REFLECTING ON FOUR YEARS OF FINANCIAL MANAGEMENT CAPACITY BUILDING FOR CHICAGO COMMITMENT GRANTEES

Final Program Reflection to the John D. and Catherine T. MacArthur Foundation
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MacArthur Foundation

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BDO FMA

Contents

Executive Summary

BDO FMA partnered with the John D. and Catherine T. MacArthur Foundation ("MacArthur" or the "Foundation") from 2018 to 2022 to provide cohort-based financial management capacity building for Institutional Support grantees within the Chicago Commitment program. Over the course of four tumultuous years, BDO FMA and MacArthur's steadfast support of a cohort of 21 grantees (self-selected from 27 eligible organizations) championed meaningful change, enabling organizations to accomplish their missions more efficiently and effectively. Through the program, participants experienced self-assessment, training, coaching, and individual technical assistance projects, as well as peer community connections.

The guiding goal for this program was to set the participating organizations on a path toward more effective financial operations and strategy, ultimately leading to increased financial sustainability and resilience. As detailed in the below reflection, BDO FMA's thorough evaluation found that participants demonstrated substantial gains towards this goal through increased knowledge and confidence as well as practice changes. Along the way, BDO FMA also learned valuable lessons from successes and challenges in program design and delivery. Highlights from our reflection on the program include:

- Progress towards goals: Participating organizations made remarkable progress towards goals. All organizations that completed both pre- and post-evaluations noted multiple gains, with particularly substantial increases in:
    - Understanding of their business models and capital needed to weather unexpected circumstances.
    - Inclusivity of budgeting and financial reporting process.
    - Strength of internal controls and risk management practices.
- Successes: Participants provided consistently positive feedback on the program's holistic approach to financial management, BDO FMA staff level of engagement, and the quality of technical assistance, coaching, and training—these three areas were mentioned most often in response to a survey question about what should not change if the program were offered again.
- Areas for growth: Through participant feedback and BDO FMA staff observations, we identified increased support for participant staff transitions and virtual peer engagement as opportunities for improvement to consider when developing future capacity building programs.
- Future considerations: As the program concluded in Spring 2022, BDO FMA and MacArthur asked participants what they anticipate needing from funders in the future. A few themes emerged:
    - Multi-year unrestricted funding, higher indirect rates, and help building reserves.
    - Intentional transitions when funding relationships end and support managing through unpredictable "funding cliffs" when funders shift grantmaking strategies.
    - Continued "back office" infrastructure development and technical assistance support.

  As leaders in the philanthropic and nonprofit sectors are now preparing for a recession, we also anticipate an increased appetite for support around financial scenario modeling and planning.

We are excited to share the results of this work with MacArthur and hope the effects of this substantial undertaking by the Foundation, our team, and most of all the leaders of participating organizations will help inform future capacity building efforts.

Background

PROGRAM MOTIVATION

From 2018 to 2020, MacArthur made significant investments in the operational and programmatic capacity of organizations working to increase safety, peace, and justice in Chicago communities through Institutional Support grants. In 2018 MacArthur partnered with BDO FMA to launch a multiyear capacity building program for these grantees in tandem with the foundation's financial investments in their infrastructure. Recognizing the importance of strong financial management—and responding to grantees expressing a need for support in this area—MacArthur worked with BDO FMA to design a cohort-based financial management capacity building program made available to all Institutional Support grantees. The program was initially funded for a two-year period from 2018-2019, then extended for another 28 months from 2020-2022.

The capacity building program represented another significant investment in these organizations' infrastructure, beyond MacArthur's grant support. The breadth and depth of resources provided through this program allowed BDO FMA to work closely with participating organizations to strengthen their fiscal infrastructure while providing a peer network to lean on for advice, validation, and solidarity as the organizations managed significant changes throughout the program.

PROGRAM OVERVIEW

Through a combination of group and individual components, BDO FMA provided both direct assistance from technical experts and a community of practice for participating nonprofit leaders. Program Components included (see Appendix A for more details):

- Self-Assessment & Consultation: Pre-cohort opportunity to complete a self-assessment and take part in an individualized 90-minute consultation with BDO FMA. Of 27 eligible organizations, 24 opted into the opportunity to identify and better understand financial management strengths and areas for growth, as well as discussing program details to help determine whether to apply. Of the 24 organizations whose leaders participated in the self-assessment and consultation, 21 continued with the rest of the program.
- Training & Coaching:
    - Financial Management Training Series: Participants attended four to six workshops over 3-4 months, led by two expert BDO FMA facilitators with group activities and learning among participants. Topics included Financial Health & Resilience, Financial Planning & Strategy, Fiscal Operations & Technology, and Financial Performance Management.
    - Coaching: To support "bringing home" lessons from the workshops, each organization was paired with a BDO FMA coach for team-based coaching in tandem with the training series. BDO FMA coaches assisted leadership teams in translating concepts into prioritized action steps. Coaching also provided a forum to address challenges and dive deeper into the most relevant issues for each organization.
    - Under the second program grant (2020-2022), participants also had access to an on-demand "coaching bank." 19 of the 21 organizations used this support.

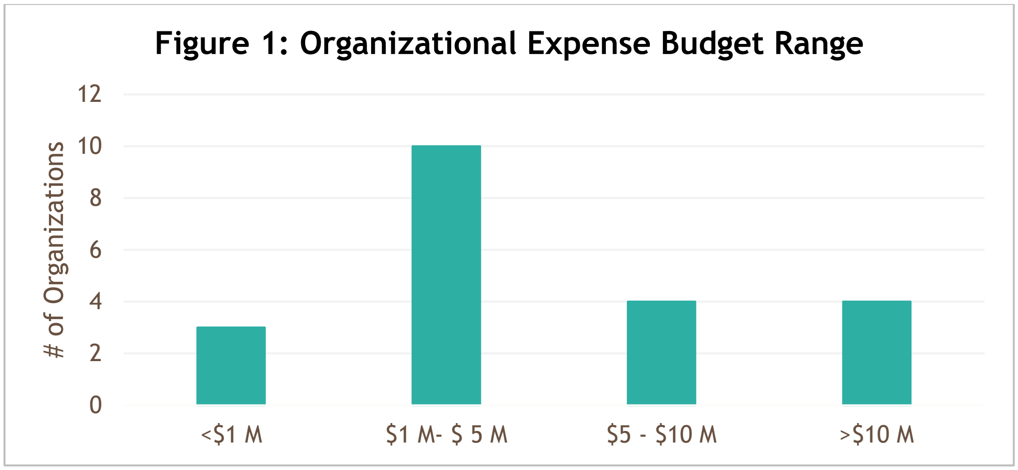
- Technical Assistance: Participating organizations worked one-on-one with BDO FMA to complete customized TA project(s) in support of fiscal infrastructure development and financial planning and analysis improvements. Engagements lasted from 2-5 months. All 21 organizations completed at least one TA project, 14 organizations completed two, and five organizations completed three. See Appendix B for TA project descriptions.
- Peer Learning & Community of Practice:
  - Quarterly Peer Exchanges: Relatively informal opportunities for staff to network and learn from one another within three peer groups: Executive Leadership; Finance Leadership; Programs, Development, Operations & Strategy Leadership. Groups met quarterly on a different topic informed by participants' interests collected via survey.
  - Ad hoc trainings: Additional interactive training sessions open to all program participants with topics selected based on participants' interests. Topics included Risk Management, Remixing Revenue, Board Training for executives and board members, Nonprofit Lifecycles, and Multi-Year Planning.
  - Quarterly Newsletters: E-newsletters sent to participants each quarter highlighted participants' accomplishments and disseminated tools and thought leadership.

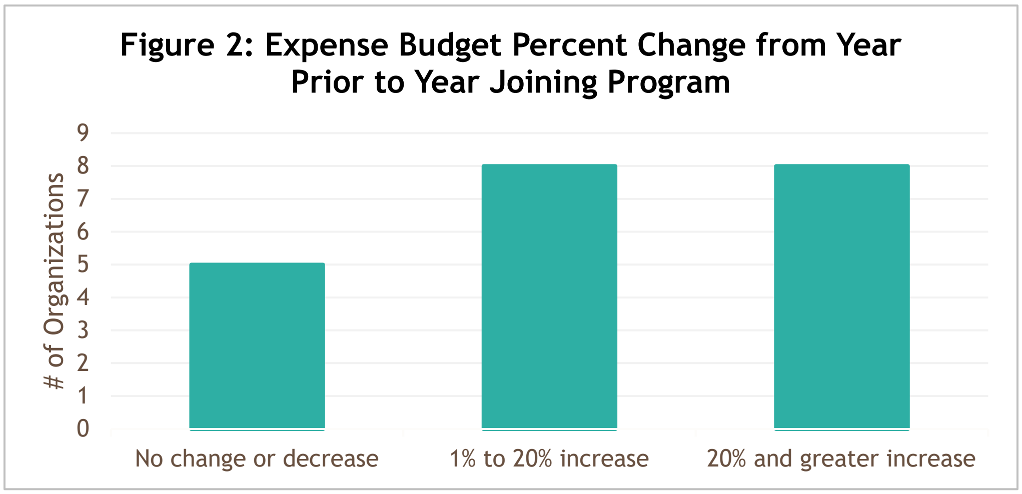
The cohort's goal was to set the participating organizations on a path toward more effective financial operations and strategy, ultimately leading to increased financial sustainability and resilience. BDO FMA believes that nonprofit organizations will be better poised to deliver effective programs, remain resilient in the face of change, and increase their social impact if they are rooted in a sound financial position with strong alignment between finance and other functions.

PARTICIPATING ORGANIZATIONS

Participation in the cohort was made available to all Institutional Support grantees. Out of 27 eligible organizations, a total of 21 organizations joined: four took part in Cohort 1 in spring 2018, eight in Cohort 2 starting fall 2018, and nine joined Cohort 3 in summer 2020. All organizations had access to program services from the time that they joined the program through April 2022. Cohorts 1 and 2 participated in the program for approximately four years, Cohort 3 for approximately two years.

Participating organizations included nonprofits working across impact areas throughout Chicago with diverse budget sizes and business models. Expense budgets ranged from $345K to $46.7M in the year the organizations joined the cohort (see Figure 1). Most organizations had budget sizes between $1M and $5M when joining the program. This program was well-timed as many of the organizations identified for Institutional Support grants had recently experienced or were going through extensive organizational change or growth. Many organizations saw an increase in their expense budget from the year prior to joining the program to the year of joining the program, likely due partially to their support from MacArthur (see Figure 2).





Program Goals and Progress

PROGRAM GOALS AND RESILIENCE FRAMEWORK

Starting from the overarching aim to set participating organizations on a path toward more effective financial operations and strategy, ultimately contributing to increased financial sustainability, six program goals were also established—see Appendix C for a detailed account of program goals and progress towards them.

We also used our Financial Resilience Framework (see Figure 3) and definition as a program through-line to help participants connect current practices to longer-term goals. In our view, financially resilient nonprofits stay focused on the long-term while continually assessing and responding to current needs. They understand and are able to tell their financial story. Expressed through an organization's values, practices, and resources, financial resilience is an ongoing commitment.

Figure 3: Financial Resilience Framework

EVALUATION APPROACH AND METHODOLOGY

To measure progress towards the six program goals and other related areas, BDO FMA conducted pre- and post-program evaluations measuring participating organizations' self-reported status across 26 financial management knowledge areas and practices, as well as financial health indicators.

BDO FMA also facilitated focus groups at a closing event covering individual and organizational successes within the program, alongside a discussion of program design. We also provided the option for participants to submit responses to the same questions through an anonymous survey. Individuals from 13 organizations provided input.

Given the length of the program we also felt it was important to collect feedback throughout and use it to monitor whether the program was supporting participants as planned. Participants completed feedback surveys after each training session and the input informed future training topics, interim reporting to MacArthur, and program design modifications for the extension period (see Appendix C).

We analyzed and used the following sources of data as indicators of progress towards program goals:

- Pre- and post-evaluation data, ideally completed by executive and/or finance leadership. Of the 21 organizations, 15 completed both surveys. Most of the 26 questions (also referred to as statements or measures) utilized a 7-point Likert scale with 1 defined as "strongly disagree" and 7 as "strongly agree." We considered the following when interpreting evaluation data:
  - Four organizations that completed both the pre- and post-evaluations had leadership turnover such that a different individual completed each evaluation.
  - An individual may enter a lower rating post-evaluation than they did pre-evaluation after learning more about a concept.
- Feedback from focus group and survey responses.

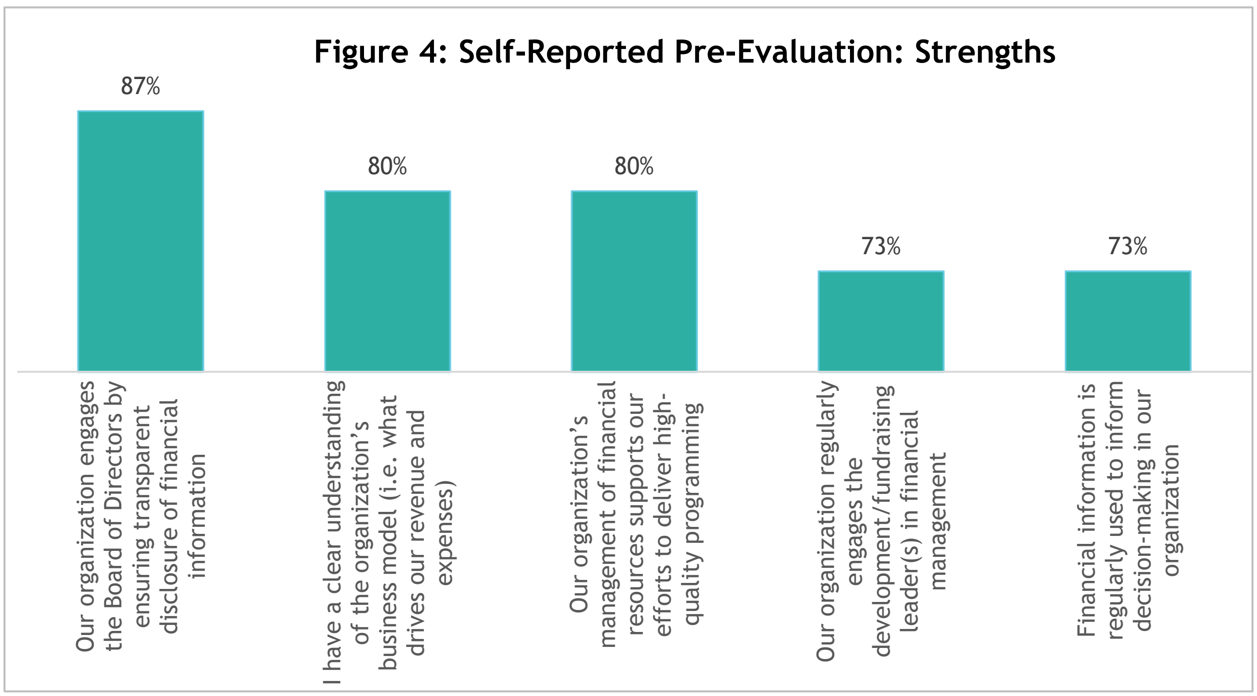
STARTING POINTS AND PROGRESS TOWARDS GOALS

Reflecting on information gathered through evaluations, surveys, focus groups, and BDO FMA team member observations, we conclude that participating organizations made remarkable progress. All organizations that completed both pre- and post-evaluations noted gains in two or more of the measures. Notably, organizations for which the same people completed the pre- and post-evaluation reported positive change on at least seven measures. This across-the-board progress is impressive, particularly when considering the unprecedented challenges and changes leaders were navigating during the program, including the COVID-19 pandemic, economic downturns, and a growing racial justice movement.

Several organizations achieved multiple improvements across many areas. One survey respondent noted that their *"leadership team better understands not only financial statements, but the importance of a long-term focus on financial management. We are on our way to a more sustainable revenue model, Finance team structure, and multi-year plan."*

<u>Common Strengths and Challenges from Pre-Evaluation Analysis</u>

The analysis of self-reported pre-evaluations surfaced shared areas of strength among the participating organizations (see Figure 4). The highest self-ratings[1] at the start of the program showed up in three areas: keeping the Board engaged through financial reporting, clear understanding of business model, and an approach to financial management that supports the delivery of high-quality programs. Taken together, these strengths indicated a solid foundation for participants to build from.



Pre-evaluation responses also revealed growth and strengthening opportunities (see Figure 5). For example, respondents expressed a low level of agreement with the statement "our organization invests

1 These areas had the highest percentage of respondents who rated themselves 5 or higher on a 7-point scale or "yes" on yes/no/I don't know questions

adequately in fiscal infrastructure." At the same time, less than half felt they were maximizing financial operations efficiencies. Together, these conditions can put a significant strain on staff.

Figure 5: Opportunities for Growth and Strengthening

Evaluation Statement	Level of Agreement
Our organization's financial story is understood by key staff across the organization	53%
I have a clear understanding of the amounts and types of capital our organization needs to weather unexpected circumstances and provide operational stability	53%
I understand the people, processes, and technology necessary for effective and efficient fiscal operations	53%
I have a clear understanding of the amounts and types of capital our organization needs to fund investments for growth and change	47%
Our organization has a strategy for building and/or maintaining operating reserves.	47%
Our organization maximizes efficiency in its financial operations	47%
Our organization invests adequately in fiscal infrastructure (e.g. staff positions, training, technology, etc.)	33%
Our organization has a sufficient amount of operating reserves.	27%
Beyond our current year budget, our organization has a financial plan for the next 3-5 years.	27%

Another area of common challenge was around operating reserves. Only 27% of respondents felt their organizations had a sufficient level of operating reserves, while approximately half reported having a clear understanding of the amounts and types of capital their organization needed to support growth and change or weather unexpected circumstances. While not the only factor, a lack of clarity around capital needs could impact an organization's ability to build up sufficient reserves.

As with the challenge around understanding capital needs, many organizations entered the program with multiple opportunities to build knowledge and understanding of financial management. Only a little over half the respondents felt that key staff understood their organization's financial story (53%). Similarly, about half indicated agreement with the statement "I understand the people, processes and technology necessary for effective and efficient fiscal operations" (53%). With BDO FMA's cohort training curriculum designed to address these areas of financial management, there was a clear opportunity to make gains with many of the participating organizations.

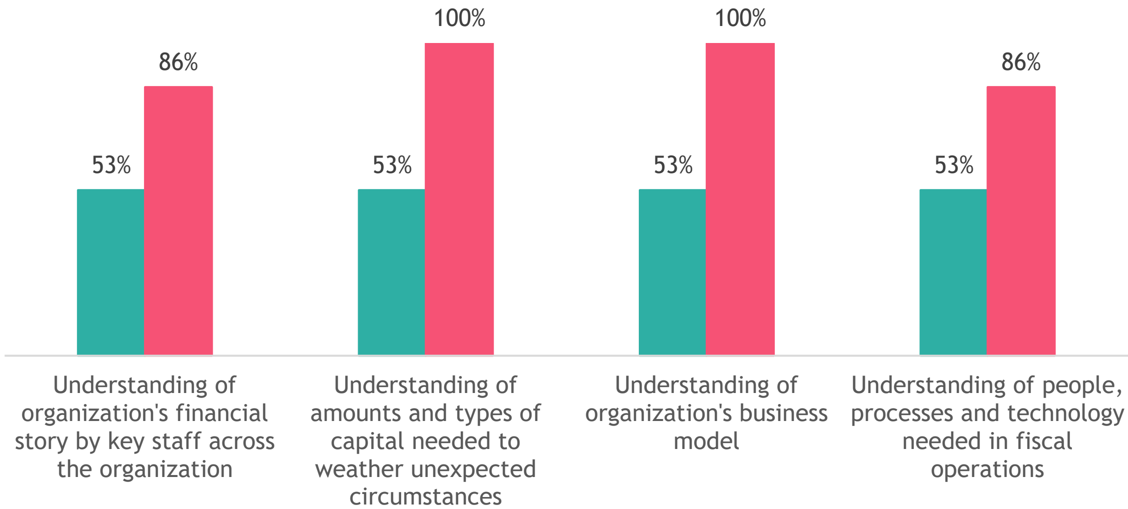
<u>Most significant areas of gains/improvement</u>

We observed the largest gains, defined as a higher self-rating on the 7-point scale in the post-evaluation as compared to the pre-evaluation, in the following four areas.

1. *Increased understanding and knowledge gains*

   In our cohort-based capacity building work, the most consistently observed short-term outcomes are knowledge gains, which was also the case here. The **teal** bars in Figure 6 indicate the percentage of all respondents who increased their rating from pre- to post-evaluation. The **pink** bars indicate the percentage who started with a rating of 4 or lower and increased their rating. Not surprisingly, larger knowledge gains were observed among respondents who began the program with a lower level of self-reported understanding in a given area. Notably, three of these areas were among the lowest self-ratings in the pre-evaluation.

Figure 6: Increased Understanding & Knowledge Gains



2. *More inclusive budgeting process*

Overall, 53% of organizations began to include additional stakeholders in the annual budgeting process. Among those that did not include the following stakeholders previously, 63% started to include Human Resources / Operations Leaders, 60% included the Development Leader, and 60% began inviting Program Leaders into the process.

3. *Improved reporting and monitoring practices*

As compared to pre-evaluation, many organizations' financial reporting packages began to include a written management narrative to accompany financial reports—if they hadn't previously—or the team increased the frequency of including a narrative when sharing reports with various stakeholders. Specifically, post-evaluation responses indicate 73% included narratives for Board, 80% for Development and executive leaders, and 93% for Program Leaders. See Figure 7 for additional details.

Narratives typically help the intended audience better identify and understand critical takeaways from financial reports. As compared to pre-program, Program and Development leaders are now also receiving a more holistic view of overall organizational finances, which can improve data-informed and team-based decisions.

Figure 7: Financial Reporting Packages Began to Include/ Increased Frequency of Providing

	Balance Sheet	Cash Flow Projection	Budget to Actual (org)	Budget to Actual (Program)	Written Management Narrative
Program	27%	53%	53%	40%	93%
Development	33%	33%	47%	40%	80%
ED	7%	13%	33%	40%	80%
Board	13%	33%	20%	40%	73%

We also observed that 60% of all organizations—83% of those that started with a self-rating of 4 or lower—increased their rating on the statement "our organization's financial reports allow me to clearly see the financial health of our organization." The average gain of two points in this area was substantial. This outcome could be driven by improvements in reporting practices and what is contained in reporting packages, as noted above, as well as participants' enhanced understanding of financial information presented in those reports.

4. *Stronger controls and increased risk management*

Of the organizations that completed both pre- and post- evaluations, 73% increased their self-rating on the statement "our organization effectively manages financial risk." Agreement on having strong internal controls to protect the organization's resources also increased for 53% of respondents, while for those that rated themselves 4 or lower in the pre-program assessment, 83% increased with an average increase of 2.2 points along the 7-point scale.

See Appendix C for more details on progress towards goals.

Mini Case Studies: Two Participating Organizations' Paths to Change

Organization A: Teamwork Success Story

Organization A was one of the largest participants in the cohort with a complex business model providing social services and affordable housing management and development funded through government contracts, private funding, and earned revenue. As a result of this program, Organization A demonstrated tremendous growth, most notably in its team-based budgeting and reporting processes. In fact, Organization A reported the most growth of all participating organizations as measured by pre- and post-evaluation responses, with self-rated increases across 25 of 26 questions.

Entering the program, Organization A reported that they experienced cash flow challenges "frequently." When asked in a pre-program self-assessment "Do you believe your organization has adequate resources in the fiscal function?" Organization A responded "No" due to "inadequate technology and inadequate training for fiscal staff." When asked "What is the biggest financial management challenge facing your organization?" Organization A responded, "determining which programs/departments are profitable and which aren't."

Organization A selected a Fiscal KPI Dashboard and Multi-year Financial Model as their two technical assistance projects. These tools were co-designed with Organization A to support the leadership team in monitoring financial metrics, such as cash flow and budget variances, across their complex programming and planning for long-term organizational sustainability.

Factors that may have influenced Organization A's success in the program include active participation from the executive leader and consistent participation from a wider leadership team. Organization A's lead executive was an engaged participant and was relatively well-known in the community, making their participation in the program quite meaningful, particularly in peer exchanges. Additionally, this organization experienced a lower rate of leadership turnover than others in the cohort and, of particular significance, Organization A's finance leader maintained their position and actively participated through four years of the program.

Organization B: Continuous Improvement Journey

Organization B is a mature nonprofit that came into the program with relatively high self-ratings. In the pre-evaluation there were only four questions for which the organization did not indicate some level of agreement, three of which were increased to a level of agreement in the post-evaluation. Specifically, Organization B increased its self-rating in establishing financial goals during budgeting process, having a strategy for building and/or maintaining operating reserves, and building a sufficient level of operating reserves. In addition, their budgeting process and reporting practices became more inclusive and robust. For an already fiscally strong organization, improvements in these areas can be difference-making on the journey towards financial stability and sustainability.

Strong alignment across participating leadership on financial management priorities as well as consistent and active participation were likely factors in Organization B's success in the program. The organization had been struggling with strategically allocating operating expenses across their grant portfolio as their volume of grants and program work quickly outpaced their operational capacity. This challenge motivated the leadership team to join the program and they came in with clear goals.

Active participation in team-based coaching sessions by the broader leadership team provided dedicated space for program and finance leaders to address silos and co-create a vision for participatory budget development. Coaching also facilitated cross-functional buy-in for a redesigned budget process. In parallel, Organization B's Finance Director took advantage of on-demand coaching to work individually with a BDO FMA coach on documenting and operationalizing the decisions made in team coaching. To codify decisions, Organization B selected a Fiscal Policies and Procedures Manual as their technical assistance project. This manual helped Organization B's leadership team further develop and document inclusive planning and monitoring processes as well as ensuring staff awareness of key fiscal policies and procedures.

Organization B demonstrates that an organization entering the program with a strong foundation can still achieve significant knowledge gains and process improvements, particularly with leadership team focus, alignment, and commitment to further growth and change.

Reflections and Lessons for the Field

SUCCESSES

In addition to the progress towards goals noted above, BDO FMA received consistently positive feedback on aspects of the program design and execution, as well as about specific program components. In focus group discussions and feedback surveys, respondents had the following observations on what worked particularly well:

- <u>Holistic approach to financial management</u>: Respondents noted the value of the depth and duration of this program, including the variety of learning opportunities to meet the needs of various learning styles. Respondents felt the inclusion of cross-functional teams created organization-wide buy-in for financial management work and that training content was well catered the needs of participants with varying levels of finance experience and expertise.

- BDO FMA staff engagement: Respondents noted that engaging with BDO FMA felt "less stressful" than other consulting experiences. BDO FMA staff were commended for a non-judgmental, professional yet personable approach, and for engaging with cultural sensitivity to the nonprofit experience. Respondents noted that the work, at times, "felt like therapy."
- Standout Program Components: When responding to the question "What worked well that you wouldn't want us to change if we offered the program again?", the three most mentioned program components were technical assistance projects, followed by coaching, then training.

Participants were also invited to complete evaluation surveys after each training and highlights from averaged responses included:

- Using a scale of 1 for "Strongly Disagree" to 5 for "Strongly Agree," participants from all cohorts provided average responses of 4.2 or above for 99% of the survey statements, including "I have found the information shared in the workshops valuable," and "This series has represented a good use of my time."
- Feedback was also collected from Cohort 3 on the virtual training experience. Participants responded with an average score of 4.43 in response to "The training platform and use of technology met my needs" and an average score of 4.47 in response to "Engagement was maximized throughout this training."

Cohorts 1 and 2 were also encouraged to share feedback on their coaching engagements. Demand for the "coaching bank" that was introduced in January 2020 is also a strong indicator of participants' valuing the coaching component. Highlights of coaching feedback and engagement include:

- In answering "I found the coaching sessions to be useful" on a scale of 1 for "Strongly Disagree" and 5 for "Strongly Agree," Cohort 1 scores averaged 4.78 and Cohort 2 averaged 4.44.
- In focus group discussion and survey responses, coaching was celebrated as one of the most useful program components. Respondents particularly noted the value of flexible and readily accessible support and expertise provided by BDO FMA coaches.
- Between January 2020 and March 2022, 19 of the 21 participating organizations accessed on-demand coaching support, using anywhere from one to thirty hours of on-demand coaching in this two-year period.

AREAS FOR GROWTH

Based on feedback from participants and anecdotal observations by BDO FMA staff, we have identified the following opportunities for improvement to consider when developing future capacity building programs and recommend these for MacArthur's reflection as well:

- Staffing Transitions: Many participating organizations saw significant staff turnover during the four-year program. Ensuring newly hired staff were fully onboarded to the program and were aware of all program components was a challenge. Multiple focus group and survey respondents expressed a desire for "refresher trainings" in which new staff members could experience the same training content provided to their participating colleagues.

- Virtual Peer Engagement and Network Building: Respondents had mixed feedback on the virtual programming experience. Some valued the accessibility while some felt susceptible to "Zoom fatigue" and found virtual engagements easier to decline or skip. Quarterly peer exchanges, in particular, saw a drop in attendance and engagement when transitioned to virtual meetings.

ADAPTATION DURING COVID-19

We also wanted to acknowledge the program delivery changes made due to COVID-19 and some early reflections. All programming took place virtually after the COVID-19 public health emergency was declared in March 2020. Despite concerns of overwhelming organizations with support services during a chaotic time, demand for joining Cohort 3 in 2020 was higher than ever.

A positive outcome of the move to virtual programming was increased access for participating organizations. We encouraged key contacts to invite additional staff and board members to group events, allowing additional stakeholders to participate. However, engagement and community building were more challenging in a virtual setting. BDO FMA saw the effects of "Zoom fatigue" on attendance in learning and peer events, particularly from organizations in Cohorts 1 and 2 who had been in the program for two years by 2020 and were used to in-person offerings. The informal networking that occurs in person was also more difficult to foster in a virtual environment. We will carry these lessons forward as BDO FMA continues to support organizations in both virtual and in-person settings.

CONCLUSION & FUTURE CONSIDERATIONS

Our BDO FMA team was incredibly impressed by the participants' energy, enthusiasm, and thoughtful engagement. At the same time, as the program concludes each organization is continuing their path towards financial resilience while leaders brace for a recession. We are heartened that participants are moving forward with increased knowledge, confidence, and skills. We also know their financial management improvements are still in progress, and many may need further support. As MacArthur looks to future capacity building opportunities for their grantees, we recommend building on this program and continuing to support participants in achieving their financial resilience goals.

Based on BDO FMA's experience with successful follow-on support for participants of similar programs, capacity building support for organizations continuing their resilience journeys could include:

- Additional coaching or targeted facilitation to help implement particular action items or respond to emerging needs.
- Reunion events as opportunities to reconnect with BDO FMA facilitators and peers, share progress, and continue the exchange of ideas.
- Refresher training opportunities for new staff members and follow-up trainings to dive deeper into topics in which grantees expressed interest (e.g., Board Training, Dashboards).

Focus group and survey respondents also provided valuable suggestions for adjustments to future capacity building programs of a similar structure to this program, including:

- Targeted Peer Learning & Mentoring Opportunities: Respondents suggested a targeted approach to peer learning, such as segmented learning sessions for organizations with similar business models, program areas, and/or budget size. Additionally, suggestions were made for an intentional mentoring component in which, for example, a newer executive leader is paired with a more seasoned executive, or an organization experiencing rapid growth is paired with the team from an organization who recently stabilized after growing.

- Hybrid Cohort Experience: As noted above, participants involved in virtual-only programming found it more difficult to establish new relationships through the program. For future virtual programs in which participants are in the same geography, respondents suggested adding optional in-person social gatherings.

Focus group and survey respondents also provided input on two questions from MacArthur meant to solicit feedback on organizational needs: “What did this program help you realize you or your organization needed (including things you might not have realized you needed or wanted prior to the program)?” and “Based on what you learned through this program, what do you still need from your funders now and in the future?” Response themes included:

- Increased funding for technical assistance and capacity building, particularly in the back office.
    - On respondent expressed the need for *“tune ups with BDO FMA or similar on what we've learned and old/new pain points,; more coaching; advice/resources on financial planning (e.g.: do we invest reserves? where? on what terms?); more scenario planning supports.”*
- Need to prioritize infrastructure development in tandem with program development.
    - One survey respondent noted *“We have completely restructured our Finance team roles and responsibilities based on the fiscal infrastructure assessment from this program. The analysis truly helps us both internally and externally communicate where we are as a young, high-growth organization working toward sustainability and a longer-term focus.”*
- Support for board development, including recruiting and skills development.
- Multi-year, unrestricted funding and higher indirect rate funding.
    - One respondent noted “*MacArthur has been a pioneer in the nonprofit funding world. The 29% indirect policy and accompanying study has been huge for us -- we've been able to successfully negotiate higher indirect rates with some funders since we've been equipped with this information. Unfortunately, many funders still scoff at such a 'high' indirect rate, and like many nonprofits of our size and age, we struggle with fundraising for operations and administration. We really need funders to recognize the fact that strong and adequate support services are crucial for the success of an organization's direct services and its long-term sustainability.”*
- Support building operating reserves.
- More focus on transitions when ending funding relationships with organizations and support managing through unpredictable “funding cliffs” when funders shift grantmaking strategies.

We at BDO FMA were honored to work with committed leaders from 21 organizations over four years and to partner with MacArthur on a program of this scale. The level of investment allowed organizations to explore relatively individualized paths to financial resiliency while also benefitting from a structured peer community. We cannot wait to see what these inspiring leaders and the organizations they lead accomplish next.

Appendices

APPENDIX A: PROGRAM COMPONENTS

The program included the following cohort- and organization-level components:

Fiscal Management Self-Assessment & Consultation

- Three classes of institutional support grantees were invited to complete a self-assessment survey and meet with BDO FMA consultants for a 90-minute consultation meeting. Out of 27 eligible organizations, 24 opted into the assessment and consultation. This was an opportunity to identify and better understand financial management strengths and areas for growth. The consultation meeting also provided the option to further discuss the details of the capacity building program, including the time and effort expectations for participants, to determine if the organization should apply for the larger program. Of the 24 organizations whose leaders took part in the self-assessment and consultation, 21 continued on to participate in the rest of the program.

Training & Coaching

- Financial Management Training Series: Participants attended four full-day workshops (Cohorts 1 and 2) or six 2-hour virtual workshops (Cohort 3) over 3-4 months. Workshops were designed using principles of adult learning theory and balancing training by two expert BDO FMA facilitators, with group activities and learning among participants. Topics covered include:
    - Financial Health & Resilience
    - Financial Planning & Strategy
    - Fiscal Operations & Technology
    - Financial Performance Management
- Coaching: To support in "bringing home" the lessons and practices communicated in workshops, organizations were paired with a BDO FMA coach to participate in team-based coaching sessions in tandem with the training series.
    - In these sessions, BDO FMA consultants assisted leadership teams in translating the workshop concepts into prioritized action steps for improvements. Coaching also provided the participants with a forum to address challenges and dive deeper into issues of the most relevance for each organization.
    - Under the second program grant (2020-2022), participants also had access to an on-demand "coaching bank" that allowed participants to request ad hoc coaching sessions as needed. 19 of the 21 participating organizations took advantage of this support for topics including Paycheck Protection Program loan management, implementing new technology systems, staffing and hiring decisions, nonprofit lifecycle diagnosis and implications, budget development, and grant accounting.

Technical Assistance

- Participating organizations worked one-on-one with BDO FMA project teams to complete customized technical assistance (TA) project(s). These projects were focused on fiscal infrastructure development and financial planning and analysis. Engagements typically lasted anywhere from 2-5 months depending on the project and pace at which the organization could implement the work. Organizations were able to work with their coaches to determine an appropriate project and scope the project to meet their specific needs. See Appendix B for detailed descriptions of projects implemented through this program.

- Cohorts 1 and 2 were allocated two TA projects per organization. While most organizations completed both projects, we found that not all had the bandwidth to complete two full projects during the timeframe of the program.
- Based on the experience with Cohorts 1 and 2, the second program grant was redesigned to allocate one TA project per organization to Cohort 3 with the option to apply for an additional project after completing their first project.
- In total, all 21 organizations completed one TA project, 14 organizations completed two TA projects, and 5 organizations completed three TA projects.

Peer Learning & Community of Practice

- Quarterly Peer Exchanges: Relatively informal opportunities for staff to interact with their peers to network and learn from one another. For these 2-hour breakfast meetings (2018 – 2020) or 90-minute Zoom meetings (2020-2022) participants were divided into three peer groups: Executive Leadership; Finance Leadership; Programs, Development, Operations & Strategy Leadership. Each group met quarterly on a different topic informed by participants' interests collected via survey. BDO FMA led a brief content presentation at the top of the session then facilitated a group conversation in which participants shared experiences, challenges, and advice.
- Ad hoc trainings: These additional training sessions (3-hour or 6-hour in-person workshops from 2018-2020, 2-hour or 90-minute virtual trainings from 2020-2021) were open to all program participants with topics selected based on participants' interests. Interactive activities were designed to encourage cross-cohort introductions and networking. Topics covered included Risk Management, Remixing Revenue, Board Training (open to executive leaders and board members), Nonprofit Lifecycles, and Multi-Year Planning.
- Quarterly Newsletters: E-newsletters were sent to all program participants every quarter to highlight participants' accomplishments and disseminate tools, ideas, and thought leadership related to the program activities.

APPENDIX B: TECHNICAL ASSISTANCE PROJECTS

Project Type		Number of Projects
Planning & Analysis	Multi-Year Financial Model	10
	Budget Template and/or Process Development	7
	Dashboard Development	2
Infrastructure Development	Fiscal Infrastructure Assessment	9
	Policies & Procedures Manual	9
	Chart of Accounts and QuickBooks Restructure	2
	Process Redesign	1

APPENDIX C: DETAILED PROGRESS TOWARDS GOALS

Program Goals

Through participation in this cohort, BDO FMA anticipated organization leaders would make progress in the following areas:

- An understanding of their organization's business model drivers and financial health, as well as a heightened ability to align program strategy with financial goals.
- Enhanced ability to communicate their organization's financial story and full cost to staff, board, funders, and other key stakeholders.
- More effective communication among members of the leadership team, as well as between the leadership team and the board, with an enhanced ability to use financial data to inform decision making.
- Increased ability to effectively monitor financial results and use historical financial information to inform the organization's future plans and forecasts.
- Understanding of revenue risks, income generation strategies, and sustainable revenue planning.
- Access to tools for short- and long-term financial planning and analysis.

Some of these program goals are long-term and thus could not be fully achieved during the program itself. However, available data sources can be used as indicators and provide a sense of the progress participating organizations have already made.

Progress towards Goals

As noted in the section "Lessons for the Field," the participating organizations have collectively made very strong progress. This appendix details indicators of progress towards program goals based on the data sources described above. Pre- and post-evaluation data is primarily reported below as: 1) organizations that moved from a "disagree" or "neutral" (score of 1-4 on the 7-point scale) to an "agree" (score of 5-7), and 2) organizations reporting an "agree" (score of 5-7) in the post-evaluation.

Goal 1: Understanding of business model drivers and financial health; heightened ability to align program strategy with financial goals

Of the 15 organizations that completed pre- and post-evaluations, progress on the **"understanding of business model drivers"** aspect of this goal is indicated through responses as follows:

- "I have a clear understanding of the organization's business model (i.e., what drives our revenue and expenses.)"
    - All three (100%) organizations that rated their agreement as 4 or below on the pre-evaluation (with 4 as neutral rating and under 4 indicating some level of disagreement with the statement) increased their rating to 6 or 7 in the post-evaluation.
    - 14 organizations (93%) rated their agreement as 5 or above on the 7-point scale in the post-evaluation.

Progress on the **"understanding of … financial health"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

- "I have a clear understanding of the amounts and types of capital our organization needs to *weather unexpected circumstances and provide operational stability*"
  - All seven (100%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
  - Twelve (80%) rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.
- "I have a clear understanding of the amounts and types of capital our organization needs to *fund investments for growth and change*."
  - Five of eight (62.5%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation (a sixth organization increased from a 2 in their pre-evaluation to a 4 in their post-evaluation).
  - Nine (60%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Progress on the **"heightened ability to align program strategy with financial goals"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

- "Our organization's management of financial resources supports our efforts to deliver high-quality programming."
  - Two of three (67%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
  - Thirteen (87%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Through focus group and survey feedback, participants also noted that the program created opportunities for increased communication and coordination between program and finance teams.

- A survey respondent shared "*this program helped me realize that the program side must work with the financial side if we are truly going to get the work done. I never even really considered the financial aspect of a program, but I can say I learned a great deal in the training and peer sessions. I am better able to understand and articulate what is needed for our programs.*"

These indicators combine to show very strong progress on Goal 1. Developing and maintaining a clear understanding of business model and financial health has been particularly difficult over the past few years as the COVID-19 pandemic, growing movement towards racial justice, and economic upheaval have prompted a host of changes in these areas. Given that, the strong current ratings across indicators and fact that many organizations experienced movement from the lower half to the upper half of the scale indicating increased agreement with the relevant evaluation statements are very impressive.

Goal 2: Ability to communicate financial story and full cost to staff, board, funders, and other key stakeholders

Progress on the **"ability to communicate financial story"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

- "I am able to clearly communicate our organization's financial story to internal and external stakeholders."
    - Five of six (83%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - Thirteen (87%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Progress on the **"ability to communicate … full cost"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

- "I have a clear understanding of the true cost of our programs."
    - Three of six (50%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - Ten (67%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.
- "Our organization includes the full cost of programs and/or projects in budgets submitted to funders."
    - Five of six (83%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - Twelve (80%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

In focus group discussions and survey responses, multiple participants reported increased confidence in discussing financial results and needs with Board, funders, and other stakeholders, e.g., fiscal sponsors.

These indicators combine to show strong progress on Goal 2. Similar to Goal 1, we see strong current ratings across the indicators supporting this goal. Additionally, most respondents that noted some level of disagreement with statements in the pre-evaluation moved to the upper half of the scale, indicating agreement with the statements in the post-evaluation. In this case, increased agreement means improved ability to communicate the organization's financial story, increased understanding of true costs, and increased inclusion of full costs in grant budgets.

While progress on having a clear understanding of the true cost of programs seems lowest, only three evaluation respondents indicated some level of lack of understanding in the post-assessment which feels quite positive given the complexity of the concept. This area could also be impacted by turnover among organization staff with newer team members needing to become familiar with the organization's business model.

Goal 3: Effective communication among leadership, between leadership team and board, and enhanced ability to use financial data to inform decision making

Progress on the **"effective communication among leadership"** and **"effective communication … between leadership team and board"** aspects of this goal is indicated through pre- and post-evaluation responses as follows:

- "Senior leadership regularly meet as a team to discuss financial performance."
    - Four of six (67%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - Ten (67%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.
- "Our organization engages the Board of Directors by ensuring transparent disclosure of financial information."
    - All two (100%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - All 15 (100%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Progress on the **"ability to use financial data to inform decision making"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

- "Financial information is regularly used to inform decision-making in our organization."
    - Three of four (75%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
    - Eleven (73%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Increased confidence in communicating around financial results and topics was a theme across focus group discussions and survey results. Participants reported increased transparency and inclusivity in financial decision making, increased financial accountability across the organization, and greater opportunity for non-finance staff to play a larger role in financial management. Focus group participants also noted that this program provided leadership teams with a shared language to discuss finances and opportunities to bond as a team.

These indicators combine to show strong progress on Goal 3. Like prior goals, we see strong current ratings across the indicators supporting this goal as well as significant movement among organizations that had disagreed with statements in the pre-assessment to agreeing in the post-assessment. In this case, increased agreement indicates regular leadership team meetings about financial performance, regular board engagement around finances, and ability to use financial data for decision-making.

Goal 4: Effectively monitor financial results and use historical financial information to inform planning

Progress on this goal is indicated through pre- and post-evaluation responses as follows:

- "Our organization's financial reports allow me to clearly see the financial health of our organization."

- Five of six (83%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
- Thirteen (87%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

▶ "How often do the following stakeholders receive financial management reports?"

- Eleven (73%) organizations indicated some level of increased sharing of financial reports.
- Largest increases were observed in sharing of written management narrative for all stakeholders assessed:
    - Program leaders: increase in 15 (100%) organizations
    - Development leaders: increased in 12 (80%) organizations
    - Executive Director: increase in 12 (80%) organizations
    - Board: increase in 11 (73%) organizations

Multiple focus group participants also noted increased confidence in understanding and leveraging financial reports as an individual success.

Based on these indicators, progress on Goal 4 has been very strong. Increased inclusivity and sharing of financial information as well as high—and increasing—internal ratings of their organization's financial reports are great signs that leaders are building a culture of shared financial management and paths towards longer-term outcomes.

Goal 5: Understanding of revenue risks, income generation strategies, and sustainable revenue planning

Progress on the **"understanding of revenue risk"** aspect of this goal is indicated through pre- and post-evaluation responses as follows:

▶ "Our organization effectively manages financial risk."

- Four of six (67%) organizations that rated their agreement as 4 or below on the pre-evaluation increased their rating to 5 or above in the post-evaluation.
- Twelve (80%) organizations rated their agreement as a 5 or above on the 7-point scale in the post-evaluation.

Progress on the **"understanding of … income generation strategies and sustainable revenue planning"** aspects of this goal is indicated through pre- and post-evaluation responses as follows

▶ "Who is involved in developing your current annual budget?"

- Three of five (60%) organizations that did not include Development Directors prior to the program began to include them by the end of the program.
- Thirteen (87%) organizations now include the Development Director in annual budgeting.

▶ "Our organization has a strategy for building and/or maintaining operating reserves."

- Five of eight (63%) organizations that answered “No” or “I don’t know” in the pre-evaluation answered “Yes” in the post-evaluation.
- Eleven (73%) organizations answered “yes” in the post-evaluation.

Progress on Goal 5 appears strong. The strong majority (73%) of organizations with stronger agreement that their organization “effectively manages financial risk” is noteworthy, as are the increased involvement of development leaders in budgeting and increase in organizations with reserves strategies. Investing in stronger and shared practices around risk and planning for future revenue stability should position organizations well to weather future uncertainty.

Goal 6: Tools for short- and long-term financial planning and analysis

In addition to knowledge gains and practice development outlined in the preceding goals, this program was designed to equip participating organizations with the tools needed to support their fiscal operations. While work towards Goals 1-5 were introduced in training then reinforced by coaching and technical assistance, Goal 6 was primarily to be achieved through technical assistance projects.

Organizations were able to access up to three technical assistance projects. When asked in focus group discussions and feedback surveys to identify organizational successes related to financial management achieved since joining the programming, most respondents noted technical assistance projects as critical organizational successes.

When selecting technical assistance projects, most organizations prioritized projects that would reinforce critical pieces of their fiscal infrastructure before implementing more robust planning and analysis processes. While Goal 6 was designed to focus on tools for financial planning and analysis, the overarching goal of the program is to set participating organizations on a path toward more effective financial management operations.

Participants’ choices of technical assistance projects provide insight into each organizations’ priority areas of focus. As outlined in Appendix B, most organizations (12 out of 21) selected infrastructure development projects (Fiscal Infrastructure Assessment, Policies and Procedures Manual, Process Redesign) for their first project while the majority of second and third projects (10 out of 19) were more focused on planning and analysis (Multi-year Financial Model, Budget Development, Dashboard Development.)