

Series Intro

This is the Invest in Results podcast. Mission-driven organizations dedicate their time, talent, and resources to improving lives and communities. Yet they are hindered by a system that too often measures process instead of progress and pays for outputs instead of outcomes. By sharing knowledge, investing in projects, and building networks, we can invest in results.

Episode Intro

In this episode, **Fred Ali, President and CEO of Weingart Foundation**, in conversation with **Fred Blackwell, CEO of The San Francisco Foundation** and **David Erickson of the Federal Reserve Bank of San Francisco**, explains how unrestricted operating support from funders is critical to helping nonprofits engage clients and communities, create better infrastructure, and ultimately become more effective organizations. Since recording this podcast, Fred has stepped down as President and CEO of Weingart Foundation. This segment was recorded at the Federal Reserve Bank of San Francisco on June 13, 2017.

Story

ALI: So the Weingart Foundation is a regional grant-making private foundation in Southern California. Some of you may be familiar with it. We are primarily a Human Services Funder, although we also fund in the area of health and education. Probably over the last couple years we have been become most known for our work around organizational effectiveness. It starts with a conviction on the part of our foundation that the funding model that we use to support nonprofit organizations in this country is for the most part broken. It does not provide organizations – nonprofit organizations – with the kind of support – the kind of flexible support – that they really need to build effectiveness. We also are a foundation that works in the poorest areas, neighborhoods, communities in southern California, and there are a lot of organizations that we support – that we want to support – providing critical services in those communities that simply are not being provided the kind of funding that they need to thrive and develop and produce the kind of outcomes that we're all looking for. So I would start by saying we are extremely interested in outcomes and seeing the funding we provide lead to outcomes, but I think before we embrace outcomes-oriented funding, we have to ask ourselves whether or not the nonprofit organizations we're supporting are really receiving the kind of support they desperately need to develop the kind of effectiveness that's going to lead to the outcomes that we're all looking for. It has to start there.

ALI (continued): If you look at almost the entirety of our grant portfolio, they're all examples. Virtually everything we do is tied to unrestricted operating support funding, where we are identifying organizations, and we think – we think that the greatest impact



that we can have as a funder is at the organizational level. Now, when I say this – at the organizational level – in terms of allowing our grantees to use our dollars to build effectiveness, we have identified, nine indicators of organizational effectiveness that we engage our grantees in the discussion around things like board governance and engagement, staff and infrastructure, client and constituent engagement, fund developments, I think I mentioned staff and infrastructure. We engage our grant all of our grantees in the discussion around where they're at as an organization against all those indicators, and we encourage them to use our funding to support those areas, to strengthen those areas where they perceive themselves to be weakest. And it's very, very interesting that we have tracked this now over a number of years – we have a learning and assessment framework that tracks grantee indicators against those nine hallmarks – and what we're finding is that grantees are actually using our funding – and these are human service organizations that are facing incredible service demand – that they realize these dollars are very special, they're flexible, they're unrestricted. They're actually using our funding to shore up areas of capacity where they think they need the most strengthening.

ERICKSON: If you guys give unrestricted support to these organizations, what prevents them from using funds primarily for program expenditures and not really committing to the long-term organizational development needs that that you're targeting?

ALI: It's a great question; we get asked that question a lot. First of all I want to be clear that the funding, that our funding is truly unrestricted, but it comes through a rather long due diligence process and a relationship building process with our grantees in Southern California. Most of these grantees we've had longstanding relationships with. And organizations during that due diligence process do identify areas of capacity needs and they identify as part of the request process how they would like to address those needs. So, when I answer this question I always tell the story, that in the aftermath of the '08 '09 financial crisis, what we saw was organizations actually using our dollars as you might expect and actually trying to fill programmatic needs. And we spent a lot of time talking to our grantees about that and the peril of not paying attention to their capacity needs. And around 2010, we started seeing a switch, and that switch continues, where these organizations are actually – and we starting to develop a fair amount of data that supports this – the organizations are in fact realizing that – as I said earlier – these are flexible special dollars and they are addressing capacity needs. There is a learning and assessment framework, so there is a bit of accountability that our grantees have to pay attention to, but it's also a long-term process. I think part of this comes to also trusting your grantees to do what is in their best interests and by and large that's what we see our grantees doing.

ALI (continued): This is sort of tough work, to put it mildly, and it's just not about making grants. It's being a participant, and we have an equity agenda as well in Southern California, so it goes beyond simply making grants, but it also includes being a participant at public policy tables, it includes being a participant in advocacy, supporting organizations that are involved in advocacy and organizing work. And it also includes the ability to bring in staff into the organization that actually has real-life familiarity with the issues that that we're trying to address. And quite frankly, a lot of organizations simply see this work as being – the complexity of this work – being a little bit more than they want to take on, and so they don't take on the challenge. But, I'm hopeful though, because I see more and more



and more colleagues in philanthropy that are willing to take a more holistic and comprehensive view and I'm hopeful for the future.

Outro

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