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Trusting In Change

Youth Development Fund Learning Series #1

By Neil F. Carlson

Preface

Michael Bailin, President, The Edna McConnell Clark Foundation

I do not know of any other institutions in this country that enjoy more freedom of operation than foundations. While grateful for these freedoms and the benefits they provide, I also believe they carry enormous responsibilities. Among them is the need for foundations to be open about what they do and why; what results they are achieving; and what they are learning from their work.

I believe this for two primary reasons. While foundations are not public agencies themselves, they do work for the public good by investing their resources in projects, programs, and activities designed to improve people's lives. It seems to me that any organization that operates on behalf of society, or more so whose work can influence social policy or public funding decisions, has an obligation to inform others about its work and to invite comment from people outside the organization.

The second reason I believe that foundations must operate openly is because I do not believe any single foundation alone is capable of accomplishing the kind of social change needed in this country. In our case, we seek to strengthen youth-serving nonprofits so they can do a better job of assisting young people in low-income communities in making a successful transition to adulthood. To fully achieve that goal, we need to encourage others to do their part as well. That requires us to share as much as we can about what we are doing, what's working, what's not, along with any other kind of useful information or knowledge that grows out of our work. In essence, that's the purpose of our ongoing "Learning Series," a collection of publications that attempt to capture, distill, and share what we are learning from our efforts to be a more effective foundation focused on achieving measurable and meaningful outcomes.

All the papers in this series are designed to be clear, readable and, to the best of our ability, objective. Toward that end, we have invited experienced journalists or veteran observers of philanthropy to study us, and to comment on and share what we are learning. We have provided them access to the entire staff of the foundation as well as to our outside consultants. Each has been given free access to our mountains of files, memos, and other documents, along with our blessings to analyze and extract from this material as he or she sees fit.

"Trusting in Change" describes the background to a series of changes that led the foundation, beginning in 2000, to implement a new grantmaking approach. The story continues to the present. Because we're only in the early stages of this work[1] and still learning many lessons, this paper doesn't offer definitive conclusions. Instead it reports on what we've accomplished, what we've learned so far, and ends with questions that we are striving to answer. In time, as we continue to learn, we intend to answer these questions and add new ones to our list.

By no means is this the only way for us to share what we are learning. Part of our obligation to operate openly includes inviting others unaffiliated with the Edna McConnell Clark Foundation to ask questions, observe, and occasionally publish their findings. To stay current on reports and other publications about our work, please visit our web site at www.emcf.org and browse our publications section.

As always, we strongly invite comments on this report and on any others you read, as well as your impressions of our work.

Endnotes

[1] For additional information about the early history of the Foundation's transformation, see "EMCF: A New Approach at an Old Foundation," published in 2002 by Harvard Business School. To order a copy, visit www.harvardbusinessonline.com, case number 9-302-090.

INTRODUCTION

Since 1969, the Edna McConnell Clark Foundation has practiced a no-nonsense, no-frills style of philanthropy. Its mission is to improve the lives of people in low-income communities—or as Edna McConnell Clark, daughter of Avon Products founder David Hall McConnell, originally put it, "to help the poor get a break." Grants were initially broadly targeted to four areas: poverty, children, the elderly, and the developing world. For most of the first 30 years of the foundation's history, its predominant grantmaking strategy focused on "systems change." The hope was that by reforming large public systems—public schools, child protection agencies, criminal justice systems—the subsequent structural changes would lead to better life prospects for the disadvantaged. The grantmaking areas evolved over the years, and by the early 1990s they had coalesced into five programs: Tropical Disease Research, Student Achievement, Children, New York Neighborhoods, and Justice. Each program area was designed and managed by a different program director, who deployed approximately $40 million to $45 million in support of programs that often lasted ten years or more.

Beginning in 1996, the foundation began rethinking its approach. In February of that year, the board hired a new president, Michael Bailin, a founder and longtime president of Public/Private Ventures, a youth-focused policy research and program development group. Bailin's predecessor, Peter Bell, had a distinguished nine-year tenure, so Bailin spent his first year getting to know the foundation's people, programs, and strategies. Over the course of that year, however, Bailin began to question the effectiveness of the foundation's grantmaking strategy. To him, systems change work more often failed to produce lasting or meaningful changes, and any changes it did create were difficult to verify or measure. Bailin was concerned for two very basic reasons. Realistically, changing a large public system required more resources than the foundation itself had at its disposal. In addition, getting a system to change required exerting influence on points of leverage—people, administrators, bureaucrats, even a political culture—and all that was beyond the foundation's immediate control.

As an alternative, Bailin urged the foundation to consider strategies that strengthened individual organizations and helped build the fields in which they practiced. Instead of trying to change entire systems, he argued, the foundation should focus on building the capacity and organizational effectiveness of grantee organizations—to concentrate on "the nuts-and-bolts labor of organizational development and field building," as he called it. Beginning with a pilot effort in 2000, the foundation began moving toward what evolved into an entirely new strategy—initially called Institution and Field Building (IFB). By combining the best tools and processes from both the for-profit and nonprofit sectors, the new approach sought to build strong organizations. By purposefully limiting its grantmaking to a single area—youth development—the foundation hoped to improve its chances of making a difference in a nascent field.

The Edna McConnell Clark Foundation is a very different place today than it was just three years ago. Instead of making scores of grants each year, the foundation now maintains a small but growing portfolio of outstanding youth-serving organizations. Grantee organizations receive the kind of support hard to come by from most funding sources. This ranges from support for business planning to large, multi-year grants to strengthen operations and undertake evaluation—what Nancy Roob, the foundation's vice president and director of Institution and Field Building, calls the "institutional glue." Internally, the IFB approach has developed into a five-step investment process for identifying and supporting such organizations:

Sourcing and Reconnaissance. The foundation begins by scanning communities for successful youth-serving organizations that meet a predetermined set of criteria. The foundation consults youth development experts, foundation colleagues, and local groups to help it identify organizations with effective programs, outstanding leadership, and an interest in expanding.

Due Diligence. The foundation examines possible grantees, studying their programs, leadership and management, financial strength, operations, and internal performance measurement systems. Determining compatibility and fit between the foundation and potential grantees also is crucial. If due diligence produces a positive result, the foundation makes an initial grant to the organization, the purpose of which is to defray the costs associated with business planning.

Business Planning. The plan, which is developed over several months by the grantee, outside planning specialists and foundation staff, specifies organizational growth objectives and the steps the organization will take to achieve its goals, and establishes how it will track and measure results over the next several years.

Investment Structuring. The final business plan serves as the basis for structuring a substantial multi-year grant to support the organization's development and growth. The foundation and grantee use the milestones developed during business planning to designate performance goals and measures the organization intends to meet annually and to which it will be held accountable.

Performance Tracking. Once a grantee begins to implement its business plan, the foundation monitors progress, provides consultation, and helps address either unexpected developments or new opportunities that might arise. In addition to helping each grantee to develop the capacity to evaluate its programs, the foundation assists grantees in developing the means to assess their work and to make ongoing improvements in their operations.

Getting to this stage has required the foundation to remake itself from the bottom up. The transformation began when the foundation embraced a new theory of change that laid out the following proposition:

> By making substantial grants to strengthen the overall operating capacity of outstanding organizations with effective programs, strong leadership, and a commitment to growth, the foundation would ultimately help create better outcomes for young people in low-income communities. Subsequently, the theory reasoned, as these organizations expanded their reach and demonstrated their success, new funders would join this work, and effective models could be replicated elsewhere.

This paper traces the chronology of change by examining the mechanics of key processes that underlie the foundation's new way of working: Sourcing and Due Diligence; Business Planning and Grant Structuring; and Managing Change. Perhaps by showing what lessons the foundation learned—and equally important how it learned them—this paper can help others learn as well.

Sourcing and Due Diligence

Driving Internal Change

Although changes had been under discussion for several years, the transformation began in earnest in May 1999, when the foundation's trustees approved a six-page blueprint Bailin had submitted for their consideration. Bailin's plan outlined the strategic rationale for a new approach and sketched out an implementation plan. The foundation would make a gradual exit from its existing programs over three years while developing a "pragmatic learning agenda" that would give shape to the new approach. In January 2000, Bailin created a new position, Director of Institution and Field Building, and assigned Nancy Roob (who was then head of the New York Neighborhoods Program) to lead the development of this new work. The Growth Fund, as the IFB pilot project came to be known, initially encompassed two program areas—Youth Development and Community Development.

From the outset, Roob knew the foundation had to develop an alternative to the way grants are typically made. That process usually involves a foundation designing its own initiatives and requesting proposals from nonprofit organizations. Roob says the Edna McConnell Clark Foundation wanted to avoid creating the expectation that the foundation had money to support organizations in a new way and that, to get some of it, all they had to do was "make the case" that they were poised for growth. "We decided instead to put the onus on ourselves to find organizations that were highly motivated about their own growth, that were already delivering effective services, that had programs in place that showed potential, and that wanted to grow," Roob said. In crafting this new approach, the foundation believed it had to address five strategic questions:

1. How should the foundation identify potential organizations?
2. What kind of due diligence is necessary for making good investment decisions?
3. How should the foundation structure grants to maximize grantees' success?
4. Beyond dollars, what types of non-financial support should the foundation offer grantees?
5. What kind of relationship should the foundation have with grantee organizations?

Following the May 1999 board meeting, Roob and Bailin hired the Bridgespan Group (then known as the Bridge Group), a nonprofit consulting firm loosely affiliated with Bain and Company, a leading strategy consulting firm, to assist in developing a learning agenda and strategies for IFB. The foundation and Bridgespan began by establishing a set of clear objectives and then designed a new operating model to achieve them. The primary goal was to maximize the human benefits of each foundation dollar invested in grantee organizations. Underlying this goal were two principles: first, that the essential measure of a nonprofit organization's results is incremental improvement in the lives of people served; and second, that the foundation's core grantmaking would be effective in helping to support high-potential nonprofit institutions to improve their ability to engender human benefits.

Bridgespan helped the foundation integrate private-sector analytical tools and investment frameworks into the foundation's IFB strategy. "Bridgespan brought enormous capacity to the table in terms of our thinking. For someone from my perspective who did not come from the private sector, it would have been much harder for me to learn these things as quickly on my own," Roob says.

An implementation team consisting of key senior staff from the foundation and representatives from the Bridgespan Group began by determining the types of organizations to consider supporting as part of what the foundation called its "Growth Fund" pilot.

The team decided that it would focus on organizations with the following characteristics and for the following reasons:

- **Direct Service Organizations (DSOs).** Of all kinds of nonprofit organizations, DSOs have the most direct means of influencing program participants and thus the clearest measurable results.
- **Youth and Community Development.** Existing foundation staff already had expertise in these areas and would facilitate due diligence.
- **New York and Boston.** Staff had local knowledge and networks that would facilitate due diligence. Proximity would keep travel costs down and make it easier to maintain close working relationships with the foundation's grantees.
- **"Early" to "Middle" Life Stage.** By targeting organizations with budgets of $1 million to $10 million, the foundation's multi-year grants of $250,000 to $500,000 per year could make a significant difference in helping an organization achieve results.

Next, and arguably the most important framework, was the due diligence categories themselves. These categories evolved over the course of the foundation's Growth Fund pilot and the lessons from that work. Ultimately, foundation staff agreed on the following six criteria that it would use to determine whether to support a grantee to develop a business plan:

- **Compelling Product/Service.** The organization has to make a plausible claim that it delivers effective services to targeted groups.
- **Leadership and Management.** The organization's leaders have a vision for the organization and the capacity to implement it.
- **Financial Health.** The organization has demonstrated that it manages, or has a plan to manage, its financial affairs in a way that adequately supports program operations.
- **Operational Viability.** The organization's operations appear adequate to support current programs and services.
- **Outcomes Measurement and Evaluation.** The organization cares about measuring and achieving results.
- **Compatibility.** The leadership of the organization desires to grow and is willing to participate in an open and honest relationship with EMCF.

Within each category, the due diligence team developed and eventually refined a set of indicators that could be used to describe and analyze an organization's capacity in each area. In the *Compelling Product/Service* category, for example, the foundation wanted to know: "Did the organization articulate plausible reasons for its service model and demonstrate a commitment to aligning services with desired results?" "Did the organization's goals and objectives fit a local youth development need?" "Did key stakeholders—youth, parents, school personnel—embrace the organization's goals and objectives?" And, most important of all, "Did the programs work?"

In the *Operational Viability* category, indicators examined everything from staff turnover, delegation of management authority, and organizational learning, to documentation, legal exposure, and insurance. (See APPENDIX A, "Due Diligence: Categories with Indicators.")

Once the foundation had determined that its investment decisions would be made only after careful due diligence, it needed a new approach for finding potential grantees. Since the foundation would no longer request proposals, it needed to create a formal process for identifying potential candidates for due diligence. This process came to be known as "sourcing and reconnaissance." As a first step, the foundation asked 42 experts—funders, independent consultants, and intermediaries—to identify direct service organizations they thought satisfied the foundation's due diligence criteria. After that, the foundation did its own research—analyzing IRS Form 990s, scouring organizations' web sites, reading published reports, examining articles of incorporation/by-laws, and searching for news clippings. "We discovered that there's a lot you can learn about an organization without ever getting a proposal from it," Roob recalls. "It seems so simple now, but at the time, for those of us who had done grantmaking in the traditional way, this was quite a revelation."

EMCF Due Diligence Process

1. **Contact with the Executive Director.**
   Contact the executive director of a candidate organization, gauge his or her interest, lay out next steps, and initiate the request for documents.

2. **"Red Flag" Document Review.**
   After the Evaluation Department determines that an organization has a "compelling product," the Portfolio Manager leading the Due Diligence Team will request a set of documents for review that will be used to help determine the due diligence plan. Potential grantee organizations are asked only to send existing materials on hand, such as IRS Form 990s, personnel manuals, policy and procedure manuals, annual budgets, strategic plans, evaluations (if these exist), performance tracking data, and so on.

3. **Site Visits.**
   Based on issues raised in "red flag" analysis, these visits are used to assess organizational capacity, leadership, finance, operations, program strength, and commitment to performance tracking and outcomes. Interviews are conducted with leadership, mid-level management, frontline staff, service recipients and their families, funders, and other key stakeholders in the neighborhood.

Based on its preliminary research, the foundation trimmed the field down to nine high-potential candidates. These candidates—five from New York, four from Boston—were invited to participate in the due diligence process. (See APPENDIX B, "Due Diligence Process," for a detailed explanation.) "These phone calls were the best I've ever made in my nine years," Roob says. "You call the executive director of one of these top-pick organizations and explain that the organization they lead has been identified out of this process, and then explain the potential for the foundation to make a multi-year, multi-million dollar investment in the organization for infrastructure and growth." Roob adds that asking an organization if it "were willing to work with the foundation to complete a due diligence" did not guarantee that it would receive future funding. However, because the process took just 30 days, an organization would know relatively quickly about its chances for support. (In the more traditional grantmaking approach, it can take seven or eight months for a funder to make a decision.) For the foundation, however, due diligence represented a major commitment of time—up to 180 full-time person hours per candidate.

Although several of the organizations that were taken through due diligence were longtime grantees, the process revealed organizational and financial problems that had been obscured by the previous foundation-grantee arms-length relationship. One grantee, which the foundation had been funding for seven years under the aegis of a previous program, had undergone a series of major financial crises due to severe management and back office problems. As a result, it had missed payroll several times and was teetering on bankruptcy. "That experience was a turning point for me," Roob recalls. "We found that an organization we supposedly knew well had serious financial problems, yet we never knew about them because we had never dug that deeply to fully understand its financial operations. Ironically, we knew that the organization's ability to succeed within our previous initiative was dependent on its institutional viability—yet we didn't have any idea how financially fragile it was at the time we made our grant."

Learning about the "true" condition of a grantee after the fact reflected a weakness in the foundation's previous and much more cursory approach to "assessing" organizations before awarding grants. On the other hand, relying on due diligence, the foundation would now know considerably more about an organization's strengths as well as some of the risks that needed to be addressed during business planning. That in itself underscored one of the key requirements for the foundation's new grantmaking approach to succeed—relationships with grantees had to be based on a kind of candor that rarely, if ever, existed in the past.

When Roob and Bailin presented the pilot due diligence findings at a board retreat in March 2000, the board was stunned but ultimately energized by what was learned. "The pilot was supposed to be a chance for the staff to take the necessary time to see if we could identify, select, and support organizations—and whether, with our support, they could deliver results," Bailin says. "All we had done up to this point was some good due diligence; we hadn't yet selected any grantees. But it was on the basis of what we were uncovering that the trustees authorized to take a next, but very big, step." The next board meeting would be held in May 2000, just two months later. Trustees asked Bailin and Roob to present a plan at that meeting for aligning all the foundation's resources behind the IFB work.

Business Planning and Grant Structuring

Transforming External Relationships

When the foundation conceived the Growth Fund, Roob and Bailin expected to find a handful of organizations that had business plans in hand and were poised for growth. Due diligence, however, revealed a different picture. Although some of the top-pick organizations had strategic plans, the plans often lacked hard numbers and were not designed so a funder could invest against them. The foundation realized that, more times than not, business planning itself needed to be a condition of the initial grant. After the May 2000 board meeting, the foundation made initial business planning grants of $250,000 each in three organizations: Citizen Schools, which runs after-school mentoring and enrichment programs for young people ages 9-14 in Boston; Harlem Children's Zone (formerly Rheedlen Center for Children and Families, Inc.), a pioneering youth development and community-building organization in New York City; and Roca, Inc., a youth-serving organization targeting immigrant youth and former gang members in poor Boston neighborhoods. The foundation also hired Bridgespan to lead the business planning process with most of these initial grantees.

Like due diligence, business planning was a remarkably transformative process for both the foundation and grantees. As a third party, Bridgespan was able to position itself as an honest broker, establishing a triangular relationship that gave the foundation input into business plans while allowing the grantees to drive and ultimately to own the planning process. Similar to the foundation's experience while designing and implementing its new grantmaking strategy, grantees discovered that the processes and analytical tools Bridgespan brought from the for-profit sector were enormously effective in helping them align internal resources and to plan for growth. "Our approach to the economics of service delivery was definitely a big piece of the puzzle," says Jeff Bradach, co-founder and managing partner of the Bridgespan Group. "How do you think about economics? What is the true cost of delivering service? Because of the way the nonprofit capital market is structured, nonprofits don't have general accounting guidelines or overhead allocations."

Overall, the process of *building* the business plan helped the grantees become institutionally aligned in a way that they never had been before. As each organization, with guidance from the foundation's evaluation staff, clarified its *theory of change*—a clear explication of why doing X and investing Y will yield measurable result Z—it was driven to align its internal resources, funding, and systems to support that theory of change. One outcome of this process is that it forced grantees to look at every aspect of their organizations and occasionally make tough choices about a program or activity that was not part of or did not advance its core mission. In such instances, organizations chose to close or hand off that program to another entity. Harlem Children's Zone (HCZ), for example, transferred its senior citizen centers to another organization so it could streamline its own resources toward children and youth. HCZ, like other organizations, used its business plan

Geoffrey Canada
Executive Director, Harlem Children's Zone

When the Edna McConnell Clark Foundation first approached us in 1999 asking if Harlem Children's Zone (formerly Rheedlen Centers for Children and Families) had ever contemplated a strategy for growth, we said we had an ambitious strategy in place but were beginning to think about ways to be even more ambitious in the future. When they asked us if we would consider a planning process by which we could work with experienced consultants to guide our strategic thinking, we were for the idea 100 percent but there were some concerns that had to be addressed first. For example, the Clark Foundation's institution and field building approach to grantmaking was brand new at the time and represented a dramatic shift in the way the foundation did business. I was feeling a little like a guinea pig, so I was determined to make sure our organization would be protected. And although we were eager to work with the Bridgespan Group, the consultants the foundation had matched us up with, we didn't know them well at that point.

The self-scrutiny involved in the early stages of the project was, at first, uncomfortable but, in the long run, extremely valuable. It was odd to find that veritable strangers were learning more about the organization than what we already knew. So it didn't take long before I became impressed with the folks at Bridgespan and the depth of their talent. They clearly possessed the skills we didn't to look at an organization retrospectively and present the clearest picture for moving forward.

I'd say the biggest surprise was to discover just how much money was going into programs that didn't meet our core mission. That was a big epiphany. For example, we were forced to look at the ways a local senior center that was very dear to a lot of people here just didn't correlate to helping poor kids. We made the decision to find another, appropriate nonprofit organization to run it. It was tough, but doing so has made resources available to other, mission-related programs. Only by being able to look at ourselves from a historical perspective could we have come to these realizations.

Staff Adjustment and Board Restructuring

Another big challenge to come out of this process was disequilibrium, albeit temporary, to our staff. Over the years, we had grown to a point where 15 or 16 directors were reporting directly to our vice president or me. Inefficient, yes, but a system we had all grown accustomed to.

To get us on track for meeting our goals for growth, it was apparent that we had to expand our talent pool by bringing aboard senior managers that we previously did not have the resources for. Of course this means that a lot of people who formerly had direct access to my office—and my ear—now had an added level of management to penetrate before speaking to me. One person told me he felt as though he'd been demoted. People, in general, needed to see that they could trust what was happening within the organization. It has taken a concerted effort, including a series of staff retreats, to help bring people along so that we all understand the reasons for restructuring and the long-term gain we hope to achieve as an organization.

One group that did realize its limitations was our board of directors. The business plan that emerged calls for an additional $30 million over a three-year period. Our board, historically committed and enthusiastic, just was not able to raise that kind of money. As a result, a completely new group of directors is in place, equally dedicated but possessing the fundraising ability needed to move us in the direction we need to go.

Achieving Goals and New Perspective

An exciting aspect of our business plan is working with evaluators who are helping us gauge the effectiveness of our programs. Together we put systems in place that let us see we're on the right track. First of all, we'll know if we're penetrating our market effectively by simply measuring the number of parents and children in our programs and the number of hours they participate. But beyond that, it's important for us to understand whether parents are applying what they learn in our workshops to family life. One way we get to this is through pre- and post-participation attitude surveys. In terms of our young people, we keep track of reading and math scores; we know how many high school juniors prepare for and take the SATs, as well as how they do; and we know how many graduate. Through all of this, we're confident we can demonstrate that we are able to serve more people while maintaining high standards and that it is possible to make a difference in poor communities in large numbers.

Personally, I appreciate the opportunity the restructuring has provided me to concentrate on the big picture and allow others to focus on day-to-day, operational issues. My greatest hope is that, through the changes we've made, HCZ for the first time can truly win, rather than merely survive, as we help level the playing field for children who are stuck in inner cities.

to shape fundraising decisions, make key hires, and determine technology investments. Once committed to a business plan, some organizations would find that they had to decline grants from other funders because the grant did not fit within their core business.

Armed with a new set of analytical tools and ample resources that could support a range of activities, most organizations opted to focus first on deepening their program offerings and evaluation methods rather than reaching immediately for scale. As one grantee confided, "We concluded that operating programs in other cities ourselves was not the most efficient or effective use of our resources."

Business planning also helped the foundation clarify its own role and strategy. "When an organization puts together a business plan, part of that is establishing outcomes it expects to achieve, and the milestones—both organizational and programmatic—that will help it get there," Roob says. Whereas most foundations limit their grants to the programmatic side, EMCF worked with the grantee to establish an integrated set of organizational, programmatic, financial, and strategic benchmarks in which to invest against. Roob adds, "At the core of it, the nature of what we are investing in is fundamentally different. We're trying to get behind the organization and its agenda instead of funding the organization to carry out *our* agenda. To me, that is at the core of what is different about our relationship with grantees. It's not just the mantra that 'the grantee *comes* first,' but that it comes first because of *its* agenda, not our agenda." At the same time, planning provided a set of mutual terms for pushing back on grantee plans without being heavy-handed. "It wasn't enough to do the theory of change work," Roob says, recalling the foundation's challenge to HCZ's about its senior centers. "It wasn't until the organization saw the hard data on the cost side that it was able to make the decision to hand over responsibility for the centers to another organization."

Eric Schwarz
Co-Founder and President, Citizen Schools

We've always thought big and wanted to contribute to growing the out-of-school-time field by building a bigger and better after-school sector. By 1999, we had reached our initial level of scale and were eager to think about next steps. We knew we wanted to create a three- to five-year growth plan that would allow us to spend a greater percentage of time and effort on program development rather than on fundraising. At the same time, we knew the plan should include an implementation schedule that, by years four and five, would find us demonstrating our work and its impact on the community as well as influencing policy.

The strategic planning process helped us work out issues related to the fundraising and program parts of our plan. Since we are a relatively small organization, we knew we'd have to work hard to convince the field that our work can help build a bigger and better after-school sector nationally. Where the Edna McConnell Clark Foundation has been invaluable is in helping us consider ways we can measure our impact so that our results resonate with those we need to share them with.

Success Story in the Making

To draw attention to an issue and demonstrate how a public investment might pay off, success stories are crucial. Unfortunately, that is something this field is sorely lacking. So, rather than replicating our program in other cities, we decided to deepen our impact here in Boston to gather reliable statistics that show success—meaning the link between quality out-of-school programs and student achievement—on a large scale.

Typically, young people participate in our programs between the ages of 9 and 14. We track them through the ninth grade to determine if they've successfully completed eighth grade and have enrolled in a high school that has a good track record for sending students to college. Through pre- and post-program testing and surveys of parents and teachers, we will be able to see how well they have built core life and team skills, whether their writing and analytical abilities have improved, and if they relate well to adults. Their school grades, attendance, and standardized test results will also be taken into consideration. This is difficult and labor-intensive work, but it is necessary for telling the story to public and private funders.

Part of that story is showing the ways young people are capable of producing products for their communities. In addition to trying to show that kids in our program will be successful in school, kids are creating web sites for community organizations, organizing fundraisers, writing and producing plays, and teaching PowerPoint® to senior citizens, to mention just a few. All over town, students are taking ownership of their learning because they see the benefit.

Staying On Track

Evaluation aside, one of the most valuable lessons our organization has learned through participating in the foundation's institution and field building effort is the necessity of setting short-term and mid-term goals. We've always been strong in terms of big vision and day-to-day implementation but not so strong in setting annual and quarterly goals. Now, we have a system of setting explicit three-month goals, a yearly balanced scorecard (a system for measuring and monitoring performance), and a way of linking them to the larger three- to five-year plan. We've found that it keeps us focused and moving more positively toward achieving our larger goals.

This is important in light of our rapid growth. In our first year of operation, we served a total of 20 students with two programs, and have grown to reach 900 students annually across 11 campuses in our school-year and summer programs. Similarly, since we've developed our business plan, our full-time staff has doubled to 75 people. If we don't stay focused on what matters most—daily, quarterly, and annually—it will be impossible to serve our community properly.

Relationship Is Everything

The Edna McConnell Clark Foundation has been sincere in its desire to be a partner, which is unusual as far as funders are concerned. We've worked diligently from the beginning to take advantage of the various assets our different organizations bring to the table.

It will be interesting, as time goes on, to see if the foundation—as its number of grantee partners grows—will be able to maintain the same degree of involvement and the high levels at which they are currently working with partner organizations. What we have now feels like a true partnership—with a sense of mutual respect and the sense that we're in this together to make a difference for young people in a leveraged way.

By the end of 2000, the foundation had made three multi-year grants to three youth development organizations—Harlem Children's Zone ($5.75 million over three years), Citizen Schools ($2.75 million over four years), and Roca, Inc. ($1.75 million over six years). Around the same time, it also made a $1.6 million grant to Bridgespan to support business planning for six more organizations in the IFB pipeline. The following year, this pipeline yielded two more grants to promising local youth development organizations: Big Sister Association of Greater Boston ($2 million over four years, beginning in 2002), and BELL ($1.25 million over two years, beginning in 2002).

Despite the early success of IFB, the foundation already has had to make significant adjustments to its approach. Based on results of a national scan of the youth development field completed in mid-2002, the foundation modified its eligibility requirements to help it identify more potential grantees. By late summer 2002, EMCF expanded its geographic scope to include Connecticut, Washington, D.C., and Atlanta. The foundation also learned through its reconnaissance that a budget size of less than $1 million shouldn't automatically rule out an organization as a potential candidate. It determined that organizations with budgets ranging from $250,000 to $1 million might also merit a closer look when they show evidence of compelling products or program effectiveness.

As grantmaking activities have begun to move forward quickly, the foundation now finds itself facing three critical challenges:

- How should it adapt its internal processes, staffing, culture, and systems to fully support the new work?
- What precisely should characterize the nature of the foundation's relationship with grantees after business planning—for instance, what's too close and what's not close enough?
- What is the relationship between institution building and field building—and how should the foundation support both over the long-term?

The foundation's long-term success may well depend on the solutions it devises to these questions and many others. Here are where things stand today:

How the Foundation Has Adapted its Internal Processes, Staffing, Culture, and Systems to Support the New IFB Work

When the foundation embarked on the Growth Fund, Michael Bailin had no intention of doing away entirely away with its existing systems reform grantmaking approach. To the contrary, Bailin tried initially to integrate the IFB approach into the foundation's existing program areas. When other program directors showed little interest, suggesting that the new approach would not add much or work well in their initiatives, he gave the go-ahead to embark on the Growth Fund. Even then, no one expected that the board would look at the initial results of the pilot work and direct Bailin to move aggressively to full-scale implementation. The quick "ramp-up" compelled the foundation to develop and accommodate a new grantmaking strategy and make operational decisions as it went along. "This was an entirely new grantmaking approach," Bailin recalls. "We didn't have any precedent to follow or good guidance from sister foundations. New skills were going to be required in order to do the work—which meant entirely new staffing, new tools, new structure, new culture, new everything."

After trying out several different staffing structures, the foundation settled on developing project-oriented teams. Each grantee is now assigned a portfolio manager, who acts as the main point of contact through due diligence and business planning. Teams have representatives from the foundation's finance and administration and its evaluation departments. Throughout due diligence, the finance representatives lead financial assessments, and evaluation representatives assess programs and services. The portfolio manager, however, is ultimately responsible for overseeing the process and managing internal and external relationships.

Now that the foundation invests in *whole* organizations, rather than funding programs or parts of programs within them, the ideal portfolio manager is seen as someone who has significant expertise in organizational development, finance, and business administration. Portfolio managers maintain close working relationships with the executive directors of grantee organizations, often serving as external consultants. Given these demands, portfolio manager positions have been difficult to fill, although the foundation has been fortunate so far, making several strong hires for portfolio managers.

The Foundation's Role After Business Planning

The foundation's work, as well as its contribution to grantees during the selection, due diligence, and business planning stages, so far has been both clear and straightforward, and out of that must grow a relationship based on trust, candor, and mutual respect. While Bailin promises that the "candid" back and forth between grantees and the foundation "cannot be compromised," he notes that EMCF is still exploring what its appropriate role should be in relationship to its grantees and what kind of support to provide once implementation of business plans gets under way. Whereas the foundation once believed it had "to do everything to help a grantee succeed," it has since found it necessary to reexamine that stance. The position now developing is that the foundation will provide only "limited and modest" non-financial support once a grantee has passed through due diligence and business planning. "This approach," says Bailin, "rests on two assumptions. One is that if we select well and provide good support through business planning, and make a substantial multi-year grant, the leaders of these organizations will be able to manage effectively to attain the key milestones specified in their business plans and thereby realize their goals and objectives." The other reason for this approach, says Bailin, is that it allows foundation staff to "develop and focus on what it knows and can do best in order to support our grantees and help ensure the success of our overall grantmaking strategy."

Some of the ways foundation staff will work with grantees as they implement their business plans include:

- Consulting on fundamental issues, such as which groups they are targeting for services; programming they will and won't provide; organizational development needs; strategic alliances; and so forth;
- Tracking progress and, when appropriate, consulting with grantees as they work to achieve their business plan milestones;
- Developing and implementing appropriate evaluation and information-gathering activities and processes to generate knowledge that is useful to the grantees themselves and to other key audiences, such as practitioners working with young people, funders, and social policy makers;
- Consulting with grantees on board development, including membership profiles, skill sets, and governance approaches;
- Helping grantees gain access to more funders, while also helping them to improve their ability to fundraise more effectively;
- Working to increase the pool of funders available to the foundation's grantees;
- Developing and implementing a comprehensive and effective communications strategy that supports efforts of the foundation's grantees to extend their reach; and
- Promoting improved relationships among institutions dedicated to youth development with the hope of enhancing their effectiveness.

In addition, both to support its grantees as a group and to increase the likelihood that its grantmaking approach succeeds, the foundation will make grants to help strengthen intermediary organizations that are positioned to help individual youth organizations with their growth plans and objectives.

The Emerging Relationship Between Institution Building and Field Building

So far, the foundation has been remarkably successful in selecting several high-potential youth-serving organizations and helping them develop and launch strong, viable business plans. Despite the short-term success in helping them get off the ground, the long-term sustainability of these and other organizations the foundation funds will depend on several factors. Two are outside the reach of the foundation and its grantees: the nation's economic health and government social policy. The other element, which the foundation and its grantees hope to influence through their combined efforts, is the future health of the youth development field. Ideally, and because of what's at stake, the youth development field should be organized around and committed to effective practices, and supported by sufficient resources. In reality, Bailin says, the field falls far short of that ideal. "Unlike the teaching profession, youth development has no training academies, no certifying institutions, no trade associations, no journal, no accepted standards of program operation, few rigorous evaluations, no career paths for employees, no accepted measures of success."

How, then, can the foundation, with limited resources, help address some of those deficits and fill in the gaps? That is still an unanswered question. But, for now, the foundation is exploring a range of activities that it hopes might support the strengthening of the youth development field, or at least encourage movement in that direction.

On one hand, the foundation believes that what it's already doing is the first step toward building a stronger field of youth development. It is helping a select group of high-performing youth organizations grow stronger and become proficient at serving larger numbers of young people, and supporting them in achieving better outcomes. And hopefully, if not more importantly, a field based on better practices and supported by a larger pool of funds and funders will result.

Toward that end, the foundation intends to put increasing emphasis on mining the knowledge that is coming out its work and that of its grantees. "We need to know a lot more about the strengths and needs of young people in this country and what works in helping them," says Bailin. "That's why part of our effort will involve developing useful information, supporting research that could yield beneficial new knowledge, and working as effectively as we can to see that what is learned about youth development, as well as our grantmaking approach, is widely disseminated. That alone, I realize, won't be sufficient. But if our grantees succeed, it will make it harder for others to ignore the possibility of what can be done, and, in particular, a different way to invest in creating effective youth services that lead to better outcomes for kids."

Finally, while recognizing that it can't expect to build a stronger field of youth development itself nor expect to be held accountable for that to happen, the foundation is willing to spend some of its resources in other ways that can support that larger effort. For instance, as it has done with Bridgespan, it will look for other opportunities to support the development of good consultants and technical assistance providers that can work with organizations that want to grow stronger and become more effective. And to the degree it is able to, it will work with others to encourage changes in public policy that will lead to more funds, among other things, for the field of youth development.

Appendix A: Due Diligence Categories with Indicators

During due diligence, the Edna McConnell Clark Foundation uses a set of indicators to describe and analyze a potential grantee's capacity in each of six categories:

- Compelling Product
- Leadership/Management
- Financial Health
- Operational Viability
- Performance Tracking And Outcomes Evaluation
- Compatibility With The foundation

I. COMPELLING PRODUCT

The organization shows apparent or demonstrated effectiveness in making a difference in the lives of young people.

1. The organization serves young people ages 9-24 from low-income circumstances. Its staff understands the organization's market niche, has a strong rationale for the youth programming it offers, and is highly committed to working effectively to achieve its youth outcomes objectives.

2. The organization has youth outcome objectives that are clearly articulated and can be measured. These include (but may not be limited to): improved educational skills, achievement, and attainment; preparation for the world of work, and a successful transition to employment and self-sufficiency; meaningful citizen participation; and success in avoiding high-risk behaviors.

    2.a. Key stakeholders embrace the organization's youth outcomes objectives.

3. The organization's program models are clear, consistent, and well-designed (if possible, research-validated) to promote the achievement of its youth outcomes objectives.

    3.a. Programming is delivered consistently for a well-defined target population.

    3.b. There is a notable body of anecdotal evidence and at least some outcome data that indicate service recipients are achieving key outcome objectives.

II. LEADERSHIP/MANAGEMENT

The organization has a track record of achieving its objectives and serving its mission with a vision for future growth, depth in senior management, and, if there are key personnel gaps, a recognition of this fact and a commitment to filling them.

1. The leadership team demonstrates a high level of commitment to the organization's mission, goals, and objectives.

2. The executive director's and leadership team's professional education, experience, capacity to manage, and tenure qualify them to function well in the positions they occupy.

3. The people who report to the executive director experience him/her to be an effective manager.

4. There is evidence of the leadership team's ability and capacity to manage growth.

5. The organization enjoys a good reputation among local stakeholders, other funders, etc.

6. The executive director demonstrates a substantial understanding of the market within which his/her organization is working.

7. The executive director shows a solid understanding of what it takes to improve the quality and capacity of core operations.

8. The executive director is able to forge critical external alliances.

9. The executive director is able to retain management staff at levels sufficient for the organization to meet its goals and performance objectives.

10. The executive director provides staff with key information, and allows staff input into decision-making.

11. The executive director has a vision for how the organization should grow to provide high-quality services to more young people.

12. The executive director has compelling ideas for how s/he would use EMCF support.

13. Board oversight is appropriate to enabling the organization to meet its goals and objectives.

14. The range of experience and expertise on the board is appropriate to the requirement of assuring that the organization can and does meet its goals and objectives.

III. Financial Health

The organization's finances are in order, and it shows a capacity to manage its financial affairs.

1. In the last five years, overall realized revenue trends are sufficiently robust to indicate that the organization will have the ability to continue to meet its revenue projectors – particularly where these call for increased resources.

2. Overall expense trends are in line with revenue trends and do not present the organization with unmanageable exposure.

3. The mix of revenues is balanced among public and private sources; or, where public sources provide a very large portion of revenues, there are multiple entities (federal, state, local) providing them – so that the organization is likely to be in a position to compensate for unexpected funding reversals by a given agency and to continue to operate without compromising its service mission.

4. Foreseeable shifts in revenue streams do not put the organization at financial risk.

5. The mix of expenses is appropriate to reasonable operational standards.

6. Operating margins (and therefore trends in Net Assets) are adequate to support the organization's financial viability.

7. Asset details and trends are appropriate to support current and planned operations.

8. Liability details and trends indicate adequate debt management.

9. 501(c)(3) IRS-approved nonprofit organization.

10. The results and timing of audits support assessment that the organization is capable of achieving its goals and objectives.

11. Internal controls are sufficient to support the organization in meeting its goals and objectives.

12. Knowledge, skills, and number of financial staff and the organization's financial system are adequate to support the scope of work.

13. The quality of relationships with banks and other financial institutions assures the timely availability of loans and other financial supports necessary to enable the organization to achieve its goals and objectives.

14. Financial reporting to Board and management staff is sufficient in scope, provided on a regular basis, and used to inform decisions.

15. The Board's structure is set up adequately to monitor the organization's finances.

16. Major funding relationships are reliable and adequate to support the organization in meeting its goals and objectives.

17. Other sources of funding (beyond a potential EMCF capacity-building grant) are reliable and adequate to help the organization meet its goals and objectives.

18. Finance & Administration is aware of, and ready for, the organization's future goals and objectives.

IV. Operational Viability

The organization's structure, processes, systems, and relationships have the potential to support growth.

1. Staff turnover is at a level that does not significantly impair operational effectiveness or viability.

2. The delegation of responsibilities assigns a rational and reasonable span of control to key managers.

3. The organization aligns staff training and professional development with organizational goals and objectives.

4. Frontline staff skill sets are appropriate to the tasks required of them.

5. Human Resource practices are adequate to support the organization in meeting its goals and objectives.

6. Marketing and public relations are adequate to support agency goals, including recruitment, fundraising, and community visibility.

7. The organization understands the necessity of developing IT systems that support operations in the following domains: collection, processing, and reporting of financial and service delivery data; internal operations; and communications.

8. The organization's structure, staffing, and priorities for resource allocation are designed and aligned to achieve its goals and objectives (especially the youth outcomes desired for service recipients).

9. Space is not an unreasonable barrier to service delivery, staff retention, and recruitment.

10. The organization has a realistic and responsible approach to risk management. (This includes an assessment of its legal exposure and insurance coverage).

V. Performance Tracking and Outcomes Evaluation

The Organization shows concrete efforts at measuring its performance, and a commitment to developing systems to evaluate and improve its outcomes.

1. The organization collects data on client demographics, or there is written evidence (plans) demonstrating that it recognizes that it is essential to do so.

2. The organization collects data on client participation/attendance, or there is written evidence (plans) demonstrating that it recognizes that it is essential to do so.

3. The organization has concrete plans to use data to manage program quality.

4. The organization currently is committing adequate resources to performance tracking and client outcomes assessment, or there is written evidence (plans) demonstrating that it recognizes the need to do so.

5. The organization's leaders understand what it takes to *demonstrate* that program participants are achieving the specified outcome objectives, and there is written evidence (plans) demonstrating that they are committed to doing so within the next 2-5 years.

6. Leadership and management are able to articulate indicators of success for the organization as a whole and for each of its programs and/or services, and also have written plans for assessing each indicator using clear measures.

VI. EMCF Compatibility

The organization's management and culture are suited to a highly engaged relationship with the Foundation.

1. EMCF and the organization are able to achieve consensus on a vision regarding the nature of the proposed relationship.

2. The organization's culture and leadership seem to be open and its internal operations accessible.

3. The organization worked and communicated with the EMCF team during due diligence in ways that conveyed the likelihood of a sustained stance of cooperation and collaboration over the course of the proposed investment period.

4. The organization has a track record of providing funders with honest and timely information ("they deal straight").

5. Gut check – it "feels right" to be working with this organization.

6. The organization's program(s) is (are) connected to EMCF strategy in the city (out-of-school-time programs).

Please note, the After School Program is a fictitious organization and this document is to meant to illustrate how due diligence findings are summarized.

Due Diligence Results

The AFTER SCHOOL PROGRAM

EMCF Investment Recommendation

Recommendation:

Grant of up to $250,000 over nine months to AFTER SCHOOL PROGRAM for business planning.

Rationale:

The AFTER SCHOOl PROGRAM (ASP), founded in 1988, is emerging as a highly competent youth service provider poised to expand the reach and depth of its services to larger numbers of low-income youngsters in the Northeast.

To improve the academic, leadership, and health and well-being of low-income 9- through 13-year-olds, ASP uses a distinct, four-pronged service approach: a comprehensive tutoring program, a life skills development program, one-to-one mentoring, and a business and technology skills development program. Currently, ASP reaches approximately 500 youngsters across its four core programs. Over the next three years, it plans to triple the number of available slots and deepen the service "dosage" by increasing participation of children across all four programs. Business planning with ASP will require deeper analysis of the likelihood of achieving both objectives in the planned time frame.

ASP commissioned XYZ Associates in 1999 to conduct an evaluation (still ongoing) of its program effectiveness and is highly committed to using data to inform decision-making in the organization. Other aspects of the organization that stand out are its impressive Board of Directors and its equally impressive chief executive, E. Director. The board hired her in 1999 to replace the founding director and to help expand the organization's reach in its home community. Now is an excellent time to make a business planning investment, given the organization's recent adoption of a strategic plan and its stated desire for additional help in testing its assumptions for purposes of building a supporting financial model.

The AFTER SCHOOL PROGRAM

Organization Profile

Founded	1989
Executive Director	E. Director
Location(s)	New York City
Mission	ASP is dedicated to the self-empowerment of youth in low-income communities. We provide the tools to help them make positive choices so they can achieve academic success, break the cycles of poverty, and overcome the barriers of racism. Our programs instill confidence and provide exposure to a broader world of opportunity through mentoring relationships, field trips, health and life skills education, and academic support. Our mission is achieved through the collaborative efforts of volunteers, staff, schools, and the local community in active partnership with the youngsters and their parents.
Budget, FY01	$850K
Number of Staff	12 FTE
Target Population	Low-income youth, aged 9-13
Demographics	In 2001-2002, African American—99%, Asian—1%; schools served have at least 83% of students eligible for free or reduced lunch, and score below national average on the Stanford 9 test.
Product/Service	Multi-pronged service delivery model consists of 4 "core programs": "ASP Scholars" – Once-a-week after-school academic intervention focused on improving reading and math skills, particularly those skills tested on the Stanford 9/IOWA tests. "ASP Club" – Once-a-week after-school "life skills" program focused on developing decision-making, teamwork, knowledge about risky health behaviors, and on encouraging career and life goal-setting; Saturday field trips reinforce key learning and offer exposure to new experiences and places. "ASP Mentors" – One-on-one mentoring program focused on matching all participants with caring adults who can provide support around issues of assertiveness, peer pressure, vocational choices, and decision-making. "ASP Tech" – 4- to 8-week Saturday programs designed to teach basic technology and finance skills, and to expose youth to careers in related industries (marketing, advertising, accounting and banking, technology).

The AFTER SCHOOL PROGRAM

Organization Profile (cont.)

FY01-02 Reach

Currently, ASP reaches approximately 500 youngsters at four elementary schools, two middle schools, and one pilot middle school. Some 300 of these children (thus, more than half of all participants) also receive academic support through ASP Scholars. Participation in the other two core programs — ASP Mentors and ASP Tech — begins after the first year of participation. These two programs do not yet have the capacity to serve all eligible participants. Only about 25% of participants currently have an ASP mentor, and about 15% have participated in ASP Tech.

In addition to the four core programs, ASP has ancillary programming that includes ASP Biz, a one-week summer program for 50 participants; Rising Star Dance, meeting twice a week during the school year with 20 participants; and a 4- to 6-week drama program for 10-20 boys and girls at the ASP Club sites.

Outcomes Desired

Four outcomes for ASP multi-pronged approach: 1) academic improvement; 2) health/wellness and nutrition (especially focusing on reduction in drug use); 3) leadership, self-esteem, and improved decision-making skills; and 4) greater awareness of life opportunities/careers.

Evidence of Success

In 1999, ASP embarked on a study with researchers from XYZ Associates to evaluate its Scholars and Club programs and, in 2000-01, added assessment of field trips, ASP Mentors and ASP Tech. Thus, the evaluation is focused on the experience of all youngsters enrolled. Preliminary findings show that, compared to similar boys and girls who are not in the program, participants spend more time studying, have better knowledge about nutrition, and have a reduced risk for substance abuse. Data also show that ASP participants are more likely to report going to museums, plays, and other places outside their neighborhood as compared to youngsters who do not participate. ASP Mentors is currently implemented at or above the guidelines established by the P/PV study *Making a Difference*, and XYZ study data show that quality mentor-mentee relationships have been successfully established. Thus, ASP is likely to achieve similar outcomes for the 25% who participate in ASP Mentors. There is some evidence that the more comprehensive ASP approach will produce outcomes such as increased time spent on school work, not influenced by mentoring alone.

I. Compelling Product/Service

- The four core programs (described on slide 2) are designed to add up to a total package of what participants should receive, with the expectation that each individual program should produce outcomes and that youngsters participating in multiple programs will be better off.
- All 500 children served participate in ASP Club; 300 also receive academic support through ASP Scholars. Currently, only 25% of participants have an ASP mentor, and 15% are in ASP Tech.
- Although not all participants currently receive the full package of services, ASP Board and Leadership Team prioritize "deepening" the quality/frequency/length of interaction that each child has with ASP.
- Compared to ABC Inc., ASP puts greater focus on addressing the needs of poor minority youngsters. ASP tailors its programming to the urban low-income communities it serves.

II. Leadership/Management

- The Board and Executive Director are determined to serve more youth; the Board recruited E. Director as executive director in 1999 with the mandate that she grow ASP.
- E. Director was the former CFO of Big Boys of Syracuse and has exceptionally strong financial and organizational skills.
- The ASP Leadership Team (comprised of E. Director, executive director; W. Serve, director of Volunteer Services; and P. Program, program director) has a long tenure and the expertise to manage the organization at its current size. However, as ASP grows it will need more senior capacity in development and operations (COO).
- Early in E. Director's tenure as executive director, there was underlying tension between her and the staff due to cultural differences. It is not clear if that tension still exists today.
- The 21-member board is diverse in areas of expertise, gender, and race, and provides sophisticated oversight.

III. Financial Health

- ASP's financial position is solid and has shown significant growth; expenses have also grown at an acceptable pace.
- ASP's 2001 revenue streams are diversified, with approximately 45% foundations, 14% individuals, 13% special events, 6% corporate, 5% government, 17% other (2001). A key fundraising goal is to further diversify the funding base by increasing the level of corporate grants, individual giving, and government grants.
- 100% of the Board contributes financially, which ED insisted on as a condition of her accepting the position as chief executive.
- E. Director manages the finances and outsources the accounting. In 1999, ASP hired its first Director of Development and added two additional staff members to assist with fundraising and marketing activities. The leadership recognizes the need to hire more in-house finance and development staff as the organization grows.

Bottom Line

ASP has an apparently effective service approach that is designed and implemented in a way that is likely to result in desired outcomes.

ASP's current efforts to "deepen" program quality and increase the frequency and length of its relationship with participants need to be supported by an analysis of the frequency and intensity necessary to achieve the target outcomes.

ASP has a strong leadership and management team with a track record of maintaining financial and operational stability while growing rapidly. The Board and ED are driven by the desire to serve more youngsters and to serve them more effectively. Its strategic plan demonstrates an understanding of the critical steps necessary to maintain quality while expanding.

Extremely strong past and current performance; Board actively oversees budget process and fundraising, and is aware of the financial implications of growth.

Going forward, ASP will need to invest in internal finance and development staff to take over the detailed financial oversight for which the Board and ED are currently responsible.

The AFTER SCHOOL PROGRAM

IV. Operational Viability

- Staff are very committed to ASP's mission; turnover is low, and staff report constructive, open dialogue with both the Leadership Team and the Board.
- Rapid growth may strain the current capacity of the internal systems, management personnel, and IT/marketing. The Leadership Team and Board are prepared to invest in additional resources to maintain a solid operational base.
- Variations in quality of space and depth of administrative engagement at school sites adversely affect the consistency of program implementation, and should be addressed in business planning.
- Additional site management staff and new strategies to maintain a steady volunteer core are needed for consistent after-school program delivery, and should be addressed in business planning.
- ASP cites its multiple volunteer opportunities (ranging from one-day to multi-year) and its girl-focus as its competitive recruiting advantage.

V. Outcomes Measurement

- In 1999, ASP initiated an evaluation directed by XYZ Associates, and outcomes measurement has been integrated into ASP's work. The evaluation design and methodology are strong, focusing on the entire ASP service delivery model, not just individual programs. The evaluation has been improved each year based on the previous year's experience.
- Launching of an internal database is scheduled for summer 2003, and will focus on tracking data for participants, volunteers, and programs. The Leadership Team is committed to using data to monitor progress and drive strategic decisions.
- Evaluation findings have been presented to and discussed by the ASP Board, which has demonstrated strong interest in results and accountability.
- The Board has designated a fund for evaluation in the budget.

VI. EMCF Compatibility

- A multi-pronged model serving low-income children, ages 9-13, ASP is a strong fit with EMFC's Youth Development Fund.
- ASP's targeted outcomes of academic achievement, increased health and wellness, improved leadership and self-esteem, and increased awareness of job/career opportunities are consistent with at least two of EMCF's outcome areas.
- Leadership Team, frontline staff, and Board were candid and engaged during all interviews.
- Staff, Board, and external consultants report a positive and constructive working relationship. All were comfortable talking openly with EMCF staff about goals and concerns about growth.
- Leadership Team and Board have invested considerable time in the development of a strategic growth plan, and are poised to execute against the plan over the coming year. To this end, they need a sound business plan that will map out their growth strategy and provide a solid financial model.

Bottom Line

Current operations are solid, and ASP Leadership Team and Board are aware of the specific infrastructure, personnel, IT, Marketing and programmatic investments necessary for successful expansion.

ASP is highly committed to the ongoing evaluation and enhancement of all programs. Solid external evaluation is already in place, and ASP is currently implementing an internal database that will track the retention and progress of boys and girls year-to-year and over time.

EMCF investment would come at a key point in ASP's growth initiative. To date, ASP has demonstrated open and honest communication, as well as a strong interest in business planning and partnership.

Overview of Strategic Plan Objectives (FY00 - FY03)

The AFTER SCHOOL PROGRAM has adopted a 3 year strategic plan and is successfully reaching its targets to:

- Triple the number of youngsters served by expanding from 2 to 6 sites and following its participants into middle schools
- Recruit a diverse and sufficient pool of volunteers (increase mentors by 50 each year)
- Pursue partnerships with other after-school providers, universities, corporations, and nonprofits
- Strengthen organizational infrastructure, including creation of an internal participant database, investments in IT, development staff and financial reporting capabilities
- Design and implement a comprehensive communications and public relations strategy to raise community awareness of ASP and attract high quality female volunteers and new partners

Why EMCF is Confident in this Investment:

- Early evaluation findings show that the ASP model can produce additional and longer-term positive outcomes for those participants who receive the more comprehensive package of services. Those outcomes include increasing amount of time participants spend studying, exposure to social and cultural enrichment activities, and lowering the risk of substance abuse.
- ASP has successfully implemented a strategic growth plan in the past. It is determined to serve more youngsters in the future.
- ASP leadership team is strong and dedicated to continued quality improvement of its services to youngsters.
- ASP has an extremely active, committed, and professional board.

Risks and Issues the Foundation will Monitor:

- ASP needs to build the leadership team and infrastructure so that it has the capacity to continue improving its site management and fundraising capacities, and in particular may need individuals in the roles of COO and CFO.
- Although the ED and Board believe they can expand services to newcomers while also deepening the services provided to existing participants, limited resources in the future may require tradeoffs that as of yet ASP has not addressed. Their ability to manage growth will need to be monitored, especially as they expand to middle schools.

Next Steps for Finalizing Investment

- Obtain EMCF board approval for an up to $250,000 investment over nine months to conduct business planning
- Determine grant terms and conditions
- Meet with ASP board of directors to review due diligence findings and terms and conditions letter