle stage, a majority of FY17 grantees are in either the growth (28%) or maturity stage (59%). We will track any changes in nonprofit lifecycle stage among our grantee pool as another potential indicator of how our equity lens may or may not be influencing the types of organizations we support.

Table 2: Sub-items with the highest ratings

FUNCTIONAL AREA: SUB-ITEM	AVERAGE RATING
<b>Organizational Strategy &amp; Adaptability: External Engagement</b> Engages with others (e.g., partnerships, advocacy activities) in order to advance mission.	5.08
<b>Diversity and Inclusion: Cultural Competence</b> Services are responsive to the cultural and linguistic needs of clients/consumers/constituents	5.06
<b>Diversity and Inclusion: Staff Diversity</b> Has staff who reflect the diversity of people and key interests the organization serves.	5.04
<b>Diversity and Inclusion: Client/Constituent Engagement</b> Has established mechanisms in place to solicit client/constituent input to inform key decisions	4.86
<b>Executive Leadership: Strategic Thinking</b> Executive Director and/or leadership team develops and implements organizational goals and strategies.	4.81

A deeper review of the ratings across the 22 individual items in the PO Assessment provides additional insight as to the specific strengths and capacity needs of our FY17 grantees. As seen in Table 2, four of the top five rated sub-items align with the Foundation’s priority equity strategies, even though the equity lens was not yet fully articulated last year. In particular, grantees on average received a “Solid” rating (above 5) in the sub-items of *External Engagement*, *Cultural Competence*, and *Staff Diversity*. Such a rating in these particular areas appear to follow the shift in types of organizations funded, such as the increase in the number of policy/advocacy groups as noted in the first section of this report. Also, although *Cultural Competence* fell within the top five rated indicators last fiscal year, *Staff Diversity* and *Client/Constituent Engagement* did not. This positive shift appears to reflect the Foundation’s increasing focus on supporting organizations led and staffed by persons reflective of the communities being served.

Grantees continue to receive the lowest ratings for sub-items falling within the areas of *Fund Development* and *Staff and Infrastructure*; the same four sub-items in these areas as listed in Table 3 were also among the five lowest rated indicators in FY16. This mirrors what was shared by nonprofits in the most recent round of listening sessions during which they cited financial sustainability and staff retention as their highest organizational capacity needs. Interestingly, *Board Diversity* was among the five lowest rated items in FY16, but that is not the case this year. Similar to *Staff Diversity*, there was a significant change in the baseline rating for *Board Diversity*, which increased from 3.93 in FY16 to 4.35 in FY17. As mentioned earlier, this upward movement aligns with the Foundation’s efforts to prioritize funding to nonprofits demonstrating a commitment to diversity and inclusion at all levels of their organization.

*Table 3: Sub-items with the lowest ratings*

FUNCTIONAL AREA: SUB-ITEM	AVERAGE RATING
<b>Fund Development: Capacity</b> Has sufficient capacity from staff and/or volunteers to implement fund development activities.	3.90
<b>Staff and Infrastructure: Staff Structure and Size</b> Staff is in place to implement core administrative and programmatic work.	4.07
<b>Staff and Infrastructure: Staff Development and Support</b> Provide and/or support ongoing staff development opportunities, including for Executive Director.	4.12
<b>Board Governance and Engagement: Board Development</b> Board recruits and trains new board members with relevant skills and backgrounds.	4.12
<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	4.20

## Financial Capacity

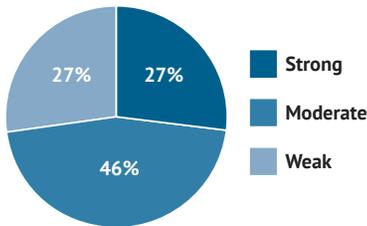


Figure 1: Overall Assessment of Financial Position

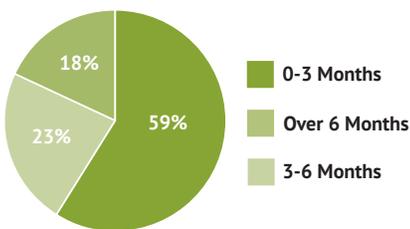


Figure 2: Months of Cash

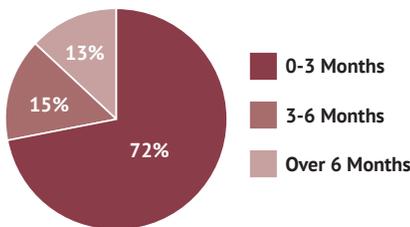


Figure 3: Months of Reserves

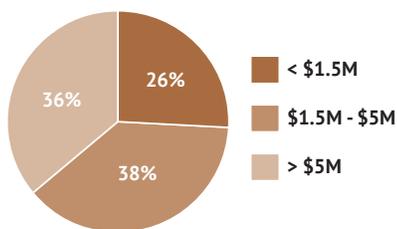


Figure 4: Annual Budget

The PO Assessment tool also captures an overall rating of the financial capacity of grantees and tracks particular indicators based on their audited financial statements. As seen in Figure 1, nearly half of FY17 grantees were assessed a “Moderate” rating, with the remaining equally distributed between a “Weak” and a “Strong” rating. The average cash on hand at the time of application was 3.88 months, with a majority of grantees having less than 3 months cash. One-third of grantees indicated they have an operating reserve policy in place. However, most of these grantees maintain relatively low levels of reserves, with the average number of months of cash in reserve overall at less than 2 months. In terms of budget size, the average annual budget of grantees was \$8.9M, with the highest percentage of grantees having budgets between \$1.5M and \$5M as noted in Figure 4.

This financial capacity data is fairly consistent with that of our FY16 grantees, with only slight increases in the average cash on hand (3.36 months in FY16), annual budget size (\$7.7M in FY16), and proportion of grantees assessed a rating of “Strong” (23% in FY16). We will continue to explore if and how our equity focus influences the composition of our grantee in terms of their average size and financial health given our commitment to support small and often under-resourced nonprofits providing critical services in communities of high need.

## Grant Goals

Through the PO Assessment tool, Program Officers track organizational goals identified by our grantees, reflecting their intended use of UOS grants. Predictably, the most frequent types of goals across all grantees were related to the functional areas in which they exhibited the lowest PO Assessment ratings. This supports the Foundation’s underlying assertion that if given the flexibility, grantees will prioritize investment of unrestricted dollars into their highest organizational capacity needs. For our FY17 grantees, their greatest needs appeared to focus on building infrastructure tied specifically to sustainability. As detailed in Figure 5, 77% of grantees identified at least one goal focused on

*Fund Development* and 65% of grantees had at least one goal focused on *Staff and Infrastructure*. Of the *Fund Development* goals, private fundraising was the top need, followed by diversifying revenue streams and adding fundraising staff. Of the *Staff and Infrastructure* goals, training and professional development was the top need, followed by efforts to adjust or expand staff size and capacity.

**FIGURE 5: Percentage of grantees with at least one UOS goal per functional area**

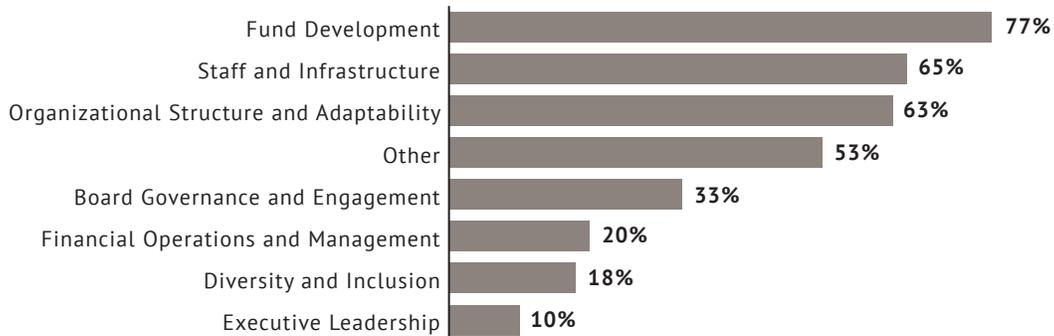


Figure 5 also reveals high percentages of grantees focused on goals to improve organizational effectiveness more broadly and to strengthen and increase their ability to respond to increasing service demands. Sixty-three percent of grantees identified goals in the functional area of *Organizational Structure and Adaptability*. This was not one of the lower ranked functional areas, so the prioritization of these types of goals may not necessarily be linked to grantees’ limited capacity in this area. However, the types of functions represented by these goals are critical to adaptive capacity and programmatic effectiveness and include such things as planning (strategic, business, etc.), evaluation activities, communications, and partnership/collaboration. Goals in the “Other” category are not directly tied to a functional area and largely represent efforts to expand services, reach new communities, and/or strengthen existing programs. More than half of our UOS grantees prioritized these types of program expansion goals, revealing a strong desire for grantees to address unmet community needs.

It should also be noted that although grantees’ rating in the area of *Financial Operations and Management* ranked in the middle across the seven functional areas, their prioritization of unrestricted dollars to invest in this type of infrastructure fell lower. We will continue to explore reasons for this mismatch such as whether this is due to the grantees’ own perceived need in this area or simply a result of competing demands for limited unrestricted dollars. This is of interest considering our stance regarding the importance of financial operations in nonprofit effectiveness, particularly on issues such as understanding full costs, managing cash flow, and maintaining a healthy reserve, which are common challenges faced by many of our grantees.

## *Summary of Learning and Assessment Findings*

Our Learning and Assessment system continues to provide important insight about the overall effectiveness of our UOS grantees. As FY17 was only our second year of L&A implementation, we were still in the baseline data collection phase. Our first set of close-out data is currently being collected this FY18 with findings to be shared in FY19. However, there have been some interesting shifts in even our baseline data that appear directly related to the Foundation's ongoing transition to operationalizing its equity commitment, which began in FY17. Most prominently, there was a notable increase in the PO Assessment rating for the *Diversity and Inclusion* functional area. This domain includes indicators such as staff and Board diversity, cultural competency, and client and constituent engagement. Foundation staff posit that this increase is due to a number of factors, including our own growing understanding about how best to inquire about and assess these indicators, as well as our increased grantmaking to organizations that are community-based and community-led, and/or that engage in activities such as advocacy and organizing. It will be interesting to monitor whether this is the start of a longer-term trend.

Other takeaways from FY17 L&A data corroborate our early findings from FY16 and reinforce what we heard in our most recent round of grantee listening sessions. This indicates that perhaps not much has changed in the sector and that our grantmaking approach is still relevant. Specifically:

- Generally, grantees are appropriately prioritizing UOS funding to invest in capacity and infrastructure needs where they are the weakest, based on their PO Assessment ratings.
- The highest priority for the use of UOS grants remains *Fund Development* and *Staff and Infrastructure*. Grantees repeatedly cite the need to increase and diversify funding streams and fundraising capacity, and to develop and retain staff that are critical to their missions.
- Grantees are also prioritizing UOS dollars to enhance their ability to adapt to changing environments and expand services given increasing and unmet demand.
- Grantees' financial health remains stable, but many are operating on thin margins with little flexibility in funding streams.
- More than one-fourth of grantees were assessed a "Weak" rating in terms of their financial position, signifying the Foundation's continued openness to take some financial risk to support organizations strongly aligned with our mission and priorities.

As we continue to collect baseline L&A data for new grantees and begin to collect end-point data as UOS grants come to a close in FY18, we will have the opportunity to engage in more meaningful analyses of our grantmaking to better understand how unrestricted dollars contribute to grantees' ability to strengthen their capacity and effectiveness.