ORSIMPACT

Working toward

Financial Resiliency

OUTCOMES AND INSIGHTS FROM THE FIRST NONPROFIT BREAKTHROUGH FUND COHORT

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Missions Accomplished

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KEY FINDINGS

How grantees progressed toward the goals of the program

STRATEGIC FINANCIAL MANAGEMENT OUTCOMES

- **Most organizations made considerable progress** toward desired financial management outcomes, though there was significant variation among outcomes and organizations.
- **Increased capacity for strategic financial management was the strongest outcome achieved** relative to the other framework outcomes.
- **Decision making and annual planning and monitoring were also strong areas of outcome achievement** for the cohort.
- **Overall, organizations demonstrated the most growth toward establishing systems and processes**, followed by engaging in long-term planning and communicating financial data more clearly.
- **While there was high confidence among organizations that the use of new tools and practices is sustainable**, about half described changes as dependent on the current leader.

Observations and other changes experienced by organizations

EMERGENT FINDINGS

- **Organizations experienced changes beyond capacity and practice outcomes,** including changes in engagement, transparency, trust, and accountability, as well as shared language and understanding.
- **Organizations' experiences reflect how these additional outcomes are interconnected** and build upon one another.
- **Organizations that were able to progress further tended to have stronger infrastructure in place to support changes.** They had more engaged boards, internal financial management expertise, and a support structure for leaders.
- **Measuring progress and achievement using only the framework outcomes provides an incomplete picture** of organizational change.

Elements that sparked transformational change within organizations

CATALYSTS OF CHANGE

- **Planning and goal-setting exercises helped leaders shift to a long-term mindset** about financial management.
- **Dashboards for communicating key financial data were a foundational component** of building understanding, engagement, and transparency in organizations.
- **A team-based approach to financial management had transformational effects on organizational cultures**, strengthening engagement, transparency, and accountability.

Introduction

This report presents findings from an evaluation of the Nonprofit Breakthrough Fund's first financial resiliency grantee cohort. The Nonprofit Breakthrough Fund is a capacity-building strategy of The David and Lucile Packard Foundation's Local Grantmaking program. The cohort program is an intensive, two-year effort in which grantees work to improve a specific aspect of their organizational performance. The current cohort includes 10 organizations that have focused on building financial resiliency, receiving support from Fiscal Management Associates (FMA), a firm hired by the Foundation to work with organizations in advancing their strategic financial management capacity and practices. In the first year of the program, FMA provided a series of training workshops about strategic financial management and supported organizations in developing action plans to improve their processes. In the second year, organizations worked to implement their action plans, received additional financial support for project implementation, and engaged in role-specific peer-learning opportunities. Each organization also received regular coaching sessions with FMA consultants throughout the two years.

The purpose of the evaluation was to understand changes in grantees' capacity and practices related to strategic financial management. The evaluation also sought to identify factors that contributed to outcome achievement and the potential sustainability of changes made. To answer these questions, ORS Impact conducted individual 45-minute interviews with the leaders of each organization and a one-hour interview with FMA consultants. Grantees were given a survey about their understanding and confidence relative to strategic financial management practices, and FMA was given a survey to assess progress and achievement of grantees relative to outcomes.

This report describes progress toward desired outcomes and sheds light on more emergent outcomes and experiences of grantees. It highlights specific program elements that appeared to be catalysts of change and organizational factors that facilitated progress. The last section discusses implications of findings and recommendations if another cohort is to follow. In addition, questions have been posed throughout the report for the Foundation and FMA to consider while planning for subsequent cohorts.

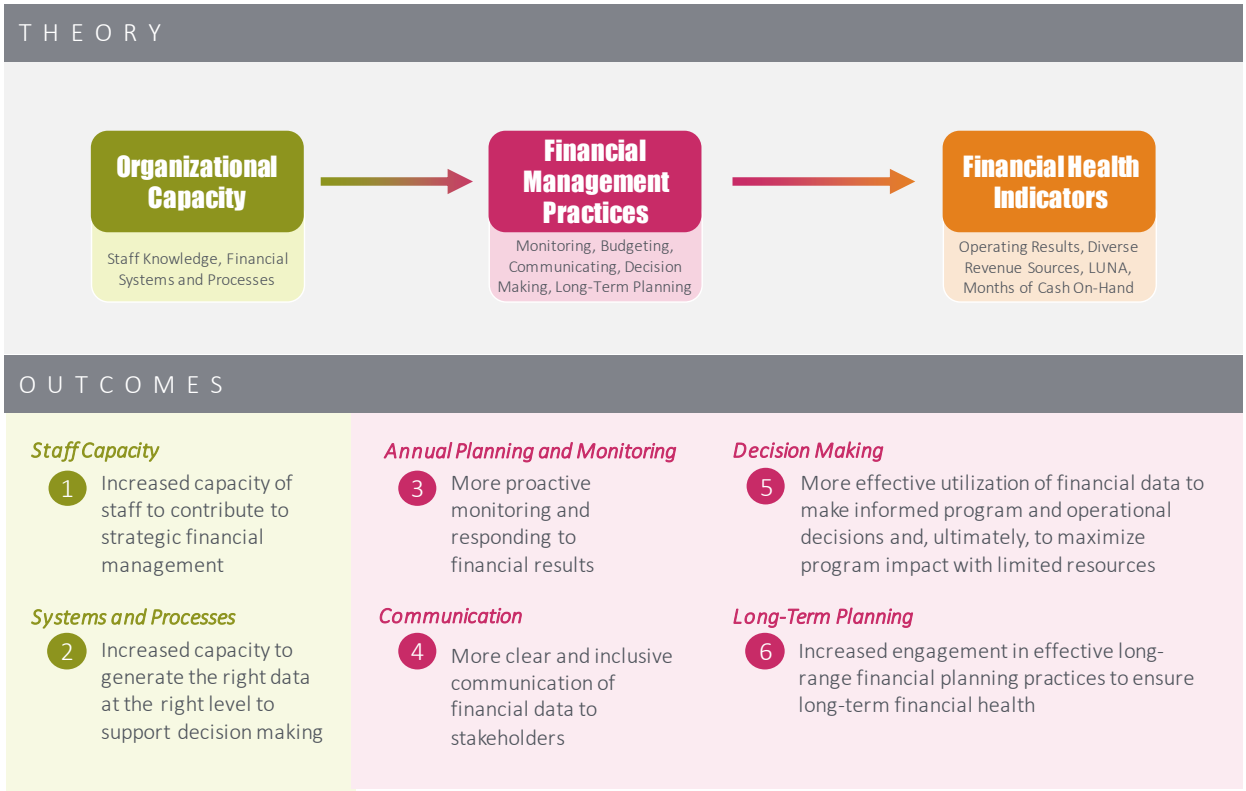
Note *about design*

A strength of the design is that it allows us to look across multiple sources of data for confirmation of findings. However, a cohort of 10 organizations is considered a very small sample size, which makes it difficult to generalize these findings (some may be a result of this specific group) or detect patterns that hold true for all cohort participants. Another limitation of this evaluation is the timeframe. We spoke with participants toward the end of Year 2, so it is not possible to know what will stick and what difference the program will make toward the long-term financial health of organizations. Additionally, there are likely perspectives from each organization that were not captured, as we spoke only to leaders and a few finance staff.

Strategic Financial Management Outcomes

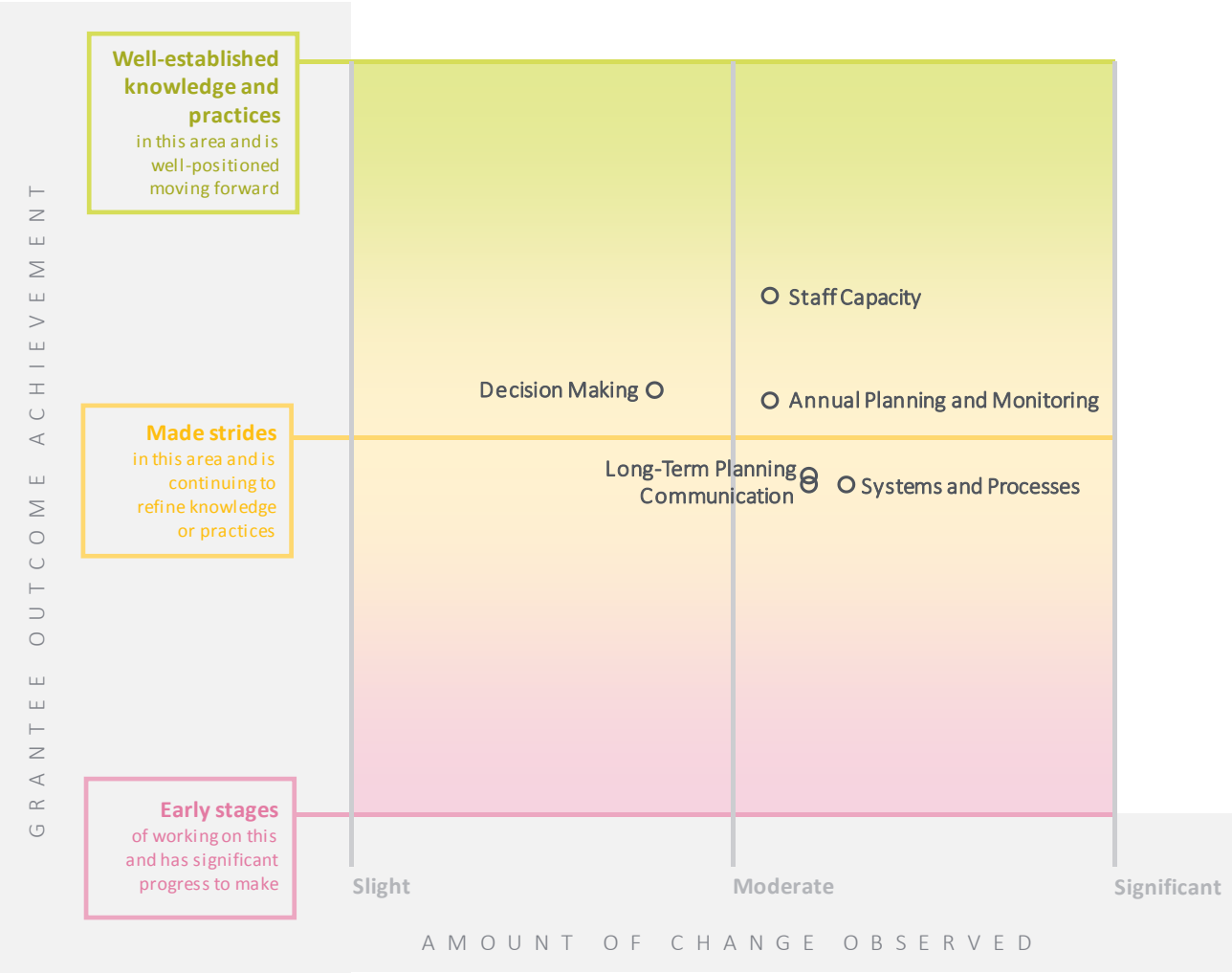
In the first year of the cohort and with input from FMA, ORS Impact developed an outcome framework to identify the desired strategic financial management outcomes for the program. (See Appendix for full framework description and outcome indicators.) The theory was that these outcomes would lead to increased financial resiliency for the participating organizations. The framework posits that increased capacity leads to changes in practice, which then positively affect an organization's financial health. The outcomes are listed in the figure below. This section explores the extent to which these financial management outcomes were achieved and describes what progress toward outcomes looked like within different organizations.

OUTCOME FRAMEWORK



Most organizations made considerable progress toward desired financial management outcomes, though there was significant variation among outcomes and organizations.

The figure below depicts the average ratings from FMA coaches for the six outcomes. FMA coaches rated each organization on each outcome along two dimensions: (1) how much change or progress organizations demonstrated and (2) how well established their knowledge and practices were for the outcome at the completion of the program. On average, organizations experienced moderate levels of change and made strides toward the framework outcomes, with some variability across the different outcomes.



The circles depicted in the figure above are *average* ratings for outcome achievement across organizations and are not necessarily consistent with the individual ratings for each organization. For some outcomes, there was greater variability across organizations than for others. For instance, while the

long-term planning, communication, and systems and processes outcomes appear grouped together in the figure, there was more variability in knowledge and practices for the latter two. Most had "made strides" in long-term planning, with some refinement needed, but there was a wider spread for communication and systems and processes, as four organizations are still in the "early stages," with significant progress to make. The table below shows the spread of FMA's ratings among organizations by outcome, providing a bit more insight into achievement of the framework outcomes across the cohort.

FMA ratings: The number of cohort organizations that achieved different levels of framework outcomes[1]

	Staff Capacity	Systems and Processes	Annual Planning and Monitoring	Communica-tion	Decision Making	Long-Term Planning
Well-established knowledge and practices	5	2	3	2	3	1
Made strides, continues to refine	2	3	5	3	4	6
Early stages, has significant progress to make	2	4	2	4	2	2

When looking at the average ratings for outcome achievement *by organization*, there is a wide spread. Six organizations finished the cohort with average ratings for outcome achievement ranging between "made strides, continuing to refine" and "well-established knowledge and practices." Two organizations had average ratings between "early stages" and "made strides, continuing to refine." And two organizations had average ratings squarely in "early stages" at the end of the program. Reasons for this wide range in outcome achievement are explored in later sections of this report and are likely reflective of the organization's starting point, infrastructure to support change, and limited ability of the outcome framework to capture the full range of changes made by grantees.

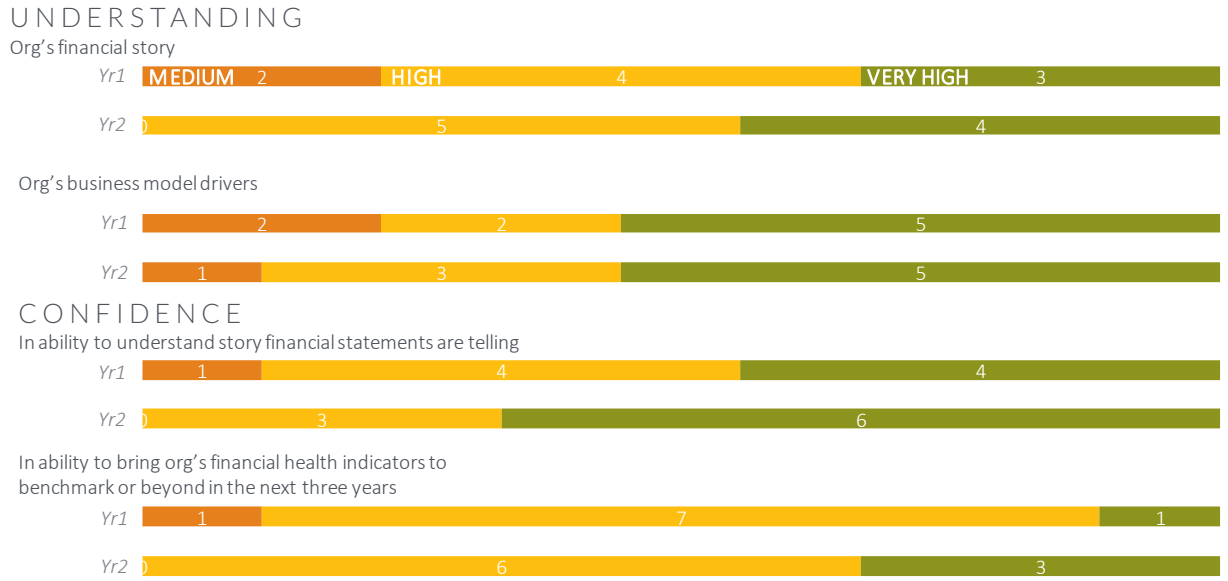
At what point along the spectrum of outcome achievement might financial management capacities and practices be sufficient or "good enough" for achieving financial resiliency?

[1] Only nine organizations are listed for several of the framework outcome ratings in this figure because FMA was unsure about the level of outcome achievement in certain areas for one organization.

Increased staff capacity for strategic financial management was the strongest outcome achieved relative to the other framework outcomes.

Staff capacity in the outcome framework includes increased understanding and confidence across an organization's staff and leaders in their ability to engage in financial management as a strategic function. This includes indicators such as knowledge and skills in financial monitoring and planning as well as a clearer understanding of the connection between financial plans and the programs, development goals, and strategies they affect. There is strong evidence that organizations made notable progress in this area and finished the program with fairly well-established staff capacity. FMA gave this outcome the second highest average rating for progress as well as the highest average rating for how well-established knowledge and practices were for organizations at the end of the program.

Survey data from grantees corroborate FMA's ratings. At the end of the cohort, all ten organizations rated their understanding of their financial story, including trends in key financial health indicators, as well as their understanding of their organization's business model drivers (e.g., key revenues and expenses) as either high or very high. Likewise, all but two organizations felt they had similarly high levels of understanding of the relevant financial data needed to plan for their organization's future.[2] [3]



In addition, grantees became more confident in their ability to carry out tasks in these areas. For instance,

[2] While there were increases on average from the first year to the closing of the cohort, there were also some organizations whose self-ratings did not change and some that decreased. This is not uncommon in pre/post surveys and is often due to participants gaining more of an understanding of a subject area, giving them more perspective than they previously had on their current position.

[3] The sample size in this figure is nine because only nine organizations responded to the survey at both timepoints.

all but two organizations reported high or very high confidence in their ability to understand the financial story revealed through financial statements, and all but one felt this level of confidence in their ability to bring the organization's financial health indicators to benchmark or beyond in the next three years, as shown in the figure on the previous page.

Seven of the ten organizations reported increases in capacity. Some described this as having greater thought partnership between departments and staff. This thought partnership and shared understanding enabled individuals to discuss financial management practices that were previously isolated to financial staff. One leader described how "[Now] all the staff have a better understanding of how each of their departments really affects the entire organization overall."

Other leaders described how participating in the cohort influenced their decision to hire additional staff and create new roles. One described how trainings for the board helped to surface the need for a skilled treasurer. The organization hired an individual for this role and realized that "she was definitely more detailed in looking for more answers." Others described how they were "getting better at financial management because of new staff members" who were "brilliant around this kind of thing." Still, other organizations described how the cohort strengthened their knowledge, skills, and abilities in specific areas of financial management without having to hire new roles.

> *"We've had a lot of shift here because of this training and inspired from this training, there's a much higher degree of financial literacy, organizationally, both on the board level and the staff level."*
>
> *"I'm better at financial management because I no longer relying on how we've always done things and instead I'm looking at the best practices, bringing our budgeting systems into more alignment with our current practices, that sort of thing. So again, a general financial literacy and also just the courage and support to not do things like they've always been done."*

Decision making and annual planning and monitoring were also stronger areas of outcome achievement for the cohort.

Annual Panning and Monitoring

Annual planning and monitoring in the program's outcome framework is characterized by indicators such as creating budget estimates that reflect the true cost of programs, sharing financial performance forecasts, being responsive to financial data, and frequently reviewing and reflecting on financial data. Overall, most organizations had made strides and were continuing to refine practices in this area at the end of the cohort. Similarly, grantees also rated themselves as having made notable progress in this area since their first year of the program. At the end of the cohort, all but three organizations were reviewing

balance sheets and budget-to-actual data for both the organization and programs on a monthly basis and had development and program staff review program-level financial data either quarterly or monthly. All but three were also reviewing statements of activities and cash flow projections for six or more months out at that rate.

FMA coaches made several comments about specific areas of growth in this outcome. Namely, improvements in annual planning and monitoring practices were connected to (a) a strong understanding of financial management in the staff as well as (b) well-established mechanisms for communicating financial data (e.g., dashboards, reporting, etc.). These comments suggest that outcome achievement and progress for annual planning and monitoring practices may have been closely tied to outcome achievement and progress in staff capacity and communication practices.

Grantee organizations also spoke to how they had progressed in this area in their interviews. One leader commented about how they "are far better at tracking where [they] are at any given moment," and several spoke to how their progress in annual planning and monitoring was connected to progress in other outcome areas. For instance, one commented about how annual planning and monitoring is embedded in communication practices:

> *"It's simple things like looking at donor retention and how many individual donors we're bringing in on an annual basis. And, starting to look backwards so we can move forward with a dashboard."*

For another organization, the practice was connected more to stronger understanding and capacity for financial management across members of the board:

> *"Even the board members who don't come from a financial background and previously would've disengaged in conversation, they feel they understand what this metric is actually tracking and what it indicates about our organizational and financial health. So, in that way, at least on the board level, I think they're feeling more comfortable with their role in financial monitoring and accountability and strategizing."*

Decision Making

Similarly, most organizations had either made strides or had well-established knowledge and practices in terms of decision making. This framework outcome refers to incorporating financial data into decisions about programs or organizational operations, using a team decision-making model, and ensuring that the board receives accurate financial information. FMA coaches rated this outcome as more well-established relative to other outcomes at the end of the cohort, and grantee survey data suggests a similar conclusion. All but three organizational leaders reported high or very high confidence in their ability to engage in a team model for financial management and decision making, and all reported the same level

of confidence in their ability to lead a management team or board in data-driven decision making around financial management.

While there is strong evidence of well-established practices in this area, FMA coaches also rated decision making practices as having the least amount of change. Specifically, they noted that four organizations made only slight progress in this area and another three made only moderate progress. However, interview data from grantees points to more significant changes in knowledge and practices in this area.

> *"We also are paying more attention to the cocreation of our budget process and holding the various levels of control and management … Now we're sharing more shared responsibility with the team."*
>
> *"The major change is that we involve the staff, really the site directors are the program directors in the planning stage of the financial budgeting with all of the assumptions and corresponding to the program that they are designing for the year. So that's the major change, the involvement of the staff in the financial planning and budgeting."*

Coaches and grantee organizations may have had different understandings of what progress looked like in this area, warranting consideration of whether the indicators of each outcome are more or less salient to grantees reflecting on their progress.

Do the framework outcomes and their indicators still adequately capture the relevant elements of change for grantee organizations moving toward financial resiliency?

Overall, organizations demonstrated the most growth in establishing systems and processes, followed by engaging in long-term planning, and communicating financial data more clearly.

The systems and processes outcome represents the capacity to generate the right data at the right level, including systems and processes to generate accurate financial data, integrate and reconcile different data systems, and use software tools instead of manual calculation. According to the outcome framework, having the capacity to generate that data allows organizations to more effectively communicate their financial story to stakeholders (i.e., the communication outcome) and engage in multi-year budgeting and financial planning (i.e., the long-term planning outcome). FMA coaches rated organizations as showing the most growth in these three outcome areas. However, organizations were also rated as having the least well-established practices related to communication and systems and processes at the end of the program, with four organizations still in the early stages.

Systems and Processes

Across the framework outcomes, FMA coaches provided the highest average rating of progress in the capacity to generate the right data at the right level, with four organizations making significant progress in this area. Data from grantees further support this finding. Nine organizations reported they could generate financial data and relevant financial reports (e.g., budget-to-actuals, balance sheets) in about 30 days or less. Leaders also spoke to how the cohort experience provided them with new documents and tools to identify and generate the specific data they needed.

> *"The most concrete product that we have now is actually a policies and procedures manual for all things financial that covers the things that we'll be asking the audit committees we needed."*

> *"Well, I would say that we are far better at tracking where we are at any given moment and one of the problems that we had in the old system was we wouldn't get data for about two months and now we can have data whenever we need it and it's up to date."*

Many grantees also spoke to how systems and processes for generating data were valuable either more broadly as tools to use in the future or more specifically for securing funding.

> *"I'd say that the way [the budget] is set up now, we don't have a good estimate of real cost for putting on our programs, but we need that estimate of real costs. And now we're actually using it for this fiscal year. It's not quite finished yet, but it's really been valuable."*

> *"Right now, I'm looking at this data as a tool to go to potential funders and saying, look at our improvement, look at how we're strengthening, this is where we're going, and this is how we'd like for you to be a partner in that process."*

Communication

Communication practices include generating data about the financial health of the organization and effectively sharing and presenting that data to stakeholders (e.g., performance dashboards, standardized formats and systems for reporting). Survey data from FMA coaches and interviews with grantees suggest that organizations made notable progress in this area. Specifically, FMA coaches rated half of the cohort as having made significant improvement in this area, describing how leaders gained new confidence in articulating their financial story both internally and externally. In addition, all grantees described either high or very high confidence in their ability to communicate their financial story internally and externally to stakeholders. This theme was also evident throughout many of the interviews with grantees.

> *"Another thing we've done is changed how we present and discuss the financials rather than just a set of numbers. We have a narrative every time that tells the story of what those numbers mean, how things have shifted, what that says about our program impact and how it relates to our strategic plan."*

Several leaders made specific reference to the use of a financial metrics dashboard as a key aspect of their growth in communication. As one described it, "The dashboard … is a much more palatable way of sharing information with [the] board." Other organizations reiterated this sentiment:

> *"[We've changed] in terms of the way we're presenting our dashboard of regular metrics. We're looking at a greater focus on this idea of the healthy mix of funding pie, and the idea of LUNA is a significant dashboard issue for us."*

Long-Term Planning

FMA coaches also indicated that organizations made progress in terms of long-term planning practices. These practices include multi-year budgeting and planning, with the long-term financial health of the organization in mind. For example, this might include the process of building up LUNA reserves or planning for capital investments. FMA coaches rated half of the organizations in the cohort as having made significant progress in this area. Grantee organizations also provided data suggesting strong progress in this area. Whereas no organizations participated in multi-year planning in their first year of the program, all but four indicated that they engaged in multi-year planning at the end of the program, and all but three reported high or very high confidence in their ability to do this.

For many organizations, the improvements in long-term planning practices were often described as a result of the additional support from FMA and from other outside consultants:

> *"We're just finishing a strategic planning process and with that, we've been working with a consultant from the cohort to create a multi-year financial plan to get moving parallel to the strategic plan. And I think that will be phenomenal for us as an organization to have that for the next three years as we go through these big changes."*

> *"The other one is the multi-year modeling work that we're doing with FMA to create a vision and a structure and a model that allows us to look at the ability to finance the organization over the course of five years. And we're trying to fine tune and polish that because it allows us to look at program alignment, identifying unit costs of service, identifying, you know, staffing structures, both current and in the future."*

While there was high confidence among organizations that the use of new tools and practices is sustainable, about half described changes as dependent on the current leader.

The cohort experience was designed to help grantee organizations make progress toward financial resiliency by equipping them with tools, systems, and practices that enable sustainable financial management practices. Interviews with grantees suggest that all organizations are confident that the program did just that, set them up for sustainable practices after the cohort:

> *"We're confident [that these financial practices will be sustained] because we have simple systems with outside resources to keep them, there's no going backwards because the main reason is that they exist and they're easy to manage."*
>
> *"I feel like the trainers gave us such great resources that we can always go back and take another look at something if we ever felt stuck or we wanted to reexamine anything."*
>
> *"I think we're prepared; [we're] a lot farther along than we would have been without the help of this cohort. I could see us being where we are maybe in a year and a half to two years if we had to do all the heavy lifting, but I really feel like this has positioned us for our continued growth."*

However, while all felt confident in the sustainability of their financial management practices, only half felt that those practices could be sustained if the leader were to leave the organization:

> *"It would be much more difficult [If the ED were to leave] because, even though it's not a one-person-show anymore, it's driven in large part by the ED."*

FMA coaches further emphasized this point in their comments about how the Executive Director (ED) role comes with tremendous responsibility for sustaining practices and leading the change process. In exploring the sources of this tension with grantees, one of the more commonly described aspects was the size of the organization. One grantee described it as follows:

> *"I think there are other staff who are engaged, but being a small organization means we are a very flat organizational structure and a new ED would significantly impact that culture and operations."*

High dependence on the current leader could be problematic in a sector with relatively high turnover. This warrants some consideration of the role of leadership in facilitating changes toward financial resiliency and what supports could be provided to ensure a continuity of leadership at the right levels for implementing sustainable financial management practices.

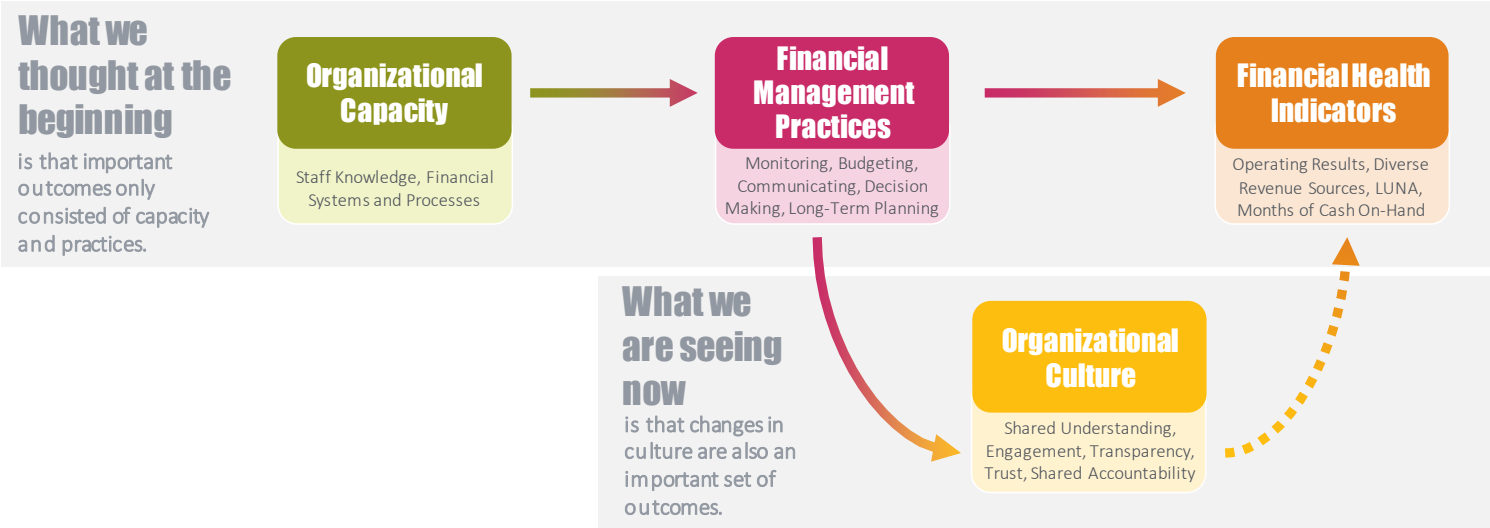
Overall, the cohort program helped grantees make progress in all outcome areas related to strategic financial management. There was some variability across outcomes: staff capacity—a key foundational element—ended in the most solid position, and while the most progress was made relative to communication, long-term planning, and systems and processes there is still more work to be done to solidify knowledge and practices in those areas. There was more variability among organizations, with some finishing the program much further along the path to financial resiliency than others. That said, all felt confident in their ability to sustain the improvements they've made so far. Although half may need additional support to institutionalize their practices, so they are less dependent upon the current leader.

Emergent Findings

In addition to assessing progress toward pre-identified framework outcomes, we also looked for patterns and themes in the experiences of grantees that may indicate additional outcomes or other notable findings. This section explores these more emergent themes.

Organizations experienced changes beyond capacity and practice outcomes, including changes in engagement, transparency, trust, and accountability as well as shared language and understanding.

With respect to the outcome framework, our initial theory suggested that the two capacity outcomes (staff capacity and systems/processes) enabled changes in annual planning/monitoring, decision making, communication, and long-term planning practices. However, data suggest there may be a missing element to this model. Grantee descriptions of how they experienced progress toward outcome achievement reflect a deeper level of transformation than just the observed changes in outcome indicators. The cohort experience contributed to changes in organizational culture. This culture change was apparent in survey data and grantee descriptions of changes in understanding, engagement, transparency, trust, and accountability.



One aspect of the internal culture transformations that organizations experienced was an increase in capacity. The excerpts below capture two organizations' descriptions of culture shifts happening in terms of deepening understanding and improving staff proficiency in financial management:

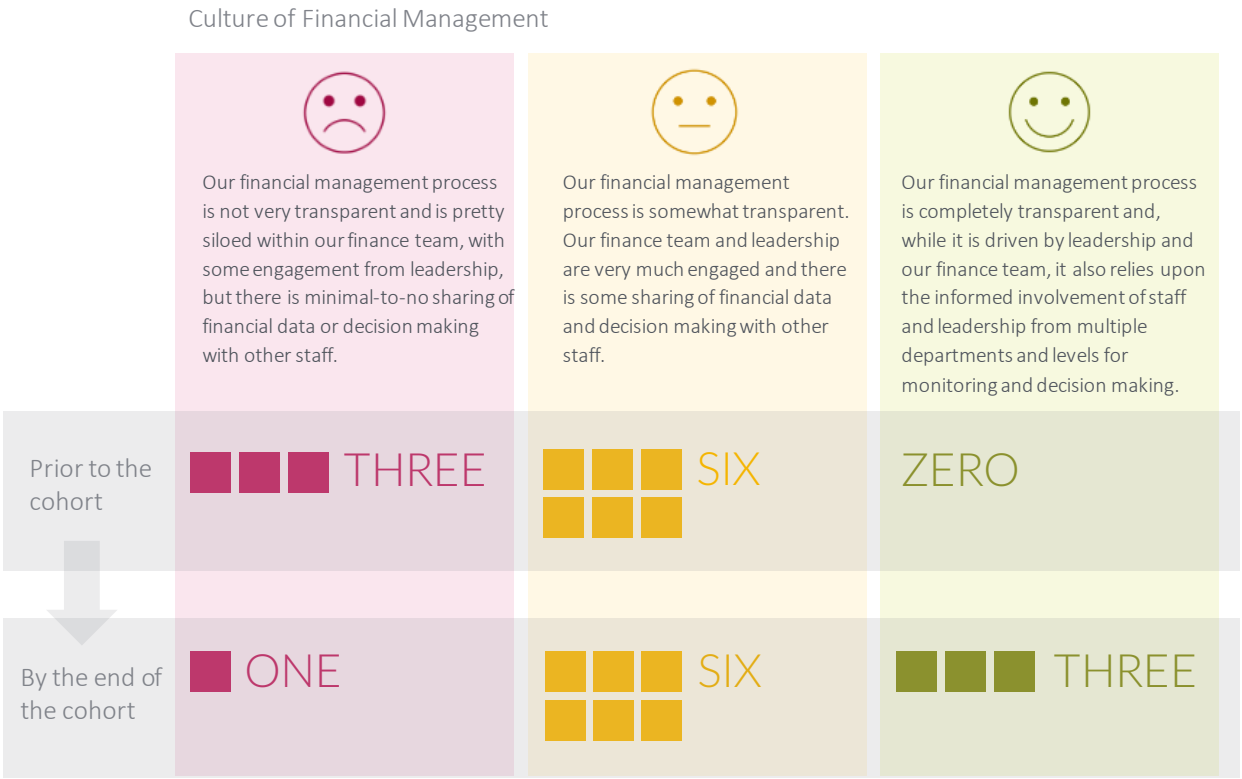
> *"I think we're getting better as an organization for the program staff to culture shift. This is not an area where they have traditionally been involved in or [were] looking at three-plus years ago. So, the last two and a half years has been a very informative journey for them."*
>
> *"I would say culturally, [there is] more of a structured conversation. There's a greater proficiency or greater knowledge that just allows the financial conversations to be more efficient and less ambiguity."*

For other organizations, culture changes were described in terms of improvements in involvement and engagement from all parts of the organization within financial management practices:

> *"[There's been] a cultural impact to the operation of the organization. It's the idea that discipline of all parts of the organization is needed to contribute to a sustainable, healthy, long-term organizational plan."*
>
> *"The culture has really shifted when it comes to financial understanding and making sure that all staff members are included in the financial decisions and that information is disclosed to a much larger group."*

Other grantees described impacts like greater levels of transparency in their organization's approach to financial management or more shared responsibility and accountability to ensuring the financial health of the organization. These improvements are also described in our survey of those organizations. Specifically, we asked about the extent to which organizational cultures reflected transparency and team involvement in financial management processes. Responses to this question at the end of the cohort revealed an average increase in how transparent and team-based organizations were in terms of financial management processes. Six described improvements in their organizational cultures around financial management, with three describing their organizational cultures as "completely transparent" with "informed involvement of staff and leadership from multiple departments and levels."[4]

[4] Only nine organizations completed the survey in Year 1, while all ten completed it in Year 2.



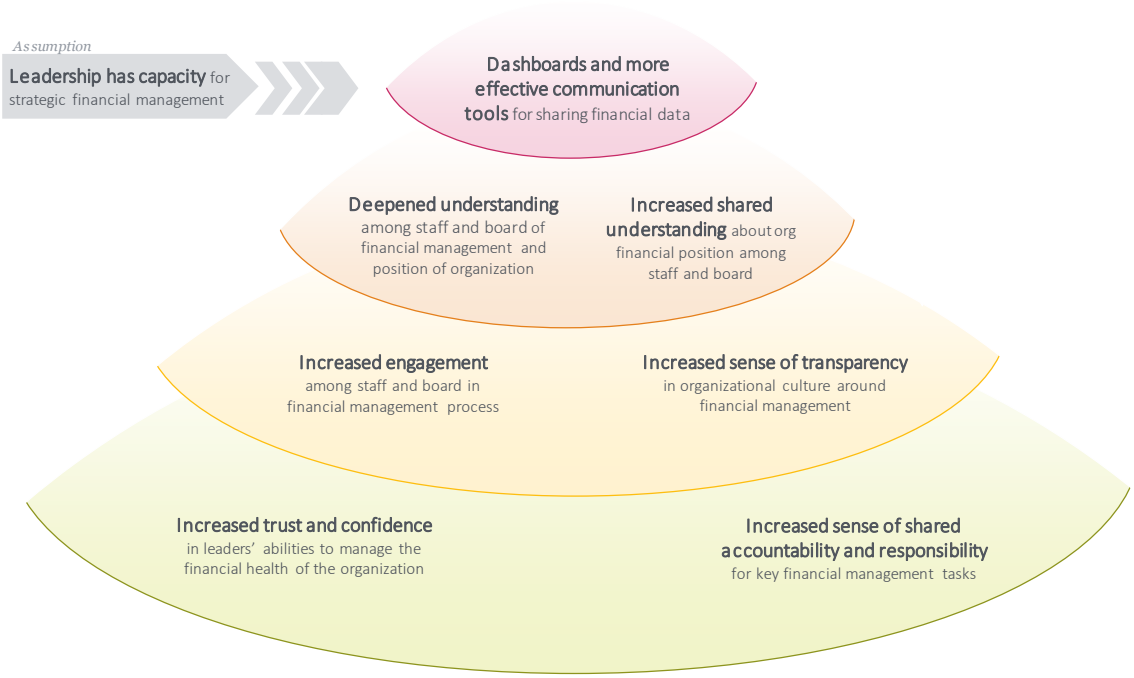
How can the cohort program be structured to best support leaders and staff as they navigate a change management process, both at an organizational culture level and in terms of creating the conditions for changes in specific practices?

Organizations' experiences reflect how these additional outcomes are interconnected and build upon one another.

Grantee descriptions of progress often suggested that the cultural outcomes they experienced were interconnected and had corollary impacts on other organizational dynamics, such as trust, transparency, and shared accountability. Data from our interviews with leaders often implicated effective tools and communication practices as a centerpiece in this deeper change process. As depicted in the figure on the next page, these new tools and mechanisms for effective communication further supported growth in staff capacity and understanding, while also creating a shared understanding about the organization's financial health. From there, organizations often described improvements in engagement, transparency, and trust in their financial management processes.

While there is some conceptual similarity between this process and the framework's emphasis on capacity, tools, and communication practices, grantee descriptions of the change process as a whole were

largely unique from the framework's definition of these elements. Rather, grantees often described a much more nuanced process of change that reflected interconnected and transformational impacts not fully captured in the initial framework.



The use of dashboards and communication tools deepened staff and board understanding of strategic financial management, which further catalyzed their engagement in financial practices.

Grantees often described how the cohort equipped them with new tools and processes to communicate the financial health of their organization. Common in these descriptions was the mention of dashboards and data reporting mechanisms, which had various impacts internally for organizations. For some, dashboards had the effect of making financial data easier to understand and creating a shared understanding of the organization's financial health, which built the capacity of staff and board members to more readily engage in discussions of financial management:

> *"We had input from our program leadership and developed two dashboard snapshots with key performance indicators that we bake into the language of the organization."*
>
> *"Dashboards gave us the opportunity and the exercise of bringing groups of people together from the board or the program staff to come into alignment around what's important for us to measure, what the key performance indicators are, why are we measuring them, and what those measurements mean to us."*

Eight grantees also described how increased knowledge and a shared understanding of financial management gave staff members a stronger sense of buy-in and ownership around the organization's financial health. Nine made similar comments about this effect on board members as well:

> *"[The dashboards have been helpful for] looking at what's the right blend between financial metrics and program metrics, what do we want to look at from a program metrics standpoint, and what are the metrics that are key indicators for the health of this organization beyond just the average daily attendance or the number of heads that come in the door. So, it has really created a framework for us to talk about those things and if we're sure those are the exact right things, so that's an iterative process."*

Another leader described how creating dashboards and data reporting mechanisms collaboratively with input from the staff was further helpful for fostering staff buy-in:

> *"[The dashboards] have been a transformational tool because you're also creating more buy-in because the staff is now part of owning the creation of some of these organizational guideposts that we're going to use moving forward."*

In doing so, many staff felt a sense of empowerment to more actively engage in financial management processes, as described by several organizations:

> *"In looking at which programs are costing us the most amount of money and really asking the question, are we doing this most efficiently in this program, the best way to meet our mission? Are there other opportunities or other kinds of programs that could offset some of those costs? There are some good conversations happening that I think would never have happened before because people didn't have enough information to even have those discussions."*

> *"My board engagement—people who would not have contributed to financial discussions are now contributing and participating and asking good questions. I mean, we welcomed questions before, whether or not they felt like they were good questions, but I think they feel more empowered now that they have at least enough knowledge and understanding to feel more confident in asking questions or even making suggestions."*

More knowledgeable and engaged staff and board members contributed to increases in transparency in financial management processes.

Eight grantees also described how the more knowledgeable and engaged staff and board members helped to foster a culture that was more transparent around financial management. At times, this was described as a direct outcome of participating in the cohort:

> *"There is a lot more transparency around the budgeting process. We're questioning in a really good way a lot of practices which is difficult and good."*
>
> *"We're very transparent and a pretty small staff and board so everybody has access and we have very open communicative, transparent meetings. I think it's slowly starting to change on the staff level."*

In other instances, transparency was described more as an indirect consequence of having clearer financial reporting mechanisms, increased engagement with and understanding of financial practices, and a clarified understanding of the organization's financial health and priorities:

> *"I think this [increased transparency] is tied a lot to the competency and the competence that we're building with our staff … We're growing in being transparent because we're democratizing the input of different staff at different levels of the organization to our financial practices."*
>
> *"[There has been an increase in staff and board] understanding and awareness of our operating budget, and we've certainly increased the transparency because they may get the numbers now more regularly than they did before."*

Collectively, improved capacity, engagement, and transparency allowed many organizations to develop a stronger sense of trust, shared responsibility, and accountability among staff with respect to financial management.

The longer-term effect of the improved communication tools was a deeper level of trust, shared responsibility, and accountability across staff members, as described by seven of the ten organizations. For one organization, this was described as a result of improvements in capacity and engagement in financial management practices:

> *"[There is] more cross-level accountability in that as we're building everybody's capacity to understand and participate in the financial process, I feel there are more opportunities for them to speak up, have a question, or to make suggestions."*

Others described increases in personal and shared responsibility, commenting that staff are "taking on more personal responsibility for things" and that "there are certain people who want to own things." Another described how increased responsibility emerged as shared accountability to key revenue sources:

> *"When it comes to our fundraising practices, because that is the heart of our revenue, everything had been operating in silos and now everybody has a responsibility to fundraise and is realizing that it's really everybody's responsibility for the organization."*

Still, for other organizations, at the center of this increased accountability and responsibility was a strengthened trust that the leadership of the organization was capable of managing its financial health:

> *"There's a lot of trust and faith in that things are being taken care of and being monitored, and we are working on the distribution of that accountability as well as trying to strengthen the understanding of our financial monitoring and documents at all levels."*

Overall, the interviews with grantee organizations provided a nuanced picture of progress that is not fully captured in the current outcome framework. Namely, organizations pointed to communication tools as essential ingredients in facilitating a bigger system of change that entailed improvements in capacity, engagement, transparency, trust, and accountability.

How are grantee descriptions of change consistent with your assumptions and theory of change for the cohort? How are they different?

While it's too early to say that outcomes happen in a certain order, does the sequence of changes experienced by this cohort cause you to think differently about how to best support/promote change within organizations?

Organizations that were able to progress further tended to have stronger infrastructure in place to support changes. They had more engaged boards, internal financial management expertise, and a support structure for EDs.

Organizations entered the cohort at different starting points, with a wide range of existing capacity and infrastructure for strategic financial management. Some organizations had internal expertise in financial management to draw upon, while others came in with very limited knowledge. Some had boards already engaged and finance committees established; some did not. Some had financial management practices that needed to be tweaked; others needed more of an overhaul. Looking across the experiences of organizations, we noticed similar characteristics among those with higher levels of achievement relative to the outcome framework. These characteristics were often missing or not as strong among organizations that made less progress.

The characteristics outlined in this section seem to play a key facilitating role in an organization's ability to implement financial management practice change.

Existing Board Engagement and Willingness to Learn

Organizations that made the most progress on outcome achievement had boards that were engaged in financial management prior to the cohort, which better enabled them to implement the learnings gained through the program. While most organizations saw increases in board engagement over the course of

the program, starting with a basic level of engagement and willingness to learn seemed to be a key factor. Organizations with a board that was already engaged in financial management to some degree were in a much better place to refine the role of the board with respect to financial management. Those who did not had to spend more time convincing their board of their role and, in some cases, had to form a finance committee.

Also, not all boards were well versed in their role with respect to financial management, but those that were willing to learn made more progress. FMA noted that two of the organizations that made the most progress had "strong" or "outstanding" participation from both their staff and board at all the workshops, which "helped facilitate buy-in at an organizational level." Some organizations had board members who were willing and excited to participate in the program while others had a much more difficult time cultivating participation and interest.

Internal Financial Management Expertise among Leadership and Board

Internal expertise appeared to be a key differentiator among organizations that made the most progress and had the most well-established practices at the end of the cohort. When asked what factors facilitated outcome achievement, eight of ten grantees mentioned board expertise or involvement. Organizations with existing financial expertise among staff or board members were able to leverage that expertise to better integrate best practices. One leader mentioned that they had a degree in finance and an MBA, in addition to 30 years of nonprofit management experience. This organization had begun implementing changes to their financial management practices prior to the cohort. Another brought on a new deputy director with a wealth of financial management experience and said the cohort helped them to better "leverage his capacity" in working to increase financial resiliency. Another organization had a well-informed board with a solid appetite for good financial reports and the ability to leverage those data to make decisions.

Support and Thought Partnership for the Leader from Board and Other Staff

While the ED position is often a lonely place, those who led their organizations to accomplish the most change did not do so in isolation. They had critical support and thought partnership from their boards and/or other staff members, as captured from one ED below.

> *"'I went to [the workshops] with my board chair and vice chair and we had this massive conversation on the way home which inspired a lot of the work we're doing now."*

Organizations that accomplished the most had an enabling structure that provided the leader with thought partnership and support in implementing changes throughout their organizations. One ED mentioned they felt very fortunate to have board members who "really cared and were really engaged in the process all the way through." Another praised their finance director who served as a thought partner

and helped champion their financial management work throughout the organization. Two others reported they benefitted from significant board participation throughout the workshops, which translated to more internal support for changing their organizational financial management practices.

Knowing the critical role that the board and leadership teams play for EDs, how could the program better support leaders with less-than-ideal boards and leadership structures?

Measuring progress and achievement using only the framework outcomes provides an incomplete picture of organizational change.

While the framework outcomes provide a sense of an organization's position relative to its likelihood of achieving financial resiliency, they do not capture the full picture of changes experienced by grantees as a result of the program. For example, the changes in organizational culture previously described in this section are not captured, even though some of them are closely associated with practice changes included in the framework.

Also, some grantees were rated as making only "slight" progress while still remaining in the "early stages" of knowledge and practice change. This might suggest they didn't accomplish much—however, these organizations arguably made some of the largest leaps. As noted in the previous finding, organizations entered the cohort at very different starting points. Organizations that were "furthest behind" came into the cohort without a finance committee in place, with a board that wasn't engaged in financial management or well informed about their role in decision making, or with a culture of secrecy around their organization's finances. They lacked many of the facilitating factors mentioned in this section, and FMA spent much of their time helping these organizations establish the knowledge and infrastructure to set the stage for them to make progress on the framework outcomes. The framework outcomes do not capture this progress, which suggests a need to better understand a more complete picture of how change happens and what the continuum of progress for organizations in the cohort looks like.

The framework itself may also benefit from some revision. While its purpose was not necessarily to include all aspects of change, the indicators for each outcome could be reviewed. In particular, there was some disagreement between FMA's slight to moderate rating of change for the decision-making outcome and grantees' perception of change in that area, which was greater. While this discrepancy did not happen often elsewhere in the framework, it raises some questions about the indicators for the framework outcomes and the extent to which they are sufficiently aligned with grantees' experience of change.

Catalysts of Change

FMA and grantee organizations described a number of experiences as particularly transformational, serving as catalysts for deeper and greater progress toward financial resiliency. These transformative catalysts of change are described in the following section.

Engaging in planning and goal-setting processes helped leaders shift to a long-term mindset about financial management.

Successful strategic financial management is a continuous, long-term practice of balancing the needs of the present with an organization's longer-term financial goals. This often requires a mindset shift away from financial management as a short-term, reactionary practice.

Prior to the cohort, no organizations engaged in multi-year financial planning, suggesting a shorter-term view of financial management. At the end of the cohort, however, all but three organizations expressed high or very high confidence in their ability to engage in multi-year planning, and six organizations began actually engaging in multi-year planning. This process of identifying high-priority areas for improvement toward financial resiliency and then subsequently laying out specific goals and courses of action for improvement was transformational in shifting toward long-term thinking and strategic planning for financial resiliency.

> *"Moving from what can we do with what we have to … what we want or need to do has been a real 'aha' moment. That candle was lit before we even entered the program. That was a main reason why we wanted to do the program."*

> *"Setting the plan with FMA. We changed ours frequently and it was a matter of thinking that we were going to do one thing and then going to gather the information to do it and realized that we didn't have it."*

> *"Going through the program [has] ultimately stopped [us from] thinking so operationally of how do we survive or make it through this current year, but like let's think a little bit farther down the road of where ultimately do we want this organization and our people to go and what kind of work do we want them to be doing? And then from that, what do we need to do, what kind of resources do we need to start lining up or keep in mind as we're moving towards that?"*

The use of a team-based approach for grantees was essential to the shifts in organizational cultures, engagement, transparency, and accountability.

One of the essential aspects of the decision-making framework outcome is the practice of using a team-based approach to financial management. This inclusive approach means more informed team members contribute to the process, improving the quality of decision making. As one grantee described, the use of a team approach helped staff become aware of their blind spots and the larger financial story of the organization:

> *"That's been the largest shift of this whole thing. It's just deeper involvement by both the board and staff. I think for the longest time finances were sort of this separate ugly thing to some people and would have left those of us working in the finance department a little isolated and telling our own stories without checking them. And then once a year, program managers would work on their budget without really understanding the whole shared cost line and would be resentful of it when looking at the profitability or not of their program. So the most important shift has been the engagement of the whole team."*

Given the importance of a team-based approach, many grantees used this cohort as an opportunity to bring more staff and board members into the fold regarding their financial management practices, as one grantee described it:

> *"In year one we set up team-based budgeting and they got to know a little bit more. And being that you only come up with your budget once a year, we're going through the iterative process, and next year we're planning to involve them to the same degree … it no longer feels like a one-person show. We are moving it to be more team based rather than a one person dealing with it on their own."*

This team approach was also an essential ingredient to the changes in engagement, transparency, and trust that organizations described as culture shifts. Leaders described improvements in engagement, for example, as how board and staff members engaged with others in a team budgeting process. Likewise, transparency in financial reporting and management was also connected to the team approach insofar as transparency meant team members were more aware of relevant financial information. And organizations often described the improved trust and accountability they'd gained from the cohort

experience—team members more readily trusted one another and shared responsibility. Overall, the use of a team-based model for financial management may have been both an outcome and a transformative element in how the cohort experience led to deeper cultural impacts for organizations.

Dashboards for communicating key financial data were a foundational component of building understanding, engagement, and transparency in organizations.

The creation and use of dashboards had an outsized impact on organizations' progress toward both the framework outcomes and shifts in culture. For instance, the use of dashboards helped to cultivate a shared understanding of financial management and the organization's financial health because they allowed staff and boards to more readily access up-to-date financial data and see straightforward, consistent information about the organization's finances. In doing so, dashboards helped to foster a shared language around financial management and improve engagement in financial management practices among staff and board members.

These more effective dashboards also contributed to cognitive shifts for staff and leaders. In particular, equipped with a greater understanding of an organization's financial story, staff and boards could more more easily shift toward a future-focused mindset and set goals that were aligned with the financial management priorities for their organizations. As one grantee commented:

> *"I think for the long-term planning process, I'm definitely able to start to look at things holistically, start to pull things together in our landscape in terms of what the possibilities are and where we can pull funding from. Before, there wasn't a real clear picture of what we should be aiming for because there was no real data on the table to use to make a lot of decisions. So, I think [the dashboard] has definitely helped in that area to just start moving forward and planning much further out than we would've been able to before."*

Most Appreciated Program Elements

Grantees mentioned several specific aspects of the program model that they felt heavily contributed to their outcome achievement.

1 Tailored and Flexible Coaching Support

Eight organizations expressed how they benefitted from the coaching support provided by FMA. Specifically, grantees appreciated that the role played by their coach was tailored to their specific needs. That meant that coaches played a variety of roles throughout the cohort and reflects the very different needs of organizations across the cohort. Following are descriptions of various roles played by FMA coaches and the effect on grantees.

Leadership Coach | Providing thought partnership

For some organizations, coaches focused on supporting the ED in their role as an organizational leader—to better fulfill their role with respect to financial management and board management—and served as general thought partners. This was particularly true for organizations without engaged boards or leadership teams and for EDs with less financial management experience coming into the cohort. One ED expressed appreciation for that support from FMA, saying of their first year of coaching, “just having someone from outside to say, no, that's not how it's done. You're not wrong, you're not crazy. You really need to figure out a way to push back on [your board] and get them to participate in meaningful ways, was really helpful.”

Accountability Partner | Keeping grantees on track

Another role FMA coaches played was to hold grantees accountable to their action plans and make sure financial management remained a top priority. As one leader said of their coaching, “it really kept us on task, on target, and gave us the flexibility and the ability to get those things done and share progress with the board.” This was a role often played when organizations had the capacity and knowledge to make changes but needed a little prodding to make sure they kept a focus on financial management when their

schedules got hectic. One ED described their coach's value as "helping us set our priorities. Once we got the priorities established … . Then it was really just checking in."

External Expert | Providing legitimacy to changes and promoting organizational buy-in

For some grantees, coaches provided training sessions for board members and/or broader organizational staff. In Year 1, three leaders expressed a desire for FMA to help with the translation of financial concepts to their staff and board as well as persuade them of the importance and value of the proposed changes. During Year 2, FMA provided several trainings, and grantees reported great value in those sessions. One board member told their ED "my favorite thing that happened all year was that training that [our coach] did." These training sessions helped to engage staff and board members who did not attend the workshops with the ED.

Implementation Partner | Providing additional capacity

While this wasn't coaching, grantees highly valued the implementation support FMA provided. And because grantees could use some funds to hire consultants, they hired FMA to do work beyond their coaching commitment. That external consulting was often used to help create tools that more deeply embedded financial management into existing organizational systems and practices. As one ED said of the additional implementation support, "having the support of the Foundation and these very professional consultants at FMA has definitely helped move us forward quickly because we had more resources than we would have otherwise had."

2 Program Structure and Responsiveness

Eight grantees cited the structure of the program as a facilitating factor for outcome achievement. Specifically, they appreciated the way the content built on itself over time and that it was responsive to their needs and interests.

Grantees felt that Year 2 effectively built on the learnings of Year 1 by focusing on the implementation of the strategies and tools they learned about during the first year.

> *"Year 1 was a lot more about building systems for transparency and engagement. And Year 2 has been digging into … reworking how we do what we do. … It certainly couldn't have gone the other direction."*
>
> *"Year 1 was the year where it was just so clear we had to make all these changes and Year 2 has been really making the changes."*

Grantees also appreciated that the program structure allowed for content to be responsive to their needs. Particularly in Year 2, grantees felt that FMA made an effort to understand what would be most

helpful to them and provide coaching and knowledge building around those subjects. Additionally, FMA incorporated feedback from Year 1 by providing trainings for staff and board.

> *"[In a peer learning session,] the EDs went around and talked about the challenges they were facing and we ended up seeing that there was a lot of commonality and a lot of resource within that group. And […] I think FMA was adapting to really make this program responsive to the needs that were expressed by the group."*

3 ED Peer-Learning Sessions

Seven grantees expressed appreciation for the ED peer-group sessions and the value they gained from the opportunity to share experiences, challenges, and strategies with other leaders. Grantees mentioned they appreciated the validation that came from realizing that others were struggling with similar challenges in their own organizations.

> *"I think the executive director peer groups really helped me realize, one, everyone struggles with this. Everyone's board is less informed than we would want them to be […] that's just been really transformative for me, honestly, kind of cathartic to get over a fear that I think was probably holding me back in the leadership role and actually had me considering whether or not being [an organizational leader] was really in my wheelhouse."*

Others appreciated the ability to convene with their colleagues and saw the ED sessions as "a practice area in talking about what [they were] going through and then having other people try to offer support." Leaders also mentioned that the peer groups facilitated a sort of accountability among themselves—they understood that they would likely need to share their progress with their colleagues on a regular basis.

However, three grantees did not feel that they had received significant benefit from the peer-learning sessions. These organizations tended to be focused on different areas of improvement than the rest of the cohort. For example, one ED felt that the peer-learning sessions dedicated a significant amount of time to discussing how to engage boards in financial management—but their board was already engaged. Some said they would have preferred to have used the time to focus on implementation.

While not all grantees found value in these sessions, comments suggest that having leaders from organizations at various stages of practice change is beneficial. Those who may not have found as much value in the sessions added value to others by talking about how they got to where they are.

How could peer-learning sessions be structured differently to provide value for all participants regardless of where they are in the process of improving financial resiliency?

Additional Supports

Advancing Sustainability beyond the Cohort Program

One of the hopes for this cohort was that organizations would be able to maintain the changes they have implemented as well as continue to improve their practices leading to better financial resiliency. We asked grantees what supports would be most valuable to them in maintaining and advancing progress as well as noted some of our own observations.

Grantee Ideas for Additional Support

1. **Continued support from FMA or other expert consultants** for organizations in the process of implementing new strategic financial management practices or processes

   "Another year of having the consultant support us through these changes would make a world of difference. I see the September deadline looming … Having FMA with us for one more year, baking in these changes would be transformational and certainly having the financial support of the Packard Foundation."

2. **Training and development opportunities for board and staff members** of organizations on specific topics related to strategic financial management

   "Bringing FMA back to do another training with the board considering how brilliantly the last one went over would be amazing."

   "I would have loved to have been able to bring one or two of them [FMA consultants] in to work with the whole board on a training or to work with the whole staff on training and we just didn't have the capacity to do that within the timeframe."

   "If we have special training for them, for at least some of our directors and coordinators, then that would also be really good."

3. **A thought partner to provide consultation, support, and validation, especially for smaller organizations** for whom financial management solutions need to be tailored to the unique context of a small organization

4. **A mechanism to help organizations hold themselves accountable** to strategic financial management goals and action plans

ORS Observations of Avenues for Continued Support

1. **Philanthropic support in the form of investing in organizations' operating reserves**

   It is very difficult for grantees to build up operating reserves when much of the funding they receive is restricted to programs. The Packard Foundation could directly invest in their sustainability by providing funds for operating reserves.

2. **Services or program offerings to strengthen the ability of organizations to engage in succession planning** to further ensure a continuity of executive-level leadership

   For half of the cohort organizations, leading and sustaining new financial management practices is heavily dependent upon the current leader. This suggests a need to institutionalize practices as much as possible. Succession planning may be one way to help organizations institutionalize practices and prepare for potential leadership change.

3. **Organizational and leadership development interventions** to build the capacity of staff and create enabling conditions in terms of leadership and culture

   Grantees commonly spoke to the importance of cultural shifts related to financial management as well as the role of leadership in navigating the change process within organizations. Investments in changing organizational culture and developing staff leadership skills may help organizations reap the benefits of the deeper, transformative effects of the cohort.

4. **Continued space for the ED peer-learning group** to maintain their interactions and cross-pollenate ideas after the closing of the two-year program

   Several leaders saw value in the ED peer-learning group and expressed a desire for it to continue. The extent to which the Packard Foundation or FMA could enable that through a physical space, communication platform, coordination, facilitation, and so forth, would be valuable to those wanting to continue to meet.

Implications

The topics discussed in this report—variability in outcome achievement, facilitating organizational factors and catalytic program elements, the limited scope of the outcome framework, and the wider scope of actual changes—raise important questions, including how change actually happens, organizations' "readiness to benefit," how to best meet the differing needs of organizations, and whether the outcome framework captures the most essential changes related to financial resilience.

Better understanding how change happens

As noted in the report, the framework outcomes provide a useful but perhaps limited view of progress and achievement among grantees. It could certainly be revised to ensure indicators are broad enough to reflect grantee experiences, but it doesn't need to include all aspects of change. It helps to remember that the purpose of the framework was to capture the practices and capacities essential for an organization to be able to increase its financial resiliency. However, it would be helpful to better understand the larger picture of change for grantees on the way to financial resiliency, including changes in culture and levers of change (such as those described in the Catalysts of Change section). This could help inform the approach the program takes and how FMA supports organizations at different points along the change continuum. The findings in this report begin to suggest a sequence of change that could be more fully explored. If the Packard Foundation plans to engage grantees in multiple financial resiliency cohorts, it may be worth building out a theory of change for this specific program and testing/refining it over time. We recommend that any theory of change process involve grantees who have participated in the cohort.

RECOMMENDATION

Explore creating a more comprehensive theory of change that identifies a broader range of outcomes that are relevant to financial resiliency.

Meeting the needs of organizations for a more effective nonprofit sector

While the framework did not capture all outcomes or areas of progress, it provides insight into an organization's position and potential to achieve financial resiliency. The fact that some organizations were still in the early stages across many outcome areas suggests they may require additional support or time to become more financially resilient.

Similarly, the report found that an organization's starting point with respect to financial practices, board engagement, internal expertise, and leadership support was, to an extent, predictive of its position at the end of the cohort. Those that started ahead finished ahead; those that started behind finished behind. But it doesn't have to be this way.

One of the stated goals of the Nonprofit Breakthrough Fund is to spur a high-functioning nonprofit sector in the target region. A high-functioning sector implies that all grantees demonstrate a certain level of effectiveness. To do this, it will be important to learn how to best meet organizations where they are and provide tailored support that allows each organization to achieve the desired level of capacity and effectiveness. Implicit in this approach is acknowledging that organizations will always have different starting points and different needs along the way and it will take a different level of resources, touch, and time for some organizations to reach a higher level of functioning—in this case, to be well on the path to financial resiliency—than for others. If a more effective sector is truly the goal, then the program, including resource distribution, should be reflective of the needs of the participants.

The varying roles the coaches played reflects the diverse needs of the organizations and is one way the program is designed to meet those needs. However, there could be a more explicit acknowledgement by the Packard Foundation and the program of, not only different needs, but also different *levels of need*. This means that, by design, some organizations would receive more resources and support.

The facilitating factors discussed in this report can provide insight into the ability of organizations to benefit from the cohort program as well as what they may need to be successful. The absence of these factors within an organization should not be understood as criteria to summarily exclude them, as this would mean the most vulnerable organizations get left behind. However, a lack of supportive infrastructure might suggest that an organization could benefit from a different intervention first to enable them to better avail of the financial resiliency cohort.

RECOMMENDATION

Use what we know about facilitating factors to better gauge potential readiness and the needs of organizations prior to cohort participation, then, acknowledging one size does not fit all, adjust resources and/or approach as necessary to provide the right level of support for those specific organizations' success.

Exploring an approach rooted in organizational culture change

As noted in the report, we are beginning to see evidence of changes and impacts beyond the framework outcomes. In particular, grantees described how the cohort experience led to transformations in their organizational cultures related to transparency, shared language and understanding, engagement, trust, and accountability. Given the prominence of this role for grantees, it is worth considering how to more intentionally attend to these aspects of organizational culture change through the cohort program.

This might entail dedicating greater attention to equipping organizations with tools, frameworks, and processes related to increasing transparency about financial data and the financial health of the organization; providing more emphasis on the importance of using an inclusive team-based approach to financial management, including models for how to effectively make financial management decisions in a team setting; advising organizations on how to create a highly engaged workforce and board around financial management; or equipping leaders with the models and resources for building trust and shared accountability across staff for the financial health of the organization.

There is also more to learn about what the continuum of change looks like for organizations and what organizations might need at different points. Along with exploring a more intentional focus on organizational culture, it would also be worth exploring how this approach could be beneficial to organizations at different points along the continuum or those facing different internal challenges. For example, an organization with a highly competent board that is nonetheless disengaged might benefit from resources that are focused more on the use of a team approach as opposed to interventions oriented toward building capacity. Likewise, an organization with highly engaged staff members struggling to implement a team-based financial management approach could benefit from guidance in terms of resources for managing teams and embedding the team approach into the larger organizational culture.

RECOMMENDATION

Explore what an approach would look like that supports culture change for organizations facing different internal challenges and at different points along the continuum of progress toward financial resiliency.

Closing Thoughts

The purpose of the Nonprofit Breakthrough Fund is, in part, to create breakthrough change for grantees to help catapult them to a new level of effectiveness. A sustainable, effective, local nonprofit sector able to weather economic downturns and other financial shocks is key to maintaining a healthy, vibrant community.

Whether the changes described here ultimately result in increased financial resiliency for these organizations remains to be seen. However, all of the grantees we spoke with told stories of success. It was clear that, regardless of how they rated themselves or how FMA rated their knowledge and practices, all felt they had made substantial progress and were in a much better position to understand their financial data and take appropriate action than they were at the beginning of the program. Even though some may not be in as strong of a position as would be ideal, we still feel comfortable saying that all experienced breakthrough change in their own right through participation in this program.

Even so, it may take additional time and resources to lift those furthest behind to the level they need to be to secure themselves on the path toward financial resiliency. And moving forward, it will take more attentiveness to the starting point of organizations to be able to provide them the right mix of support and expertise to bring them to a more sustainable future.

Appendix

Outcome Framework

General framework for looking at change

Capacity → Practice → Financial Health

Staff Capacity

+

Financial Systems and Processes

Are prerequisites for → Financial Management Practices → Which significantly impact → Financial Health Indicators

Looking at these helps us understand some of the changes in capacity within organizations as well as why certain financial management practices may or may not be happening

Looking at financial management practices helps us understand the changes that organizations are making.

It also helps us better understand the extent to which we could expect to see changes in organizational financial health indicators in the future.

While the evaluation will look at some organizational financial health indicators, the focus will be on the previous (green and pink) changes as we are more likely to see changes there within the grant term.

Changes in financial health indicators will likely take longer to see.

Capacity outcomes and indicators

Staff

1 Organizations increase the capacity of staff to contribute to strategic financial management

Leadership have

GENERAL

- Understanding of financial management as a strategic function
  (aka understanding the need for financial management to be analytical, to tie strategy to financial goals, to engage in multi-year planning; versus more managerial or transactional functions like paying bills or generating reports)
- Understanding of the key financial drivers of the organization
  (revenue and expenses)
- Understanding of recent trends in organization's financial health indicators and future projections

FINANCIAL MONITORING

- Knowledge to read and proactively respond to financial information
- Knowledge to be able to communicate financial story to stakeholders

FINANCIAL PLANNING

- Understand connection between program goals, strategy, and financial planning
- Skills to plan for the future using relevant data

Program and development staff have

- Knowledge to understand financial reports and their implications on programmatic and development activities
- Understand connection between program and development goals, strategy, and financial plan

Systems and Processes

2 Organizations increase their capacity to generate the right data at the right level to support decision making

Financial systems and processes in place that

- Generate accurate financial data
- Ensure appropriate interaction and reconciliation between different data systems
  (e.g. development and finance; part of ensuring accurate data can be generated)
- Generate financial data and relevant financial reports, including budget-to-actuals, balance sheet, and forecast for a given month by the end of the following month (e.g. September 30th for August)
- Capture and display data at programmatic, functional, and organizational levels
- Enable cash flow projections of at least six months to a year, if needed
  (needed if organization faces crunch in cash on hand to pay expenses or if has large portion of reimbursement-based revenue sources)
- Maximize use of software versus manual calculation
- Include internal controls to ensure resources are used appropriately

Practice outcomes and indicators

Annual Planning and Monitoring

1 Organizations more proactively monitor and respond to financial results

- Roles and responsibilities relative to financial management are documented and mutually understood
- Budgets reflect the true cost of programs
  (meaning they take into consideration specific program expenses, shared program expenses, and overhead)
- Leadership forecast financial performance for the year on a monthly or quarterly basis
  (monthly or quarterly based on performance. If performance going as planned, quarterly; if there are variations between budget and actual then monthly)
- Leadership course-correct where needed based on financial data
- Financial staff and leadership review financial data on a monthly basis, including:
  - Budget-to-actual revenue and expense by program, grant/contract, and organization
  - Statement of activities
  - Balance Sheet
  - Year-end forecast
  - Performance dashboard if deemed helpful
  - Cash flow projections if needed
- Program–level financial reports are generated and shared with leadership, development, and program staff on a monthly basis

Communication

2 Organizations more clearly and inclusively communicate financial data to stakeholders

- Practices are in place for communicating financial information to relevant stakeholders on a monthly basis
  (regular meetings to review financial data with board, program and development staff, leadership)
- Leadership and staff agree upon reporting formats
- Reporting formats are user friendly and redesigned as needed
  (e.g. performance dashboards or other user-friendly format)
- Financial reports meet the information needs of stakeholders
- A "team around the numbers" has been formed
- Policies/practices are in place that promote inter-departmental communication about what data each needs from others to be successful

Both capacity outcomes and practice outcome 1 could roll up to this original outcome: Organization understands their financial position on an ongoing basis to support ongoing operations.

Practice outcomes and indicators

Decision Making

3 Organizations more effectively utilize financial data to make informed program and operational decisions, and ultimately, to maximize program impact with limited resources

- Organization takes financial data into consideration when making organizational decisions to improve and/or increase program impact
  (regularly brings financial data into key organizational decision making meetings)
- Team decision-making model is in place for developing program and organizational budgets and setting program and financial goals that interact with each other
- Process in place for planning programs and activities with a shared understanding of the true costs of program delivery
- Ensure board receives accurate financial information on a quarterly basis to fulfill their fiduciary duty

Long-Term Planning

4 Organizations engage in effective long-range financial planning practices to ensure long-term financial health

- Leadership is in the practice of developing a multi-year (e.g. three-year) budget that supports the current strategic plan of the organization
- Leadership plans with the long-term financial health of the organization in mind, such as:
  - Identifying the level of liquid reserves or LUNA that is appropriate for their business model (e.g. based on revenue mix and cash needs)
  - Incorporating plans to build/maintain a financial reserve into the annual operating budget
  - Having a documented policy and shared understanding on the intended purpose of reserve funds
  - Projecting anticipated capital investments for growth, innovation, and/or replacing existing equipment

Practice outcomes 2, 3, and 4 could roll up to this original outcome: Makes inclusive, data-driven decisions that balance programmatic and financial considerations to ensure short-term success and long-term sustainability.

Financial health indicators

Operating results (surplus/deficit trends)

Revenue sources (mix or overly dependent on a few)

Liquid operating reserves (LUNA)

Months of cash on-hand (ability to fund operation)

ORSIMPACT

Missions Accomplished

ORSIMPACT

2018