



# Designing the Future for Success and Sustainability

**Charity Effectiveness Symposium IX**  
**Presented by the Education and Research Foundation of the Better Business**  
**Bureau of Metropolitan New York**  
**At Baruch College**  
**February 24, 2015**

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The following organizations were valued Event Supporters, helping to create awareness of the program: Association of Development Officers; Association of Fundraising Professionals, New York City Chapter; Baruch College School of Public Affairs; Center for Nonprofit Leadership at Adelphi University; City Limits; Foundation Center; Human Services Council; New York Council of Nonprofits; New York Society of Association Executives; Nonprofit Coordinating Committee of New York, Inc.; Nonprofit Westchester; NYCharities.org; Philanthropy New York; Staten Island NFP Association; United Way of New York City; VCG Governance Matters; Women in Development, New York; and Young Nonprofit Professionals Network of New York City.

There were 387 nonprofit and foundation executives, consultants, academics and other professionals in the philanthropic sector registered to attend the BBB Education and Research Foundation's ninth annual Charity Effectiveness Symposium, including speakers and staff, the most ever. On the program day, 290 participants were noted as present at the event.

## **Program Agenda:**

**Welcome:** Claire Rosenzweig, President and CEO, Education and Research Foundation of the Better Business Bureau of Metropolitan New York *and* David S. Birdsell, Dean and Professor, Baruch College School of Public Affairs

### ***Opening Remarks: Charities Bureau Update***

James G. Sheehan, Esq., Chief, Charities Bureau, Office of the New York State Attorney General

### ***Keynote Remarks***

#### ***Success and Sustainability: Moving from LOI to Repeat Grantee***

*Keynote Speaker:* Karen L. Rosa, Vice President and Executive Director, Altman Foundation

*Question Moderator:* James A. Krauskopf, Distinguished Lecturer and Director, The Center for Nonprofit Strategy and Management, Baruch College School of Public Affairs

***Developing Talent: Building Success from Inside Out***

*Panel Moderator:* David S. Birdsell, Dean and Professor, Baruch College School of Public Affairs

Jeremy Kohomban, Ph.D., President and CEO, The Children's Village

Wayne Ho, Chief Program and Policy Officer, Federation of Protestant Welfare Agencies

John Sanchez, Executive Director, East Side House Settlement

***Operational Excellence and Sustainability: Key Elements***

*Panel Moderator:* Hilda H. Polanco, Founder and CEO, Fiscal Management Associates, LLC

Charles Buice, President, Tiger Foundation

Sam Schaeffer, Executive Director and CEO, Center for Employment Opportunities

Warren Scharf, Executive Director, Lenox Hill Neighborhood House

**Summary of the Program:**

**David S. Birdsell**, Dean and Professor, Baruch College School of Public Affairs and **Claire Rosenzweig**, President and CEO of the NY BBB Education and Research Foundation and the Metropolitan New York BBB, opened the Symposium. Ms. Rosenzweig welcomed attendees to the ninth Charity Effectiveness Symposium, and remarked that today's program would address a critical question: how operational excellence can lead to success and sustainability. She explained that two of the BBB Standards for Charity Accountability say that charities should evaluate and report to their boards on their effectiveness against mission goals at least every two years. This is why BBB presents the Symposium program which provides information intended to help charities enhance and evaluate effectiveness. She thanked the 2015 Symposium Sponsors, Baruch College, the Program Committee, Event Supporters, and BBB staff.

Dean Birdsell remarked that the Symposium addresses compelling issues in a way that builds year after year, and finds creative ways to engage thinking about persistent issues. The program allows us to think about how to change the dynamics to improve the sector and make the environment in which we operate more responsive to the compelling needs of the institutions and the people they serve. This is reflected in the title of the program: "Designing the Future". Though there is a kind of utopianism embedded in the notion of "designing the future," it is important to be aggressively proactive rather than reactive. This needs to take place both internally, by ensuring quality of staff and operations, and externally, by ensuring you have revenue to do what you want to do, and also in an even larger framework. We must look beyond the daily demands of operating and funding our institutions, to creating environments that are cognizant of the realities of delivering service in an environment where government and the nonprofit sector are essential partners in ways that are often not recognized in practice. Charities Bureau Chief James Sheehan works very closely with these issues. The Charities Bureau is the division of the Attorney General's Office that supervises charitable organizations. It is responsible for enforcement activities, trust regulation, oversight and public outreach for the over 90,000 nonprofit organizations in New York, approximately half of which are located within the five boroughs.

## **Opening Remarks: Charities Bureau Update**

**Presented by James G. Sheehan, Esq., Chief, Charities Bureau, Office of the New York State Attorney General**

**Dean Birdsell** introduced **James Sheehan, Chief of the New York State Charities Bureau.**

Mr. Sheehan explained that he came to his position from a regulatory background and while one of the main responsibilities of the Charities Bureau is to regulate, another is to support and encourage nonprofits. Before outlining the goals of the Charities Bureau, he shared a quote about the role of the Charities Bureau from Attorney General Eric Schneiderman: "Our job as a regulator isn't just to go out and catch bad guys, it's also to help the good guys conduct their business efficiently and effectively."

Mr. Sheehan said that it is important to improve Gross National Happiness (GNH), also known as the Wangchuck index, which was implemented in Bhutan reviewing its economic and development plans. He said that the nonprofit sector is important not just for economic reasons, but also because of the difference it makes in the lives of New Yorkers. Part of the way to measure effectiveness is to ask how well we are making a difference. Other goals of the Charities Bureau are to increase public confidence in the sector, support its role in New York and its growth by encouraging the excellence and effectiveness of individual charities. One way the Bureau seeks to do this is by making sure nonprofits have the tools they need to operate. The Charities Bureau also works to assure accountability for fees received for services, government grants and contracts, private donations and payments to insiders. Following is a summary of Mr. Sheehan's further remarks:

There is a significant focus in New York State on for-profit economic development. Part of Mr. Sheehan's job is to make sure people are conscious of the difference that charities make, economically and otherwise. The not-for-profit sector is a growth area: from 2000-2010 the number of nonprofit jobs grew by 17%, while the for-profit sector lost 6% of jobs during that time period. The question is, what the government can do outside of grants, fees for services, and tax exemptions to encourage further growth by nonprofits?

Mr. Sheehan posed the question: why is the charitable sector so much more successful now? He listed three things to consider:

- Giving to charity makes people feel better about themselves;
- Giving to charity requires confidence that the organization will use its assets properly;
- The best compliance mechanisms involve non-governmental organizations with expertise, responsibility and accountability.

One of the lessons learned from the Wangchuck index is that people are made happier by experiences, rather than things. Charities are designed to give people positive experiences, whether it's through volunteering, donating or activities. The sector offers experiences and connectedness, which are becoming increasingly important for younger generations. He cited a psychological study in which, at first, participants indicated they would be happier to spend money on themselves, but ultimately it was determined that they were happier when they spent their money helping others.

The Charities Bureau is conducting its own effectiveness assessment, to ensure that its processes are accomplishing what they are meant to do. One change planned for coming years is to make it easier for charities to register with the Charities Bureau.

One of the problems Mr. Sheehan has seen in the last year is that some organizations are going down the wrong path, not necessarily because anyone in the nonprofit is a bad person. According to Melanie Leslie at Cardozo Law School, one of the dangers to an organization occurs when people running the organization have been doing so for a long time and think they're doing good but fail to monitor appropriately the assets in their charge. Mr. Sheehan has seen that phenomenon in many of his roles, including as an Assistant US Attorney, as the Medicaid Inspector General, working for the City of New York and now as head of the Charities Bureau. The reality is that even "good guys" need to consider whether they are doing what they need to do and if they are doing it the right way, and they need to know how to listen to people outside their circle about what works.

The Charities Bureau is making efforts to look away from "command and control regulation," toward "nudge techniques." This refers to getting people to do what they need to do without telling them what it is. "Nudging" is a way of encouraging choice that will lead to more positive outcomes. The Obama administration and the Coalition party in Britain are both using these nudge techniques.

Another objective of the Charities Bureau is to design enforcement tools for significant harms, by identifying the real risks to the sector and how to address them with input from the sector. A further goal is to identify the best compliance mechanisms and how to get people to comply with the expectations created by the law. Mr. Sheehan referred to the "Fitbit effect," or the extent to which people change their behavior when they're receiving constant feedback. The Charities Bureau wants to explore the possibility of measures that would have the same effect, which could involve more frequent as opposed to occasional monitoring, especially with regard to financial systems such as internal controls

Mr. Sheehan said that the Nonprofit Revitalization Act of 2013 encourages movement from general duties towards the specific, and includes rules that are predictable and understandable and that can be applied without suggesting that someone is a bad person. These rules apply to key governance responsibilities such as the audit process, audit committees, whistleblower and conflict of interest policies, and related party transactions.

Mr. Sheehan discussed the New York Prudent Management of Institutional Funds Act which requires charities' boards to implement procedures for managing organizational funds, and board approval of investment managers. This is an area of Charities Bureau concern. Unfortunately, in difficult times, it is common for institutional investors to "double down" when investment problems happen instead of taking appropriate steps that might help to preserve assets.

The role of auditors is very important. Audit standards have changed significantly in the last five years, but some accountants are not yet adapting to these changes and instead tend to follow a "SALY" system of work (same as last year). When accounting and legal standards change, it is important for auditors and their clients to think in fresh ways about how to implement internal controls and govern effectively. If fraud is discovered, it must be reported no matter the amount.

Although New York law does not prohibit related party transactions, the Nonprofit Revitalization Act sets forth procedures for approval of such transactions and they must be documented in the minutes of the organization with details about the alternatives that were considered and how the choice was made. Title companies and insurers may ask to see such documentation in the future when assessing risk issues related to property sales or other matters.

A problem for charities is that the public has certain expectations about charities and it becomes a major news story when those expectations are not met. One of Mr. Sheehan's goals is to make sure that positive news is publicized as well, not just the negative. The Charities Bureau is designing a follow-up questionnaire that they will ask a charity to complete after experiencing a major management failure. The goal is not always to punish organizations but to understand their actions leading up to and following times of crisis. The questionnaire will include questions such as:

- When did the board find out?
- How did the board respond?
- How did you communicate these events to donors, clients, and government agencies? (crisis management)
- Were there management letters or internal controls? Did the auditors do their job? Did the board and audit committee do its job?
- Do you have the tools the law requires?
- What have you done to prevent this from happening again?

These issues are responsibilities of the board and senior leadership. The Charities Bureau seeks to identify causes of certain types of governance failures and best practices to address them. Mr. Sheehan predicted that the US Attorney's Office will pay increasing attention in the next few years to emerging issues related to elected officials' involvement with nonprofit organizations.

Another concern of the Charities Bureau is the continuation of charities' missions during a period of uncertainty. Mr. Sheehan has noticed that boards have a tendency to hope that bad things will go away, or that future boards will have to deal with the hard decisions. This is a very human tendency, but boards are supposed to think past that and the Charities Bureau's task now is to ask questions about what the board is doing.

When major problems occur, often the culpable party is an individual rather than the entire organization. In light of this, the Charities Bureau will ask how a nonprofit can address the harms caused to clients, governments and donors. It will also look to see that charities have taken steps to ensure that wrongdoers will no longer have access to charitable assets. They will also identify a way of communicating the results in a way that is effective for individual charities and the entire sector.

Mr. Sheehan outlined some issues that the Charities Bureau will address: identifying best practices for charities (using BBB standards and those of other standard-setting organizations as a reference); registration reform (electronic registration and annual filing); reforming procedures for transactions to give organizations more autonomy; stress testing for types of organizations that are at risk (such as historic houses with funding deficits, educational organizations with troubled business models and organizations receiving funding contracts that may be insufficiently negotiated); and facilitating access to government grant money that is locked in an account for a program that is no longer feasible, so that the funds can be used more productively for current purposes.

Mr. Sheehan then took an audience question: What is the best way to educate your board about accountability and their role, considering most are in for-profit work and not aware of NY State standards?

He replied that board members have to be educated from day one about expectations, which include fundraising and supporting the mission of the organization without being

compensated. The statutory standards for nonprofits are not that much different than for-profits, except for the difference in mission. Among the most important jobs of the board are selecting and, when necessary, firing the chief executive, which is also the most difficult task for boards to think about.

The next question was: What is your definition of growth, and how do you think that success and growth should be defined for nonprofits?

Mr. Sheehan said that the nonprofit sector is a growth sector, which is often overlooked. The nonprofit sector is the biggest source of job growth in the state, and provides jobs that are meaningful and satisfying.

The next question was about whether any future regulation would deal with the composition of the board, to ensure key competencies are represented.

Mr. Sheehan said this is a great idea, but not one that his office has thought about yet. The Charities Bureau has been focusing on drafting guidance on the core issues of the Nonprofit Revitalization Act. There may be other organizations that are better able to offer guidance on the key competencies issue. However, he said he thinks the idea of “sunsetting” board members is very important, along with considering what other roles former board members might play. This is because research indicates that when board members serve together for a long time in an entrenched way, the risks to the organization of governance problems are greater.

The next set of questions dealt with whether there will be any regulatory changes in the area of compensation, and modernization of regulations related to consultants, particularly fundraising consultants.

Chief Sheehan replied that the Governor’s Office is addressing the compensation issue, and litigation is underway which may take several years to resolve. Looking at the process for deciding compensation and ensuring that rules are followed is important as a good governance practice. He said the Charities Bureau will first focus on the registration process for nonprofits; but in 2016 will look at fundraising and consider what type of information is being collected by the Bureau and how that is used to change practices in the sector.

Claire Rosenzweig thanked Mr. Sheehan for his remarks and noted that, on its website, the Charities Bureau has provided a lot of guidance that is helpful for use in board orientation, including “Right from the Start” which addresses the duties of directors.

## **Keynote Remarks**

### **Success and Sustainability: Moving from LOI to Repeat Grantee**

**Karen L. Rosa, Vice President and Executive Director, Altman Foundation**

***Question Moderator: James A. Krauskopf, Distinguished Lecturer and Director, The Center for Nonprofit Strategy and Management, Baruch College School of Public Affairs***

Claire Rosenzweig introduced the Keynote speaker, Karen L. Rosa, Vice President and Executive Director of the Altman Foundation. Altman Foundation focuses on issues of access and opportunity for underserved populations in New York City. Altman takes a results-based approach to its work and is known for its interest in strengthening nonprofits. Before joining the Altman Foundation, Ms. Rosa served as a consultant to The Rockefeller Foundation’s Trustee Task Force on Developing Countries, and also worked for Dominique de Menil, who

was a philanthropist and art collector. She is a former board chair of Philanthropy New York and is currently a Trustee of the Jean and Louis Dreyfus Foundation.

**Karen Rosa** took the stage and thanked BBB for the opportunity to speak. The Education and Research Foundation was one of her first grantees when she joined the Altman Foundation in March of 1986. In June of that year, Ms. Rosa presented a grant to help establish the New York Philanthropic Advisory Service at the Metro New York Better Business Bureau Foundation, to supply evaluations of nonprofit organizations in the city. Altman provided renewal grants in 1987 and 1988, at which point NYPAS, now known as the Metro New York BBB Foundation Charity Accountability Program, was running on its own. Altman still asks on their application whether a grant-seeker meets the BBB Standards.

The Altman Foundation has a long history with many organizations in New York City. The foundation was launched in 1913 under the will of Benjamin Altman, founder of the B. Altman and Company department stores, and celebrated its centennial last year. When he passed away, Benjamin Altman left the controlling interest in his stores to the Altman Foundation. All of the store profits went to charity, though that fact was never publicized. The Foundation had to sell the stores in 1985 due to tax reform, and it began the second phase of its life in 1986, which is when Ms. Rosa joined the staff.

Ms. Rosa remarked that it amazes her that among their active grantees are organizations that were originally funded during the first two decades of the Foundation's life, going back to the 1920's and before. She said that a nonprofit hearing that might wonder what it is that brings a grantee into the fold in the first place, and what keeps the funding going. For those who have never worked for a foundation, the application and reporting process might seem like a black hole. It is not clear where the submitted information goes, how decisions are made or how the materials are used.

Ms. Rosa said that her remarks would walk through Altman's proposal process and outline what questions are asked upfront, what internal considerations are brought to new proposals and what they look for at the end of the grant period when making decisions about renewals. Not every foundation works the same way, and grant-making is not a science, but there are probably some common themes.

The place to start is with a foundation's giving guidelines. There are certain things that Altman does not do, which includes making grants to individuals and funding programs outside of New York. They have spent a lot of time on their guidelines, in order to give applicants a clear sense of the results they hope to achieve – what they want to “buy.” All proposals go through the same initial review. The Foundation's program and administrative staff meet each week to go over the proposals and Letters of Intent (LOIs) that were received the week before. The first step is to determine whether the request fits anywhere within their guidelines, mission and program priorities. If it clearly does not, such as a one-off event unrelated to work they are already doing, or a request for capital equipment or construction, the process stops there and request is turned down. The remaining requests are distributed among the program officers based on program area and field of interest. Each staff member is expected to come back the next week to talk about the requests and about other things they are working on. This is beneficial because everyone has the opportunity to share information about what they are learning, and it helps to break down the silos that can build up when staff members are only talking to those in their own field.

A foundation that tends to stay with programs over extended periods of time, and that does not have an automatic “sun-setting” policy, can have difficulty weighing the needs of longtime grantees against those of new organizations that meet their guidelines and

program interests. When times are “flush,” Altman can be more flexible about this; but they have not been in “growth mode” since 2008. This means that all the organizations applying for funds are competing against each other for a limited pool of funding and are all subject to the same set of screens, with renewals having an edge. In any given year, special needs and priorities can arise, such as those created by Hurricane Sandy, or issues around the development and implementation of health care reform. This further reduces the funding available for bringing in new grantees. They spend a lot of time visiting and meeting with their grantees, colleagues and other experts in the field, and reading relevant reports, so that they can bring context to the requests they receive. They are able to determine pretty quickly whether a request is one they can work with. A successful initial approach demonstrates that the grant-seeker has taken the time to understand the materials and guidelines available on their website, and is proposing work that adds to or complements (or challenges and improves upon) the work Altman is already doing. It would also have a strong program design; be oriented toward results; appear to have the right people, or be seeking to have the right people in place to do the work. In the ideal world, the grant-seeker will also have given some thought to how the work will continue once the Altman funding ends.

In the case of an LOI, if the request seems to be a likely prospect, they will set up a phone meeting or site visit to discuss the submission of a full proposal. If the organization is completely new to the Altman Foundation, they are also likely to ask for audited financials before even accepting a full proposal. Ms. Rosa explained that nonprofits probably don't realize that funders fall in love with their programs. They request financials in the beginning to avoid going too far down the path before finding out that the organization is not a good candidate for funding. Altman's CFO goes over the audit of every organization that they have under serious consideration, line by line, and they track the financial condition of their grantees from year to year. Finances also tell them a lot about governance, which is an important issue for Altman.

Once a request has gone through the initial screening, they have a standard set of questions that they run through as they review proposals, which are reflected in their guidelines. The questions are:

- Is an organization clear about what it is trying to accomplish, and are the result targets it is setting for itself at a compellingly high level relative both to what would have happened without the program and to the nature of its participants?
- Do key people have the attributes and capabilities needed to predict success?
- Are there governance issues?
- Does the organization have a strong record of prior achievement?
- Is the program designed with the appropriate density and duration to make a difference?
- Is the timing of the project or program right for the grant-seeker, the field, or the political context?
- If the project is dependent on partners or intermediaries, and if so, is there evidence of their commitment and capacity? Failed partnerships can derail programs.
- Would this be the best use of the money, given all the opportunities available?
- Are there secondary impacts beyond the direct results of the project or program itself that add significant value to the investment of Altman dollars?

The proposal is the jumping-off point for further discussion about all of these issues. All are significant, but the issue of results and result targets seems to be the one that gets the most attention outside of the Foundation. Setting meaningful result targets, and then tracking and documenting progress against those targets, can be daunting. Some programs lend themselves to this approach more easily than others. Arts programs seem to find this



particularly challenging. As Hoong Yee Lee Krakauer from the Queens Council on the Arts, an Altman grantee, once asked in a piece for "Grantmakers in the Arts": "How do you measure wonder?" But that train has left the station. It would be great to have funding sources that provide support and have few reporting requirements, and individual donors and some foundations are a crucial source of this kind of critical, bread-and-butter support. According to *Giving USA*, contributions from individual donors made up between 72-73% of the private dollars given to U.S. nonprofits in 2013, with foundation dollars representing a distant 14-15%. All of these are dwarfed by public funding. Foundation dollars come at a high price; it's a lot of work to get a foundation grant. Strengthening the ability of an organization and its board to raise funds from private individuals may be the best capacity-building project they could take on. In any case, being able to articulate what you are actually accomplishing for the individuals and communities you serve, to set and measure progress toward result targets, and to improve practice based on what you are learning as you strive to achieve these targets are essential parts of the picture, even if what you are receiving is flexible money, or targeted general support.

This is not evaluation in the traditional sense of the word; it is performance management. As TCC has stated in its reports, research shows that organizations that engage in iterative performance management raise more money than organizations that do not. There are good proxies for wonder – it might be engagement, having people stay with you or come back to see what else you are offering, or many other measures. Being able to collect meaningful data, not just so that you can say you have measurable outcomes, but so that you can use this data to improve your results and your practice across your organization, will only become increasingly important in the future. According to Ms. Rosa, Hoong Yee refers to this as "data compost", as the "organic, natural enrichment of the creative process." Ms. Rosa shared a quote: "Composed of what has been discarded as well as what should be included, this metaphoric meme contains the vestiges of failure and the seeds of best practice invigorating the growth of a new season's future harvest." Altman grantees set their own result targets, but they do have to have them, and they report on their progress in achieving those targets at the end of the grant period. Altman, in turn, has to report on this progress to their Board.

In the course of these reviews and discussions, it becomes clear whether or not they should move forward with a proposal and present it to their Board. Last year they funded about a third of the total number of proposals and LOIs that came in to the Foundation, and that number has been relatively steady over the past few years. Generally, by the time they take something to the Board, they have a pretty good sense of whether it will be successful. Altman's Trustees are the grant-makers, and they are engaged, informed and they ask hard questions. Once a proposal is approved, they start to build a relationship. As the work proceeds, they begin to think about sustainability on many fronts.

At the end of the first grant period, Altman looks at the progress that was made toward the result targets that were set. They also look at the challenges that were faced, whether external or internal, how they were addressed, and what the organization, and Altman, can learn from those. Some things they look at are:

- Were there problems with staffing at the program level or transition at the executive level, or problems with the model itself or with its implementation?
- Did partners and intermediaries come through?
- Did key events happen on time?
- Was the projected level of resources needed – time, money, personnel – adequate for the successful execution of the work?

Altman Foundation's grant-makers understand that things will not always run smoothly, and they do not expect perfection. What they look for is evidence that the grantee has the resources and the capacity to identify challenges, learn from them, course-correct and respond effectively to them. It is always a good idea for a grantee to keep their program officer informed along the way of any significant issues, whether programmatic or organizational. If Altman funded a program, it's because they think the work is important and want the organization to succeed. Major surprises at the end of the grant period are never a good thing. Altman cannot help a grantee if they don't know what is going on. General operating support may be the Holy Grail, but targeted, contextual and grantee-directed capacity-building support can be equally invaluable. Having a relationship with your funder that allows for honest discussion of organizational needs is important at every stage of the grant process, and it is an important marker on the road to sustainability.

In the beginning of each year, Altman presents an extensive analysis to their Board on the grants that ended during the prior year. They look at all the factors mentioned above, both in terms of individual grants and in the aggregate, across their portfolio. They think about ways to help grantees achieve higher levels of performance – for example, if they cannot increase the size of grants for high performers, can they give them multi-year funding that will provide greater stability and make planning easier? Are there additional collaborative initiatives underway in which they should be participating in order to reach multiple organizations through one grant? Collaborative projects are being funded more often. Are there capacity-building grants that can help organizations address challenges more effectively?

At the end of 2014, Altman commissioned an outside consulting firm, Upshot Advisors, to survey grantees to gather their perceptions, thoughts and suggestions regarding current Foundation grantee/grant-maker communications and interactions, in a confidential survey. They also gathered useful information about grantee experiences with online applications, which is something they are working on. People were incredibly generous in responding. Upshot Advisors contacted all organizations that received at least one Altman grant during the past three years, including both current and lapsed grantees. Of the 215 organizations contacted, 81.4% responded – a return rate which is considered excellent. The survey instrument left room for comments, and what was particularly gratifying to Ms. Rosa was that respondents provided over 1,300 unique written responses to open-ended questions. Most were wonderfully positive, but there were some interesting outliers – very concrete concerns and suggestions for improvement in their applications and reporting process – that they will be working on moving forward. Altman tries to ensure that performance management is part of their DNA, too.

Ms. Rosa remarked that Altman is only as good as the grantees they choose. They will never have enough money to fund all of the projects that come their way, they cannot keep all their grantees in their portfolio forever on an every year basis, and not every project belongs at Altman in the first place. Being able to answer the kinds of questions they are asking will help an organization to tell its story in the most compelling way. She concluded by saying that Altman grantees fill them with wonder.

**James A. Krauskopf**, Distinguished Lecturer and Director of The Center for Nonprofit Strategy and Management, Baruch College School of Public Affairs, read the first audience question: Is the Altman Foundation enthusiastic about requests for help, financial and otherwise, in figuring out how to best measure an organization's impact?

Ms. Rosa said that Altman does provide capacity-building grants for data collection and management, in some instances, within the guideline areas where they are funding. For

example, they have twice funded a grantee organization to enable development of powerful data management systems which are used to track programmatic progress. They've also provided funding for strategic planning, executive transitions and other aspects of capacity-building. When they are unable to provide long-term funding to an organization, a capacity-building grant can be a great, time-limited way to help.

Mr. Krauskopf asked: What are funders looking for when they ask for a sustainability plan in the grant guidelines, and is this different from a fundraising plan?

Ms. Rosa replied that fundraising is clearly a big part of starting a project. Is the project something that is so essential that you are willing to devote general operating support money to it over the long-term, and do what is needed to raise that money? The best role for a foundation is not to jump around between new projects, but to help an organization try new things that are critical to mission, and to help the grantee figure out whether and how to continue those new activities over the long-term. This includes raising money, but also means ensuring that everything about an organization is geared towards doing the work.

Mr. Krauskopf read another question: Where can grantees find support for measurement of results and general operating costs?

Ms. Rosa said that it is important that you request what it costs you to run a program, and not to sell yourself short. Altman includes general costs as part of the program budget, and more foundations need to realize that it costs money to do good programs. They expect their grantees to be aware of how general support fits within the program budget. For very large organizations, they may cap administrative expenses in a project budget.

The next question was: Do you value metric evaluations over anecdotal, experiential commentary in evaluating success of a program?

Ms. Rosa shared a quote from Swanee Hunt of The Sister Fund: "The plural of anecdote is not evidence." She then also quoted Temple Grandin, a scientist and author who said that there is truth in anecdotes. Ms. Rosa noted that it's a matter of being able to collect those anecdotes, analyze them and roll them up in a way that tells a story. You need to be very intentional about how you use those stories. It's not about writing proposals with stories that make people cry; it's about using anecdotes to show that you have made a difference, and illustrate how grant funding can help you do more of that. When talking to her board, she wants to be able to say how many organizations that they've funded were successful in achieving their own result goals. It's less about numbers and more about achievement, learning and how we move forward together.

Mr. Krauskopf asked Ms. Rosa to talk about types of collaborative funding that Altman is engaged in and how they work.

Ms. Rosa described Altman Foundation's involvement with the New York Community Trust's Fund for New Citizens. This has to do with support for nonprofits serving immigrants in New York City's five boroughs, many of which are very tiny. Through this collaborative project, small charities that are ready to develop further with capacity-building help are identified. Altman's role in this is to support the capacity-building program and help make decisions about which groups get grants. This is a collective process and not just up to the program officers of one foundation. Altman's Senior Program Officer, Deborah Thompson Velasquez, is involved in many collaborative projects dealing with housing issues and workforce development. Their Health Care Program Officer, Rachel Pine, is doing work with health care

reform and works with several providers that receive technical assistance through a centralized effort. Altman is involved in a number of additional collaborative efforts, particularly in education, under the guidance of Program Officer Megan McAllister.

Mr. Krauskopf asked a final question: What recommendations do you have for smaller, local nonprofits that have a hard time identifying their impact to large foundations? How should smaller nonprofits approach large foundations?

Ms. Rosa said that you need to be careful about which foundations you are approaching. There are foundations that specialize in small, grassroots organizations, and have a very different process from a foundation like Altman. Funding might be sought through a collaborative approach, as with the Zone 126 effort, where a grant goes to a specific geographic location and is distributed among several organizations in that area. Unfortunately, it is not likely that Altman would be able to provide support to a very small, local organization. However, there are thousands of foundations in New York City alone, and somewhere there is a funder that is right for your project.

Claire Rosenzweig thanked the speaker and moderator.

### **Panel 1: Developing Talent: Building Success from Inside Out**

**Moderator: David S. Birdsell, Dean and Professor, Baruch College School of Public Affairs**

**Wayne Ho, Chief Program and Policy Officer, Federation of Protestant Welfare Agencies**

**Jeremy Kohomban, Ph.D., President and CEO, The Children's Village**

**John Sanchez, Executive Director, East Side House Settlement**

Claire Rosenzweig introduced the moderator of the first panel, **David S. Birdsell**, Dean and Professor, Baruch College School of Public Affairs. She thanked Dean Birdsell for filling the role of moderator when the planned moderator, Patricia Swann of The New York Community Trust, was unable to attend at the last moment.

Dean Birdsell remarked that one of the consistent themes in the previous presentations was the ability to develop institutional capacity and the importance of developing staff talent. He noted that the panelists represent different types of organizations – a large, multi-site organization, an umbrella/intermediary organization and a large, single-site institution. The panelists bring a wide variety of experience to the discussion, so at least one of their experiences is likely to be applicable to challenges faced by the audience. He asked each panelist to introduce themselves and their organizations briefly.

**Jeremy Kohomban, Ph.D.** is President and CEO of The Children's Village, which was founded in Manhattan in 1848. At this time, juveniles who were arrested in the city were being sent outside the city. Their work today is much the same as it was when they began; about 40% of their work is residential care, mostly focused on juvenile justice. They do a lot of work with Governor Cuomo's "Close to Home" initiative, as upstate prisons are being closed and the kids are being brought back closer to the city. Their community work ranges from prevention to DYCD-type programs (DYCD meaning the New York City Department of Youth and Community Development), and some work overseas in Iraq, Australia, and the Netherlands.

**Wayne Ho** is the Chief Program and Policy Officer at the Federation of Protestant Welfare Agencies. FPWA was founded 93 years ago as an umbrella organization to support service providers, which at that time were predominately serving the Protestant community. They

have evolved into an agency that does policy advocacy work, provides services to member organizations and institutes faith-based initiatives. They have nearly 200 member agencies, about 150 of which are community-based organizations that serve children, youth and families across generations. They also have about 50 faith-based member organizations, most of which are service providers (not necessarily houses of worship), which include Muslim, Hindu and Buddhist organizations.

**John Sanchez** is the Executive Director of East Side House Settlement, which was established in 1891 on the east side of Manhattan and is now headquartered in the Mott Haven section of the South Bronx. When relocating, they decided that the established branding of the organization trumped the disconnect between their name and current location. As of now, their focus is education and technology, and they serve customers ranging in age from 2 years old to over 90 years old. They operate out of 24 locations in Manhattan and the Bronx.

Dean Birdsell said he'd like to start with the question of inside and outside: hiring from the outside and developing talent from the inside. He asked each panelist to speak about how they deal with inside/outside issues, in terms of both identifying and developing talent.

Dr. Kohomban said that their best talent often comes from inside. It usually takes time for anyone new to the organization to understand what they believe, why they believe it and how they approach their work. It is difficult for someone to come in from the outside and understand how social justice is a big driver in their work. They look to build from within, and when hiring managers they look for those who are inoculated against the difficulty of the work they do. When working with juvenile justice, foster care, and community work, it can be easy to complain about the commissioners and bureaucracy. His staff must understand that things are highly regulated in New York and be prepared to work within the framework, without getting discouraged or dragging others' spirits down. As people rise through the chain of command, their passion should remain intact.

Dean Birdsell responded that resiliency is a key factor that Dr. Kohomban is pointing out. He then asked Dr. Kohomban if his organization has a formal onboarding process and whether it's the same for internal promotions and external hires.

Dr. Kohomban said that about 9 years ago, they started identifying staff members who are doing great work and who might benefit from learning opportunities. They created a prescribed curriculum that covers issues ranging from fundraising to rate-setting. They believe that in order for someone to be promoted, he needs to know who those employees are that are doing excellent work and who may be ripe for advancement. If senior managers do not know which employees are doing well, they won't think of them for a promotion. One of the duties of the managers is to introduce their good employees up the chain of command, not necessarily with the promise of promotion, but simply because they are good. This has worked well for them.

Dean Birdsell remarked that FPWA does not have an "inside," and asked Mr. Ho how they use the power of the network in its place.

Mr. Ho replied that it is important for FPWA, as an intermediary organization for 200 member agencies, to look at improving the entire sector. They also need to recognize the difference between the community-based and faith-based sectors. Their member agencies span from a store-front church with a \$25,000 annual budget to a \$250 million dollar organization that was then preparing to merge with The Children's Village. It is important to look not just at the size of an organization, but also what can be done to build the entire

talent base of employees throughout the hundreds of thousands of employees that work for agencies in their network.

FPWA recently completed its strategic planning process. In doing so, they realized that throughout their history they were aiming to reduce poverty, but that reducing poverty doesn't necessarily guarantee people the opportunity to move up the economic ladder or promote economic equity. Their recent strategic plan says they will be a champion of promoting upward mobility for New York's most vulnerable. This shift meant it's not enough for them to support their member agencies in their work; they also must do more to shift the community members to the center of their work. Since FPWA is a federation, this becomes very challenging as a goal.

FPWA provides many kinds of support to its member agencies: re-grants, financial assistance and capacity-building. While they are expanding their advocacy work to be more people-centered, it is important to continue enhancing the strength and talent of their member agencies so they can be their advocacy partners. Recently, they received funding to launch their Center for Leadership Development. It is key for FPWA to continue to do leadership development, not just professional development, amongst their membership. They define leadership development in three ways:

- leadership of the staff, board and member agencies;
- organizational and program development which uses best practices and which is culturally competent, language accessible and evidence-based; and
- civic engagement.

They want their membership base to be more involved in their advocacy work. FPWA has brought in new policy staff and organizers who will be able to do more movement-building work for the clients and communities of their member agencies. This is a shift, directed at building capacity in member agencies to become stronger advocacy partners for FPWA.

Dean Birdsell observed that it sounds as though FPWA is trying to improve capacity across the sector, not just for individual organizations. He asked Mr. Ho if they ever run into resistance among constituent organizations who feel that training people is not necessary for building their capacity - and if this happens, how does FPWA persuade them to adopt a broader perspective.

Mr. Ho said they've been fortunate not to have pushback from member agencies as they've launched the Center for Leadership Development. Through their strategic planning process, they received feedback from funders and other stakeholders who want to see more targeted capacity-building. They want to make sure they offer capacity-building that is different from what's already available. In the past, policy advocacy was seen more as FPWA's role. The dynamics of engagement and capacity-building have changed as FPWA encourages member organizations to be more involved as advocacy partners, by bringing their staff people and community stakeholders into the advocacy process

Dean Birdsell asked Mr. Sanchez if there is a coherent culture across East Side House Settlement's multiple sites, or whether that might be an issue when promoting from within, across sites.

Mr. Sanchez said they have worked hard to develop a coherent culture. When talking about staff development, you can only control certain things. Culture, consistency and goal-setting around promotion internally are elements that an executive can control. Constancy is an element that you can control. These things are part of succession planning, which should take place at every level and not just at the CEO level. Part of each job description at his

organization is “find your successor.” This is not a threat but an opportunity, because strengths are recognized and rewarded through promotions.

East Side House Settlement does a lot of work in training up, and runs a leadership academy in which the senior staff lead workshops on management issues with the rest of the staff and provide mentoring. An outside consultant helps to organize this effort so that it can be meaningful. Their internal/external dynamic has been evolving. Shortly after entering his role at East Side House Settlement in 1989, Mr. Sanchez had to hire a new associate director. At the time, the South Bronx was afflicted by a crack epidemic. Candidates would ask in the interview whether the neighborhood was safe. This eventually prompted him to promote an employee who’d been with the organization for twenty years, and therefore was already familiar and comfortable with the environment. This worked very well for six years, and then this manager recruited his own successor for the job; that individual is now retiring, and has also recruited a further successor for the same position.

Dean Birdsell pointed out some common themes in the panel discussion: a strong culture of advancement from within; self-succession at every level of the organization; rewards for participating in an organization’s culture; and keeping eyes off the ground and onto a larger vision. He asked the panel to comment about the importance of creating a diverse leadership pool, and to what extent that is taken into account as a specific goal for talent development and training programs.

Mr. Sanchez said they have a staff of 400. The South Bronx area that they serve is 60% Latino and 40% African-American, and their staff is similar in diversity composition. They do recruit from the outside, but have also been very successful in recruiting employees from their social work intern pool. Typically, East Side House Settlement hires one or two of them into entry level positions each year. Some of these hires have moved into senior staff positions. This has been an excellent tool for identifying talent and fostering a diversity agenda geared towards the changing demographics of the South Bronx and Inwood. Diversity in client populations can shift greatly over time. Ethnic groups in their service area have largely been Puerto Rican in the past, but now also include persons with Mexican, Dominican and West African heritages. As more staff members join the organization from diverse neighborhood groups, they “get on the escalator” and increasingly they are moving into senior management positions over time.

Mr. Ho said diversity is important for FPWA. About eighty percent of their employees are people of color and the majority of the staff members are female. The leadership team is fairly evenly split between men and women, mostly of color. Diversity is important in achieving their mission. As is often true with long-established organizations, it is a challenge and process to make their board as diverse as their staff and the communities they serve. FPWA is purposeful in their hiring practices, keeping diversity in mind as a priority. When engaging with potential new member organizations they look at the diversity of the board and staff, and their policies on incorporating diversity. As FPWA expands from their traditional health and human services work and moves into advocacy for economic equity, they want to make sure the voice of the community is being represented.

Dr. Kohomban said that his organization does seek diversity, but the reality is that they hire for competence and promotes people who are competent. When working in a certain neighborhood, his organization selects staff members who are not afraid to be there, who have appropriate language and cultural competency and who can relate to the people they work with. They like to hire job candidates from groups that have often been excluded, and promote them. Dr. Kohomban talked about his personal experience as he was leaving the military, when he applied for work at a human services organization and was turned down.

He didn't fit into neat demographic categories at the time, and people seemed to get hung up on external factors such as his accent, instead of looking closely at who he was and what he could do. Dr. Kohomban said he believes that you can find competent staff people who also represent the great diversity of New York City.

Dean Birdsell noted that there are many training and capacity-building options available in the Metro New York area. He asked the panelists how they develop training and when they decide to use an outside organization.

Mr. Ho said that they try to have current staff share their expertise, whether through in-service days, retreats or coaching of other existing staff. This is an important and inexpensive methodology that also allows FPWA to assess the assets and skills of the current team. They've also built professional development goals into their annual performance reviews in a safe way that is supportive, not punitive. There is also a budget allocation for professional development to assist with this. When they identify an employee who has the potential to be promoted, they make a bigger commitment to longer-term programs like classes or fellowships.

Mr. Sanchez commented that internally, they do cross-training so that each staff member knows how to handle things outside their daily role. This prepares people for increased responsibility. Their leadership academy with senior staff is also a primary training activity. They also can provide time for employees to attend college classes. They've sent staff to Baruch, Columbia and United Neighborhood Houses for various training programs. They are disciplined about doing this, because it supports the organization's culture and increases the likelihood of promotion for staff members.

Dr. Kohomban said that everyone who starts at Children's Village goes through at least eight days of training. Those who work with children in their jobs participate in an additional two days of introductory training in child-serving programs. For many aspects of training, he would rather spend the money to hire an expert than to do it in-house. They also budget to provide about 50 hours of professional coaching each year for the managers, to help them with problem-solving and smoothing the management process.

Dean Birdsell read an audience question: How would smaller organizations go about funding training – can the panelists suggest particular resources or strategies?

Dr. Kohomban said that a leader's example is the most powerful training tool. Leaders can create a culture that will build on itself.

Mr. Sanchez added that networking is important. He mentioned a few membership and umbrella organizations that provide useful capacity-building resources, including FPWA and UNH. It's important to connect with others who are facing the same challenges.

Mr. Ho said that making time for training and building a culture of learning are helpful things you can do. It is also important to give time to your staff to attend networking or training events. For a few hundred dollars – if your organization can afford it – you can get a lot of traction by sending staff members to inexpensive training programs that are available.

Dean Birdsell asked about how to deal with the burden of individual employees undergoing training in addition to their usual job responsibilities.



Mr. Sanchez said that people want to be seen as teachers and mentors, which is the motivation for his cross-training agenda. His organization tries to create a win-win by having colleagues “pinch hit” for employees who are absent on training days. However, as a leader you need to be mindful of what you’re asking staff to do. When staff people step up to the plate for others, this needs to be recognized publicly.

Mr. Ho said that as intermediaries, FPWA has more flexibility on how to adjust employees’ hours. Staff members are expected to bring back what they learned from a training session and share the insights with the rest of the team.

Dr. Kohomban said that training is part of culture, so if his staff feels that training is a burden, he has failed. It is important to him for his staff to recognize that training is a priority to him and will be useful for them.

Dean Birdsell asked whether someone who goes through that additional training should expect a salary increase.

Mr. Sanchez said that in an ideal world, training would bring a salary increase with it. However the reality is that it can’t work that way in the nonprofit business model. The salary bump comes when the employee is promoted to a higher position, and the training allows them to be prepared for that. The focus on recruiting from within the organization helps to make the training meaningful.

Mr. Ho agreed. Professional development goals are built into the performance management process, but training does not automatically result in a salary bump. He said that there is a larger conversation to have in the sector about compensation. In the health and human services field, there are about 117,000 employees performing work contracted by New York City; about half of them are earning under \$14 an hour, and of that group, over 80% are women of color. This means that some nonprofit employees have service needs which strongly resemble the needs of their clients. Mr. Ho said that we should look more deeply into why so many positions in the nonprofit sector are underpaid. He mentioned that FPWA launched an initiative last year around raising the nonprofit living wage. This has been a big emphasis also for the Human Services Council in its recent work.

Dr. Kohomban added that training does not necessarily equate with competence. If a staff person is not excited about doing the work, more training will not help to advance the employee. He said it is hard to provide salary increases based solely on training.

Claire Rosenzweig thanked the panelists and David Birdsell for stepping in to moderate the discussion.

## **Panel 2: Operational Excellence and Sustainability: Key Elements**

***Moderator:* Hilda H. Polanco, Founder and CEO, Fiscal Management Associates, LLC  
Charles Buice, President, Tiger Foundation  
Sam Schaeffer, Executive Director and CEO, Center for Employment Opportunities  
Warren Scharf, Executive Director, Lenox Hill Neighborhood House**

Claire Rosenzweig introduced the moderator of the second panel, **Hilda Polanco**, Founder and CEO of Fiscal Management Associates, LLC.

Ms. Polanco said that the panel would focus on the concept of operational excellence and how to gain the greatest impact using limited resources. Operational excellence is a way of thinking, behaving and striving for continuous improvement. The previous panel indicated

that training and coaching never ends. Ms. Polanco described the components of operational excellence: people operating at their greatest potential, with effective communication yielding healthy teams, and integrated systems that yield efficient workflows. When we have those things, management teams can make data-driven decisions that can lead to a sustainable business model.

Ms. Polanco introduced **Charles Buice**, President of Tiger Foundation, which provides general operating support. When providing this support, funders often look at the concept of operational excellence and what it means within the operations of the organization. She asked Mr. Buice how he thinks about operational excellence.

Mr. Buice said that while they are a general operating support funder, they try to provide the targeted general support that Ms. Rosa mentioned in her keynote remarks. Tiger Foundation is a funder of both the Center for Employment Opportunities (CEO) and Lenox Hill Neighborhood House, the other two organizations represented on the panel. For CEO, they only support the charity's New York City programs; with those constraints, it's fairly general support. His foundation understands CEO's leadership, organization and program outcomes, so they are comfortable providing targeted support of a general nature. In the case of Lenox Hill, they provide support for their suite of early childhood education programs; however the organization can use this support to build the capacity of those programs. Tiger Foundation operates with the conviction that if they can identify organizations with good leadership and strong programs producing good outcomes for low-income New Yorkers, they can leave it up to grantee leadership to make decisions about how to allocate grant resources.

Ms. Polanco commented that having good data management systems can be critical to an organization's ability to show impact to funders. She asked **Sam Schaeffer**, Executive Director and CEO of the Center for Employment Opportunities, to share his insights about how his nonprofit is moving forward with data management and automated systems – including both highlights and low points

Mr. Schaeffer said it is interesting that data is critical to proving efficacy and managing programs better. All the components of operational excellence – including talent, finance, compliance, data measurement and program management – are important to achieving your mission. CEO has tried to integrate operational excellence into program work as much as possible. His organization is focused in one program area; CEO works with people coming home from prison to help them with employment services. For organizations working across multiple program areas, operational excellence can be even more challenging to carry out. Until recently, all of the organization's case files were on paper. This was not sustainable, because it was not helpful for capturing thousands of transactions and data points coming out of their work. CEO is now nearly paperless, using Salesforce and a web-based platform that they built themselves. Every activity of a CEO participant is tracked on this web-based platform. This transition in technology required a significant culture shift. CEO staff members had to adopt a totally new mindset and discipline around tracking and entering information. The data does not always show great things, and can reveal issues such as problems meeting contract goals or disappointing trends; but you need to be hungry to collect the data and learn from it. Collecting and using data effectively for performance management is an ongoing process, which requires constant vigilance and upkeep with both experienced staff members and new hires.

Ms. Polanco noted that we often hear about the value of change management and recognizing when things need to be done differently. Changes can sometimes create

discomfort. She asked Mr. Schaeffer to share the ways in which he has helped his organization's staff dealt with changes.

Mr. Schaeffer said they started early by introducing the new data management tool and training everyone on how to use it. They now have invested in three staff members who are dedicated to providing training on the software. The process of getting people accustomed to using the new systems was bumpy. CEO is aiming to live by the mindset that if something did not get recorded in the new data systems, it did not happen. Some staff members were highly resistant to capturing data in this way and did not document information they gathered through the new tool. Eventually, this problem led to approximately 4 staff members leaving the organization. The failure to record needed case information was detrimental to program participants, because more than one staff member may serve an individual client; and someone who picked up a case down the line would not be able to look back at the individual's history. CEO now looks for data-related competencies when hiring. Their organization has developed employment screening questions that can show whether a candidate not only has a passion for the work, but also has an appetite to engage in these data management conversations on a team level.

Ms. Polanco asked **Warren Scharf**, Executive Director, Lenox Hill Neighborhood House, to share how his organization thinks about operational excellence. For example, sometimes a nonprofit leader must make decisions that are not popular, to enhance organizational effectiveness. She invited him to comment about this.

Mr. Scharf said he would like to talk about something that did not go well at his nonprofit, and what he learned as a result. He gave an example of a home care program that Lenox Hill was running when he came to the organization. It immediately became clear to him that there were issues with staff, reporting lines, organizational structure and technology. His organization was also confronted by other problems at the same time. He decided to focus on other programs at first, so they did not close down the program as soon as they should have. While the program was providing valued services, the charity was not getting paid enough to run it. After first considering whether the program might be fixed or handed off to others, Mr. Scharf finally recommended to his board that it be shuttered and it was closed down. Some of the benefits of closing the program were that there were other organizations with more resources, which were much better at running the same type of program. Both the program's clients and staff members were picked up for service or employment by others. His biggest takeaway from this was that you should stop doing things that you aren't good at, and focus your resources on areas of expertise for your nonprofit that you want to improve.

Ms. Polanco asked Mr. Buice to share what he thinks about risk – meaning risks for Tiger Foundation as a funder investing in programs, and risks for organization leaders and their decision-making. How do funders view situations such as a program being closed down after an organization does a risk analysis and decides not to move forward with it?

Mr. Buice said the key to being a credible funder is developing relationships that allow you to discuss the areas in which an organization may be exposed to risk. He gave an example of a long-time grantee that they assisted with grant support directed at improving certain program areas in which they were struggling. This funding came about after the organization discussed its programs situation with Tiger Foundation. In addition to providing operating support, Tiger can sometimes provide technical service support for things such as fundraising and financial administration development. However, they focus primarily on funding programs. When they find organizations with compelling programs, they can look at other aspects of the organization that are needed to make programs

strong, which they can improve. This requires mutual trust, and care on the part of the funder.

Ms. Polanco noted that sometimes organizations end up failing, not because of their programs, but because of the operational issues being discussed by the panel. She then turned to Sam Schaeffer and commented that his organization, CEO, has been growing rapidly. She asked Mr. Schaeffer what CEO thought about when planning to expand the reach of their programs, and what did or did not work during the scaling up process

Mr. Schaeffer said that CEO began as a demonstration project of the Vera Institute of Justice in the late 1970s, and became an independent nonprofit in 1996. There are four steps to their program model: 1) recruiting high-risk individuals who were recently released from prison; 2) giving them a brief life skills education class that leads into a transitional job working for CEO; 3) concurrently working to place clients in a full-time job in the private sector; and 4) twelve months of retention services. The first step of growing this program nationally was to solidify the program model and establish their theory of change. Their two goals for program participant outcomes are long-term attachment to the labor market and desistance from crime. In order to scale up, unity of vision is critical, as are building financial, data measurement and talent systems. External evaluation is also important: being able to balance the collection of data with validation that the program is working. CEO entered into a three-year random assignment evaluation in 2004 and received the final results in 2012, which showed deep impact in specific subgroups, but not across the board. This helped them to clarify that what they do really well is their work with people who are classified as higher risk of recidivism, within the first 90 days after these clients leave prison. They first began scaling up their work in Upstate New York, where they could conduct their efforts within the same state's legal environment. Then they looked at other areas of the country where the same program issues they address are most prominent. As a result, scaling up began in California and Oklahoma. Mr. Schaeffer's goal is to have all of the offices around the country using the same data management technology as the New York office, so that he is able to make organization-wide assessments of outcomes. Clarity of purpose, leading to a well-defined program model and evidence from data collection are what allowed them to begin their scaling effort.

Ms. Polanco stated that a lot of the things Mr. Schaeffer mentioned make a big difference as organizations begin the path towards replication. She asked Warren Scharf how a settlement house makes decisions, given that it has a wide array of program activities and revenue sources, and a complex business model.

Mr. Scharf said he loves working in a settlement house because of its complexity. They work in a lot of areas including early childhood, services for older adults, homeless mental health shelters and summer camps. The staff at a settlement house brings very diverse skills and expertise. Given this diversity of expertise, it's important for them to be able to collaborate across programs, instead of getting siloed. The board of his organization, Lenox Hill, is focused more on financial performance and accounting rather than programs. People tend to gravitate towards their strengths and avoid their weaknesses. The biggest risk is that you need to make sure there is someone else doing the things you are not good at or don't want to do. When hiring, you should find people who complement you and who bring strengths that you do not necessarily have. It is particularly important to have solid people taking good care of tasks that may be considered unsexy, such as risk analysis and financial administration.

Ms. Polanco said there has been a lot of focus during the program on board governance and financial oversight. She asked Mr. Scharf how he strikes a balance with his board - how he

provides information to them about his organization's financial health, and how they keep him honest.

Mr. Scharf said that finances are a key driver of everything. He has a small but skilled team: three staff members are CPA's, and the other three all have accounting degrees. They understand and work well with the program people, which is helpful; the financial-program relationship can be a problem area with some organizations.

It is important to identify what information you actually need, so you don't get weighed down by information and you can be sure you are looking at the right data. Mr. Scharf likes to be able to drill down into reports from time to time and understand the "deltas" or changes that will affect their finances. They recently modernized their chart of accounts, produce monthly budget to actuals for review, and develop other kinds of financial reports for board and senior staff review purposes.

Financial reporting is a journey, not a destination; it's a work in progress. It takes time to build financial reports that will be valuable for management and board use. Technology has helped to smooth the process in some ways. Systems that allow the board and staff to get information on their own are useful. Some systems that are automated seem like they will be a pain, but they end up saving a lot of time. Accounting processes that work well provide information that can help leaders make decisions.

Ms. Polanco asked Mr. Schaeffer for other examples of how technology has made a difference for his organization.

Mr. Schaeffer said CEO currently has five or six different vendors and is struggling to figure out how to integrate them in a cohesive way. Thinking about how to use these tools on the program side and with participants is exciting. Being able to use technology to get feedback from participants - most of whom have smartphones, despite being recently released from prison - and improve their daily systems is very useful. The next data "revolution" for CEO may involve using technology to incorporate the voice of the program participant more fully into their data collection systems and program planning.

Ms. Polanco asked Mr. Buice how he thinks about investments in technology as a funder, and how they know whether a technology support grant was a worthwhile investment.

Mr. Buice said you need to think about operational and technological changes as they relate to programs. If grantees can show how technology development will help to drive program success, Tiger Foundation does consider supporting these types of investments. Operational weakness is very apparent to the people inside an organization but takes longer to become clear to those on the outside. Whether you're a funder or a board member, you need to ask questions that will lead to an understanding of what operational health and strength looks like. It might sometimes feel challenging to have a board member asking a lot of questions about your financial statements, but that's the kind of board engagement you need.

Ms. Polanco asked how an organization can raise money to invest in the technology that can make a difference but is often very expensive.

Mr. Scharf said that some things cost less than what you currently have. It's important to do your homework: find out what you are already spending on a process (including staff time) and what you might save by using other systems or allocating resources differently. If an executive director doesn't know anything about technology and doesn't want to learn, it's likely the organization won't have good technology either, because people tend to do what the leadership wants. When the leader believes that technology will be a key,

beneficial driver for the organization, that leader will typically find a way to pay for it. You need to be sure you are investing in something that works and will be used, to avoid wasting time and money. Ask how important the technology is to the organization's work. Also, consider whether leasing rather than buying technology might be simpler and more cost-effective.

Mr. Schaeffer added that in the last two years, he has learned that his chief operating officer is an amazing fundraiser. When given the opportunity to tell the story of why a great audit positions CEO for growth, or how a database led to a positive independent evaluation - it sells very well. In the last year, CEO had to completely overhaul their fundraising as they scaled up their programs. They've been able to find opportunities for their COO to go out and network with funders.

Ms. Polanco remarked that telling the story of what the investments will yield in terms of outcomes and impact is a great rule of thumb. She asked a question from the audience: How do you identify the "right" data, and how do you think about the concept of key performance indicators?

Mr. Schaeffer said that collecting data is at best confusing, and at worst, it can totally throw you off track. For CEO, the first step in identifying their key performance indicators was looking at their theory of change and understanding what outcomes they value most. Criminal justice data comes from multiple geographic, legal jurisdictions and systems, which poses a great challenge. They've had to make some tradeoffs in establishing the key performance indicators, by focusing more on the workforce side on issues such as placement, wage growth and retention rates for program participants.

Mr. Scharf said that some of the information his nonprofit compiles and reports is data required by government or private funders. It can be hard to know whether these reports are asking for the right information or if the information you see in reports is accurate. He uses common sense: if a report doesn't look right, it probably is not right. It's possible to check on reports by observing what is actually going on in programs, asking questions, and sometimes asking staff to provide more details about clients served. The key question is: what would help us run our program better? The answer can be a very long list. His organization is able to give detailed information to Tiger Foundation. It's not enough just to collect a lot of data: you have to ask, do we use that data - and also who is the data for? For example, Lenox Hill uses data in their early childhood programs to tell parents how their child is doing.

Mr. Buice said that they do not use data for yes or no grant-making purposes. They want to know what the organization is doing with that information. How is the data helping to make programs more effective? The funder is, by definition, an outsider, so the only way they can learn is by having conversations with the leaders which are informed by the data they collect.

Mr. Scharf added that the data you collect can help inform interactions with client groups about issues such as budgeting and program offerings.

Ms. Polanco asked the panel how they think about cybersecurity and the risk it brings to operations, programs and data security.

Mr. Schaeffer responded that cybersecurity is an issue his organization is considering now. He said they are behind the curve on cybersecurity because they have been more focused on financial compliance and less on employee and participant data records. It's common for

the formerly incarcerated to become victims of identity theft. They want to help to solve this issue, not add to it.

Mr. Scharf said they've begun to look at this issue recently, starting with the question about whether to get cyberinsurance protection. A serious cyber issue could threaten his nonprofit – for example, what happens if you completely lose access to your accounting records? Loss of access to data actually happened as a result of Superstorm Sandy. His organization has been working on understanding better where their internal servers are located and who is able to access them, and understanding where and how critical accounting data is stored. There can be an IT component to your audit, and auditors may ask questions about how well you are protecting data assets. If you don't know the answers to basic questions about what data is vital and how to protect it, a good place to start might be appointing someone to be responsible for investigating the data situation for your organization.

Mr. Buice added that fundraising professionals at charities should not send information to foundations that contains client names when making grant reports or sending other communications. They see this happening. There are so many things we can't control, but we should work to control the things we can.

Claire Rosenzweig thanked the moderator and panelists. She expressed appreciation to Symposium Sponsors, Program Committee members and Event Supporters, thanked audience members for attending, and the Symposium was concluded.

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