

## Introduction

The Paul G. Allen Family Foundation has provided financial support for nonprofit capacity building since 2001 with increasing resources invested in it over the last five years. Capacity building grants have been made in three of our program areas: Arts and Culture, Community Development and Social Change, and Education and Youth Engagement.

In general, our capacity building grants have been aimed at helping nonprofits strengthen their operating efficiency, sustain themselves financially, and broaden their services. All of the grants have been project-based, meaning they had clear start and end dates and agreed-upon measurable outcomes. All grants have been subject to a competitive review process. Table 1 shows that since 2001, the Foundation has made 510 capacity building grants totaling \$35.4 million across our five-state region.

Table 1. Geographic Distribution of Capacity Building Grants (N=510)

State	Number		Dollars	
	Number	Percent	Total	Percent
Washington	335	66%	\$23,005,644	65%
Oregon	122	24%	\$8,517,000	24%
Montana	26	5%	\$1,427,550	4%
Alaska	16	3%	\$1,740,000	5%
Idaho	11	2%	\$697,971	2%
<b>Total</b>	<b>510</b>	<b>100%</b>	<b>\$35,388,165</b>	<b>100%</b>

## Evaluation Overview and Methods

In order to understand the impact of the Foundation's funding on grant recipients, we completed an evaluation of the grants portfolio in the summer and fall of 2010. The evaluation was designed to answer the following key questions:

- Do capacity building grants achieve the goals outlined in their grant applications?
- Do grantees have continued operating capacity beyond the grant term?
- What factors contribute and hinder success of capacity building grants?

To answer our questions and help ensure an objective review, we employed an external consultant to complete a thorough review of the 100 most recently made capacity building grants. We choose this sample because these grants most closely aligned with our current giving strategies. Two different analytic strategies were utilized:

1. **Document review:** The consultant completed a thorough review of all grantee progress and final reports. The document review was used to gather descriptive data about the grant projects as well as information about key grant accomplishments.

2. **Grantee survey:** A survey was designed with Foundation input but administered by the consultant. It included a mix of open- and close-ended questions that asked grantees to assess their performance on the grant. The survey was sent to the 86 organizations in the final evaluation sample and completed surveys were received from 55 organizations (a 65% return rate).

Figure 1 below summarizes development of the final evaluation sample.

*Figure 1. Sample Development for Assessment*

<b>Total Grant Number</b>	510 grants made since 2001.
<b>Starting Sample</b>	100 most recent grants.
<b>Final Document Sample</b>	84 grants (16 projects still in progress).
<b>Final Survey Sample</b>	55 grantees completed the survey (65% return).

## Sample Description

Three of the Foundation’s giving programs are represented in the 84 grant sample with just over 50% coming from the Community Development and Social Change program. The grant sample is distributed among the programs as follows:

- Community Development and Social Change: 45 grants (52% of sample)
- Education and Youth Engagement: 25 grants (28% of sample)
- Arts and Culture: 17 grants (20% of sample)

Additional details about the final sample are presented in Table 2. Overall, the samples represents 30% of total giving for capacity building.

*Table 2. Evaluation Sample Details (N=84)*

Key Metric	Result
Total number of grants	84
Median grant size	\$100,000
Smallest grant	\$58,971
Largest grant	\$500,000
<b>Total Grant Amount</b>	<b>\$10,217,971</b>

## Types of Projects Supported

The Foundation funded a range of capacity building strategies and deferred to applicants’ self-assessment of their needs and priorities. Seven grant types are represented in the evaluation sample:

1. **Program expansion** – grants were intended to help organizations expand their geographic reach or to provide services to new communities, such as to Native American tribes or Spanish-speaking populations.
2. **Resource development** – grants typically provided support for development staff to achieve pre-determined fundraising goals or to build individual donor programs (including major gifts).
3. **Marketing and outreach** – grants often supported marketing staff salaries in order to complete issue awareness campaigns, promote new services, or to reach new audiences.

4. **Technology** – grants were used to develop databases, computer networks, and websites.
5. **Planning** – grants provided funds for program and strategic planning initiatives, including consultant support.
6. **Evaluation** – grants provided funds to complete program evaluations, including data collection and consultant support.
7. **Business processes** – grants helped streamline or improve the efficiency of internal systems, especially accounting and human resources.

The grant types and their frequency are listed in Table 3. The table indicates that the two most frequently funded projects were those dedicated to program expansion (grants that helped organizations increase their capacity to serve more people) and those in support of resource development (grants focused on diversifying or increasing an organization’s financial support).

*Table 3. Grant Types and Frequency (N=84)*

State	Number	Percent
Program Expansion	26	31%
Resource Development	25	30%
Marketing and Outreach	9	11%
Technology	8	9%
Planning	6	7%
Evaluation	5	6%
Business Process	5	6%
<b>Total</b>	<b>84</b>	<b>100%</b>

## Project Type and Organization Budget

Table 4 identifies the budget size of grantee organizations and the types of projects they undertook. The table points to several trends. First, organizations between \$1.2 and \$5.0 million received funding for all seven types of capacity building projects. Second, significant percentages of smaller groups (below \$1.2 million) received grants for resource development and marketing projects. Third, larger groups (over \$1.2 million) received funding for technology, evaluation, and business process projects.

*Table 4. Project Type by Organization Budget (N=82)*

Project Type	Under \$250K	\$250K - \$1.2M	\$1.2M - \$5M	Over \$5M	Total
Program Expansion (N=25)	4%	20%	60%	16%	100%
Resource Development (N=25)	4%	36%	48%	12%	100%
Marketing and Outreach (N=9)	12%	44%	44%	--	100%
Technology (N=8)	--	--	63%	37%	100%
Planning (N=5)	--	80%	20%	--	100%
Evaluation (N=5)	20%	--	80%	--	100%
Business Process (N=5)	--	--	60%	40%	100%

## Overall Grant Achievement

A key task of the evaluation was to determine the overall success of our grant portfolio. To accomplish this, MGS reviewed progress and final reports in order to assess individual grant achievement. The consultants used the following scale in reviewing the reports:

**High** – The grant achieved or exceeded all goals and outcomes identified in the application, within the specified timeframe.

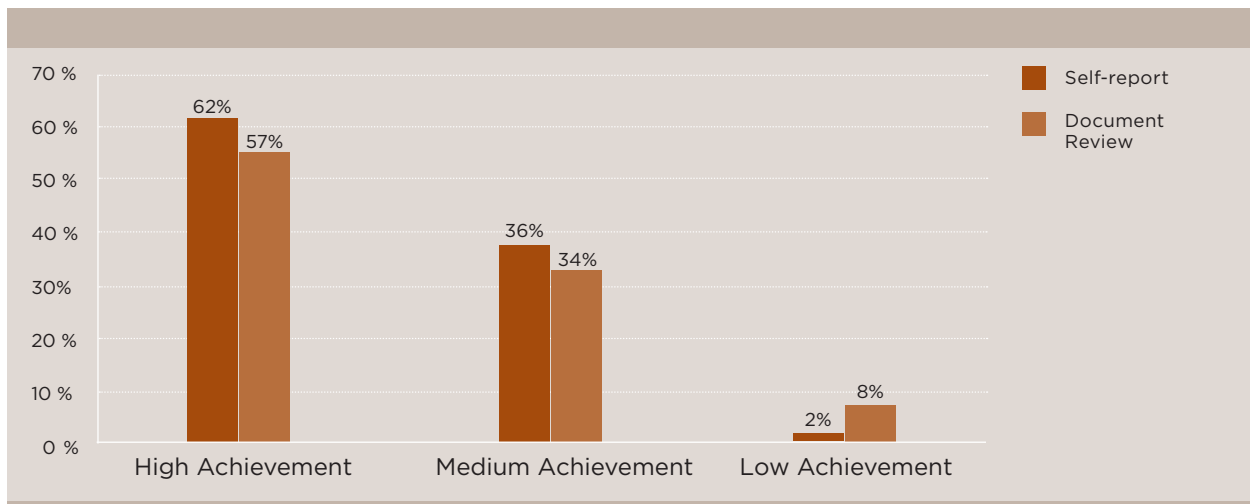
**Medium** – The grant achieved the large majority (more than 80%) – but not all – goals and outcomes within the specified timeframe. Alternatively, the project achieved all goals and outcomes but took longer than originally planned.

**Low** – The grant achieved less than 80% of the goals and outcomes identified in the application.

As part of the survey, grantees were asked to rate their success against the high-medium-low scale utilized for the document review. Figure 2 compares results from the consultant review against the grantees' self-assessment. The Figure shows that there are only slight variations between the consultant and grantee assessments.

Overall, 57% of the grants in the document review received a “high” rating, 34% received a “medium” rating, and 8% received a “low” rating. It is notable that only a small number of groups received “low” ratings.

Figure 2. Grant Achievement Level



Along with finding that the large majority of grants achieved their goals, the evaluation also revealed that achievement level varies by grant type. Specifically, Table 5 shows that those grants receiving the most frequent “high” rating were those focused on business processes, planning, and technology. Those receiving frequent “medium” or “low” ratings were marketing and resource development.

Table 5. Achievement by Project Type (N=79)

Project Type	Number	Low	Medium	High
Business Process	5	--	20%	80%
Planning	6	17%	17%	67%
Technology	8	--	38%	62%
Program Expansion	26	12%	27%	61%
Marketing and Outreach	9	11%	33%	56%
Resource Development	25	8%	51%	40%

Because of its modest achievement level, we probed more deeply into the effectiveness of resource development grants. Three key themes emerged from our review of these projects:

- **Individual Giving:** Grants that supported the expansion and strengthening of individual donor giving were the most successful. Grantees who built these programs before the recession report that individual contributions have served as a hedge during the economic downturn. At the same time, our grants often helped launch individual donation programs. One respondent explained why individual solicitation succeeded:

*We had a lot of untapped potential donors in the large number of people involved in our work (i.e. volunteers, clients, and employers who contract our clients.)*

- **Events:** Grants that helped organizations develop and hold events, such as auctions and annual fundraisers, were also viewed as effective. These organizations often held events that improved their donor stewardship and which translated into more lasting relationships.
- **Grantwriting:** Grants to support grantwriting positions and foundation fundraising were less successful than other types of grants. Certainly, the downturn in foundation funding during the recession contributed to this fact.

## Lasting Capacity

We were very interested in understanding whether nonprofits were able to maintain the capacity they built through their grants. The primary strategy for doing this was the analyzing the survey data.

The survey asked grantees how strongly they agreed with the statement that “their organization was able to maintain the capacity built through the grant.” Survey takers gave an average response of 4.4 where 1.0 was “Strongly Disagree” and 5.0 was “Strongly Agree.” It is interesting to note, though, that the level of agreement varied by the organization’s budget and that larger groups were more likely to maintain built capacity. The ratings were:

- Organizations with a budget under \$1 million had a 4.0 average rating.
- Organizations with budgets between \$1 million and \$4 million had an average 4.5 average rating.
- Organizations with a budget over 4 million had an average 4.8 average rating.

Also of note is the fact that 30 organizations responding to the survey indicated that the grant was used to hire a staff person. When asked whether they were able to retain this position beyond the grant term, 90% stated “Yes.” This is a significant finding because it suggests that grantees have retained the

people they hired, even during a difficult economic climate. Survey comments illustrating this finding include the following:

*Our project was focused on building the internal capacity [needed] to manage multiple facilities...We now have a full-time facilities manager that is funded through our operating dollars.*

*The grant provided us with the impetus to develop and maintain a Human Resources Department. Prior to the grant, this function was diffuse and scattered throughout the organization.*

*The grant allowed the library to take a very long and hard look at the best way to serve immigrants and refugees in our community. The grant helped us put a staff member on board that worked in the community - as well as within the library - to add and change our services, build collections, and offer relevant programs.*

*We hired (brought in-house) our housing and development director - this resulted in massive savings.*

*We used the funds to hire a full-time Development Director. We are mid-course, but the project seems successful given that the director has at least raised enough money to maintain her salary.*

## Importance of Organization and Grant Budget

The evaluation results suggest a link between organization budget and project success. In particular, low and medium achieving projects were undertaken, primarily, by organizations with smaller budgets. High achieving projects were most often completed by organizations with larger budgets. Table 6 illustrates this point - results in red denote smaller organizations with modest project achievement; results in green denote larger organizations with higher achievement. These findings suggest that nonprofits need a critical level of operating capacity to build additional capacity.

*Table 6. Achievement Level by Organization Budget (N=83)*

Organization Budget	Number	Low	Medium	High
Under \$250,000 (N=3)	3	33%	67%	--
\$250,000 to \$1.2 million (N=24)	24	12%	42%	46%
\$1.2 to \$5 million (N=44)	44	3%	34%	63%
More than \$5 million (N=12)	12	--	25%	75%

In the same way that organization budget is linked to grant achievement, so is grant size. The evaluation found that:

- 100% of the grants that were \$250,000 or more were rated as “high” achievement
- 66% of the grants between \$100,000 and \$250,000 were rates as “high”
- 41% of the grants less than \$100,000 were rated as “high”

## Contributors to Grant Achievement

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The Foundation was particularly interested in gathering information that could be used to help determine a new grant project's likelihood of success. In order to do this, we asked survey respondents to list the factors that most contributed to their grant achievement. Several themes emerged from these open-ended responses:

First, grantees cited **qualified staff and leadership** (20 organizations). This was the strongest theme to emerge from the surveys. Grantees noted their “agency management’s support of the process,” “strong leadership support for the program,” and “senior management support” for the project. For resource development projects, staff qualifications appear to be especially important. It is also notable that successful grantees frequently indicated that their boards of directors were invested in the project’s success. As one individual stated, we had “strong administrative leadership and a board of directors that trusted staff without micromanaging it.”

Second, grantees explained that their organization had **sufficient financial resources** (13 organizations) to fully invest in the project. Organizations with such resources pointed to “reliable, multi-year funding,” “having the funding to pay for outside help” to implement the project, and the opportunity the Foundation’s grant posed “to leverage other funds.”

Third, successful projects were **included in grantees’ strategic plans** (11 organizations). Survey-takers wrote that the project “was part of our strategic plan so we had board and staff buy-in” and that “significant strategic planning took place to ensure that the project would be implemented and completed in a timely manner.”

Less frequently mentioned contributors to success were **collaboration and communication** between programs and **flexibility** in adapting the project to new opportunities and changed circumstances.

## Barriers to Grant Achievement

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Although grant projects led to important successes, they also faced important challenges. Survey responses provide insight into these challenges. Specifically, the survey asked grantees to list the three key barriers they faced in implementing their project. They were:

- **Limited funds (16 organizations):** The most frequently identified barrier involved limited availability of financial support. Grantees stated that their capacity building projects were “not seen as a priority by” other funders, that they were unable to raise “financial support from other resources” and that they had “insufficient fundraising capacity” to meet budgetary demands. The frequency with which grantees faced funding difficulties underscores the continuing need for capacity building support among foundations.
- **Lack of internal capacity and staff time** (13 organizations): Limited time to adequately implement the project was a consistent problem for grantees. Grantees explained that their staff not only had “limited time,” but on some occasions, had created “unrealistic timelines” and “underestimated the time commitment” needed to implement the project.
- **Staff turnover** (8 organizations): Staff turnover, particularly when it involved the executive director, stood in the way of achievement because it led to a “loss of momentum and continuity” in the capacity building project.

## Conclusion

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Overall, our evaluation indicates that organizations receiving capacity building grants make good progress in achieving their goals and that they are able to sustain the capacity they build beyond the grant period. In particular:

- Organizations with larger budgets make the most progress in achieving grant goals.
- Grants to strengthen business processes, to support planning, and to implement technology solutions have the greatest level of achievement.
- Although resource development projects have mixed success, organizations that focused on building individual donor programs appear to have fared well.

Smaller organizations appear to have the most difficulty both building capacity and then sustaining it. These challenges are likely linked to:

- Lack of foundation funds available for capacity building. Surveyed grantees indicated that they had difficulty securing additional funds to complete their projects.
- Need for pre-existing capacity to complete the projects. The results suggest that smaller organizations may lack critical resources needed to take advantage of capacity building support.

The evaluation results also underscore the importance of integrating capacity building into an organization's strategic plan. Just as essential is the commitment of an organization's leadership to completing the project. The evaluation indicates that capacity building projects are most likely to succeed when the organization's leadership is committed to the project's completion.

The evaluation results have been essential to the Foundation as we reviewed our grantmaking strategy in late 2010. Based upon the overall success of the portfolio, we affirmed our commitment to funding capacity building. Moving forward, we are emphasizing the need for clear project outcomes with non-profits when sourcing new projects. We are also underscoring the importance of thorough project planning and looking for evidence that a new capacity building project is identified as a priority in an applicant's strategic plan.