October 2015

Building Cash Reserves in Arts Organizations

"This is the beginning. Almost anything can happen...

This is the middle. Things have had time to get complicated, messy really. Nothing is simple anymore...

This is the end...the destination we cannot help imagining..."

-Excerpts from the poem Aristotle by Billy Collins

Commissioned by the California Community Foundation.

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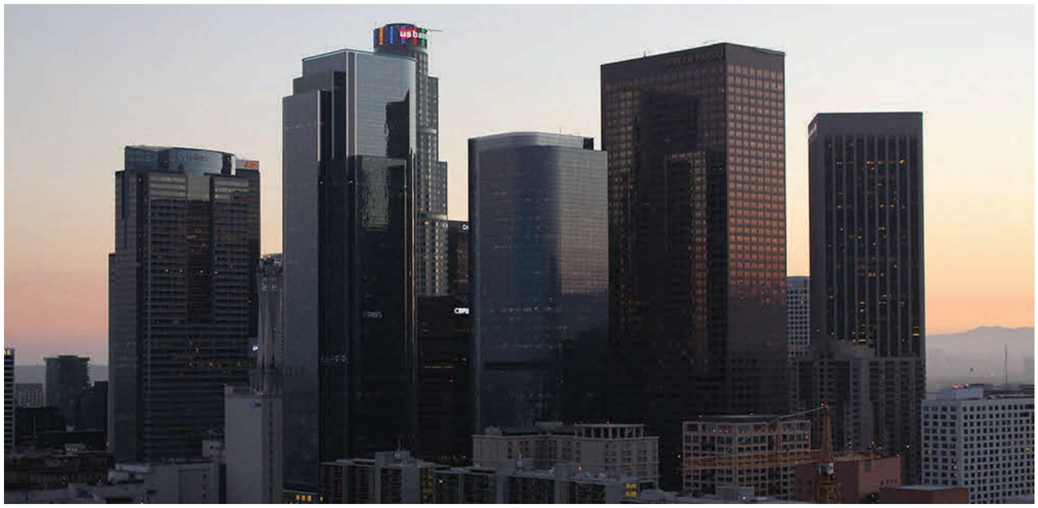

A Story Beyond Metrics

This report attempts to describe six complex stories occurring over an arc of 18 months. Five stories represent the experiences of the cohort of organizations selected to participate in the California Community Foundation's (CCF or the Foundation) pilot program *Building Equity in the Arts (BEA)*, launched in August 2012. The sixth story is that of the Foundation – as its staff has been challenged to grapple with a number of issues – all hinging on the question of considerations of success. On the surface, if metrics alone were to be considered, the success stories would be few. However, this is not a story of simple metrics, nor was it intended to be. It is the story of a Foundation that is forward thinking in its desire to embrace the complexity of implementation. Embracing real messiness over the comfort of "perfect" ideas can lead the way to a more thoughtful and authentic conversation around courageous grant making based on understanding and flexibility in equal or greater measure than compliance.

The unintended bumps to boulders in the road during the course of the BEA program leads to a more nuanced definition of success:

- One organization lost key staff members (2 Executive Directors, 1 Program Director, 1 Development Director) along with a significant level of Board member attrition including its Board Chair; one lost a Managing

"We are not looking for failure, there is not a restricted idea of success. It is co-learning."

-Leslie A. Ito, Former Arts Program Director, California Community Foundation

Director, Development Director and Marketing Director, and one suffered significant financial theft.

- The Non-profit Finance Fund, contracted to provide financial literacy teaching and coaching, also had significant staff attrition. Three different consultants participated resulting in an identified impact on continuity and development of trust.
- Leslie Ito, CCF Program Director, whose vision and vast experience in non-profit management were the genesis of the BEA program, left to pursue a leadership role at a local non-profit. The Arts Program Associate left shortly afterwards to attend graduate school.

Therefore, the focus of this report is on the distance between vision, theory and implementation – the messy middle and the CCF's capacity to balance grant requirements and goals with other ideas and other "destinations" that tell a story of resilience and surprising outcomes that should not be ignored.

This report is structured as a chronological narrative beginning with baseline observations of the cohort, mid-point findings, and finally recommendations for program refinement based on the unfolding experience of the cohort, the Foundation, and the individual organizations. During the course of the BEA program, organization leadership participated in interviews three times (October 2012, August or September 2013 and March 2014) provided both mid-term and final reports, and met as a cohort with the Nonprofit Finance Fund and this consultant three times. These materials along with selected BEA program memos and correspondence form the basis of the information provided here.

BEA Program Objectives:

- Provide five executive directors and five board members of midsize community-based organizations with technical assistance through seminars and individual coaching on topics of financial management and cash reserves;
- Seed or augment cash reserve funds in five midsize community-based organizations.
- Track the impact of cash reserves on the five selected organizations.
- Disseminate information to educate nonprofits and other funders on the benefits of a cash reserve.

BEA Program Outcomes:

- Increased financial capacity of community arts organizations.
- Increased ability to produce local, affordable and relevant programming for underserved communities.

"This is the Beginning… almost anything can happen"

Program History, Rationale, Objectives and Outcomes[1]

On June 15, 2011, the board of the California Community Foundation authorized an 18-month project grant of $175,000 from the Opportunity Fund to support Building Equity in the Arts. The project was designed to address issues of capitalization and sustainability of operating reserves specifically for small and midsize community-based organizations in Los Angeles County. Building Equity in the Arts focused on building financial and governance capacity in small and mid-sized arts organizations through a series of teaching tools and funding incentives, as well as group support and learning through cohort meetings throughout the grant period. Based on the Nonprofit Finance Fund's 2012 State of the Sector Survey, more than half of the nonprofit organizations surveyed had 3 months or less of available cash.

The rationale for focusing capitalization efforts on community based arts organizations is tied to their unique characteristics and values, which often run counter to the prioritization of capitalization:

- Commitment to responsive programming means challenges for developing systems
- Professionalizing to stabilize or grow can be perceived as sacrificing core values
- Established and grown through grass roots participation; not from a core base of donors Their work is often cause driven and not always aligned to funding opportunities

The program outcomes were deliberately general, allowing for a number of implementation strategies tailored to and developed by the individual grantees.

The Cohort: 5 Organizations

Out of an initial group of twelve organizations from the arts grant pool invited to apply, five were selected because they were relatively financially stable but without a significant reserve, representing a range of disciplines and communities with budgets from nearly $300,000 to $1.8 million. BEA required that the cohort organizations significantly and actively engage their Board members in developing their capitalization strategies. This parameter initiated a number of relational shifts for all of the participating organizations. At BEA's inception, for example, there was a great deal of Board development to be accomplished within a short period of time. The majority of organization leadership described their Boards as historically passive with under-developed Committee structures, little activity between Board meetings, and insufficient organization or understanding to develop the support needed.

Three of the organizations described cultural sensitivity when seeking contributions despite a commitment to involving a large pool of grassroots donors to "give what they can." Thus, though the understanding of capitalization among the cohort organizations was relatively sophisticated and expansive, the mechanisms and level of organizational cultural readiness were not.

[1] Source material for history, values and rationale from the following documents: Nemiroff, Jessie; *California Community Foundation Cash Reserves Research Project*, 5.2010 Ito, Leslie; *CCF Board Memo*, 6.2011

Cohort Baseline
Descriptions of Capitalization:

- "What I understand of capitalization is that it means you have a certain amount of money and you are going to make money through that money."
- "They speak of capital building, structure and assets. I think of human and working capital as most important. I see operating and reserves sufficient so that you can seed your own projects as opposed to have to wait to ask people for money. Human capital, how you utilize the people you have – taking the human capital we have without going out of balance."
- "It is the monies we have the ways that we choose to direct it."

Cohort Developed Reserve Fund Progress and Benchmarks
compiled from the first set of interviews and first cohort meeting

Process Change:

- Follow through – on requirements for potential funder contacts and asks described as benchmarks (particularly by Boards)
- Level of participation of various stakeholders
- Increased activity of Board Committees
- Donor tracking instituted
- Less worried
- Ability to act on opportunities that emerge
- Success of reserve fund development leading to more ambitious goals (Larger reserve and in one case, reinvigorating a capital campaign.)
- Better communication among stakeholders – a sense of common purpose.

Quantifiable Change:

- Successful Board Cultivation
- Increasing the Donor Pool (by number and amount)
- Greater diversity of funding sources and expanding existing sources
- Meeting reserve goal set by the BEA requirements

Building Cash Reserves

Cohort Original Strategies for Building a Reserve Fund

Organization	Reserve Status pre-BEA	Alignment with Strategic Plan	Strategies	Board Involvement
Organization 1 Culturally specific Museum $800K budget	No unrestricted reserves, but restricted funds – i.e. for acquisitions	Yes	Hire external consultant: to assess, plan, execute to raise 30K – 90K. Diversify funding streams	Yes, focus was on Board taking a more energetic role in individual support.
Organization 2 Ensemble based Theater Company $1.8 million budget	Three funds, two with restrictions, one surplus from a prior year	Yes – key to Strategic goal of building "Change Capital"/core fund	Upgrade in development staff to focus on donor development.	Yes, based on staff and Board engagement with donor community.
Organization 3 Senior Program development $1.1 million budget	Small Board controlled Rainy Day Fund. Additional larger reserve without policy	Not described	Upgrade in Finance and development staff	Yes, focused on Board's participation in reserve fund increase and policy development.
Organization 4 Community Arts Center $400K budget	Small reserve used 3-4 times a year, paid back	Yes, first Goal of Strategic Plan is Financial Health	Hire external fund development specialist to increase individual donor support.	A key Board strategy. Development Chair to lead with Executive Director.
Organization 5 Literary arts center and bookstore. $300K budget	$100,000 donor loosely restricted reserve for building acquisition.	Not described. Goals include 6 months reserve.	Focus on internal capacity, business structure, staffing, program, and budgeting.	Board member with Operations Director to Spearhead organizational assessment.

"This is the Middle…Things have had time to get complicated…"

In January 2014, Leslie Ito resigned to take a position as CEO of the Japanese American Cultural and Community Center. From January through May of 2014, interim CCF staff provided program leadership until James Herr was hired as the incoming Arts Program Officer. The numerous transitions within and without CCF led to a recommendation for an expanded timeline "to allow for some breathing room on both CCF and on the grantees part."[2] Three of the five organizations were experiencing significant challenges—to the point where it was difficult to assess BEA's effectiveness as a strategy promoting organizational stability. For these three, the luxury of planning and executing beyond triage was unrealistic—as Board and remaining staff and consultants turned their attention to short-term, intense problem solving.

[2] CCF Internal memo, February 11, 2013

In August and September of 2013, Elisa Callow conducted a second series of interviews to compare to the baseline observations at the beginning of the project to attitudes and experiences later in the year. The subsequent summary is included here as presented then with current updates. It provides insight into issues and opportunities that continued through the program's completion.

1) General Observations

BEA is a process rather than project based grant, with expectations that changes will be made in goals, strategies and financial accounting, but also and possibly more importantly in changing attitudes toward capitalization, organizational leadership's growing sophistication and comfort with financial analysis and planning, Board roles and responsibilities, and community awareness and buy in of the need. When considering grants that affect entire organizational legacy and culture, foundations need to be willing to balance teaching with learning and patience with expectations and metrics.

2) Challenges

The cohort revealed persistent organizational challenges with implications for the *Building Equity in the Arts* program's next steps:

- Increase in working capital is a win-win to all, but many leaders are not ready (emotionally) to formalize a policy of a reserve fund seeing it as a loss of control and a barrier to flexibly responding to opportunities. The idea of losing control over how the cash is spent by formalizing a policy for the use of a fund requires a much higher threshold of cash for some of the cohort leaders.
- The smallest budget organizations will continue to rely on the "equity" of unpaid staff members to support their further stabilization.
- Despite all organizations including engagement with individual donors, very few have made significant headway in this strategy. It is a truism in the arts field, that small and mid-sized organizations do not attract the kind of big donor contributions that are possible with larger, more mature high profile organizations.

3) Key Mid-Term Findings

A. *The organization's actual business structure is a significant predictor of its ongoing health -- those with consistent income streams matched with entrepreneurial capacity are the most able to plan with security.*

   - Organization 1's budget is volatile as its State income contribution changes from year to year and can be held up when there is a budget approval slow down. The Foundation, formed to make up the gap in state support, has not kept up with the need. ($400,000 - $600,000 raised to what was described as an actual need of $1.1 million)
   - Organization 2's is based almost entirely on contributions given its mission to maintain program accessibility.

- Organization 3's income is based on a 60/40 split between earned fees from developers to manage programs in the various properties and contributed income.
- Organization 4's while receiving a fairly healthy percentage (30%) of earned income through classes, struggles with balancing organization capacity and fair expectations of staff with the potential income programs create
- Organization 5's business plan is based in part of contributed staff time to maintain a manageable budget size.

B. *Staffing issues come in second in terms of an organization's volatility or stability.*

- Organization 1 suffered a financial blow due to a bookkeeper's errors[3] during a 6-month period. The organization went from a perceived surplus to an operating deficit of about $70K. Before this was uncovered, it was poised to hire a financially and organizationally sophisticated financial manager and the Board was moving toward creating a reserve fund policy.
- Organization 2 lost three staff members including the Managing Director and Development Director. Both were key to moving forward on the organization's Strategic Plan goal of increased individual giving.
- Organization 3 recently hired a Business Manager after the long time bookkeeper retired. This transition has been a model process with overlap and support ensuring a successful hire. This person has allowed the Executive Director to focus less on finances and more on his talents and skill sets.

> **"Without a stable staff, we can't move on some of the capitalization strategies, without capitalization, it is hard to pay for dedicated staff."**
>
> ***-Managing Director, Organization 2***

- Organization 4's new Executive Director let go one of the organization's key employees, which created a ripple of concern among this close-knit community.
- Organization 5's staff has stabilized due to more consistent hours (most are now full time), better program management, staffing protocols, and some raises.

C. *Organization culture and legacy also play a part in stabilization, as the level of flexibility and responsiveness to environmental changes is a predictor of health.*

- Organization 1 is most affected by its legacy – two entities, two Boards (both described as passive), two staff structures (government and private).
- Organization 2's struggle is with the grand vision of a collective as embodied by the Ensemble and agreement around who makes the final decisions and about what.

[3] Subsequently, the errors were found to be pre-meditated theft, which went undiscovered despite a full audit.

- Organization 4's community feels ownership of the center because of their geographic connection, but does not translate ownership into support.

D. *Capitalization has multiple meanings and implications that extend well beyond financial capacity.*

- As described in the cohort's baseline understanding of capitalization and by the Non-profit Finance Fund, it is having sufficient funds to plan, to respond to unexpected challenges and opportunities, to pay staff fairly, and to provide consistent and expected programs to one's community. A reserve fund is one arrow in the quiver that should hold a number of other arrows – a rational business structure, active board, consistent staff, a culture of planning, and innovative and responsive programming.[4]

4) <u>What Does Success Look Like?</u>

The variations of how the organizations interpreted capitalization, the level of growth from before BEA and after, and the historic challenges that are part of their culture and legacy provided a nuanced list of indicators of success, including:

- Understanding a budget process is a win. One small organization leader remarked that their budgets used to be a series of "projects" responding to funder requirements. They now create a budget that starts with their needs and fund to the budget.
- Understanding that more money is not as important as more unrestricted money.
- Deeper board engagement. Many more Board members are involved in a team approach to the BEA project. All cohort members mentioned that BEA spotlighted an area of the work that they had not had clarity around. Discussions among Board and staff are more nuanced and there is a greater understanding of the terminology of finance and capitalization.
- All spoke of CCF positively noting in particular its obvious respect for the organizations and its willingness to listen and avoid being prescriptive.
- For some organizations, more sophisticated understanding of a reserve fund, its use, and its impact on donor development became apparent:

  "Understanding the difference between fundraising for operating revenue (or Statement of Activities) impact and capital (or Balance Sheet) impact. Some of their "funds" are designed to raise money that will be spent on annual activities that could be considered "operating" while other of their "funds" are really intended to build reserves and balance sheet health. Clarity about those differences, transparency with donors, and agreement at the board level is important. Recognizing that "capital campaigns" for "endowment" dollars can be for "quasi-endowment" funds that are board designated restrictions with clear policies, rather than donor restricted funds that will make the capital less flexible in the case of urgent need. This, again, can be messaged. " -Kim Cook, NFF consultant, email (4/2013) after a meeting with Organization 2.

[4] This observation was reinforced at the October 22, 2013 cohort meeting through the presentation: *Building and Sustaining Cash Reserves, What Have We Learned Thus Far?*, prepared by Nicole Simoneaux, Director Advisory Services, Nonprofit Finance Fund.

"This is the end, the destination we cannot help imagining"

1) What Does Success Look Like? - Part Two

At the conclusion of a pilot grant period, it is typical to evaluate the program's successes and failures. In this case, the CCF had the foresight to meet frequently with the cohort and the consultants whose insights and experiences provided formative grist for CCF's staff. As stated in this report's introduction, if the increase in the organization's fund balance indicating the presence of a reserve fund and development of a reserve fund policy were the criteria for success, the program's cohort would receive a low grade as only one organization met all three of these criteria.

However, a more subtle narrative has emerged—one that looks surprisingly successful as it is a story of cohort commitment and a critical grant strategy that was essential for organizational resiliency and maturation.

- It is entirely possible that without the Building Equity in the Arts program, two of these organizations might have failed financially – Organizations 1 and 4. Both sustained extraordinary organizational stressors internally and both turned to their newly developed reserve fund to maintain their programmatic capacity. In a recent interview, Organization 1's Executive Director remarked, "We didn't lose a beat – the programs went on as promised. I know that I suffered, my staff suffered, but we met our commitments." Although both organizations were compelled to use the reserve fund raised through the BEA program, both are committed to repayment and as of this writing Organization 1 has already done so.
- Despite sustaining significant staffing losses, Organization 2 developed a successful strategy to increase donor support and exceeded their BEA goal. While these donors were reluctant to allocate their gifts to reserves, program support freed up other funds to be allocated to reserves.

Organization	Reserve Fund Raised	Cash Reserve Fund Policy	Increase in Fund Balance
Organization 1	Yes	Yes	No
Organization 2	Yes (allocated for program—shifted to reserve)	Completed and approved within 6 months)	No, but based on timing rather than existence of reserve fund. End of multi-year cycle.
Organization 3	Yes	Yes	Yes
Organization 4	Yes	Yes, post report	No
Organization 5	No, but reallocating existing fund from capital to reserve	Yes	Negligible in terms of new funds.

Additionally, the reduced balance sheet total at the conclusion of the BEA grant period was due more to the cycle of grant receipts. Organization 2's finances are more complex due to the multi-year nature of their productions and their grants. At the time of the final report, it was completing a funding cycle. As of June 2014 their balance sheet is projected to be $200,000 higher than the March amount. Additionally, one of the original donors, after speaking to CCF staff now understands the importance of reserve funds and has shifted support from program to reserve funds. CCF staff took on a meaningful advocacy role in this instance.

- Organization 5's financial bottom line is no different than before, but they have increased their capacity in other, less visible ways. While the BEA program deliberately selected arts organizations varied in terms of budget size and maturity, there was not an explicit plan for integrating understanding of an organization's readiness with CCF's criteria for success. Although Organization 5 met only one of the program's three goals, it traveled the furthest in terms of holistic organizational growth. It is now more functionally staffed, has effective accounting support, develops budgets based on program needs rather than opportunist grants, and has extended its program planning to quarterly rather than weekly. Its leadership now feels ready to focus on development of a reserve fund that builds on a previous windfall.
- Four of the organizations, describe a distinct shift in their boards' level of activity and leadership during the BEA program period that continues today. For some, the staff attrition may have been at the root of the change, but the BEA program provided not only coaching and technical assistance during these fragile periods, but a sturdy set of financial goals to aim toward. In Organization 2's case, the entire board participates on the Finance Committee. Organization 5's board involvement ratcheted up to the point where one member took a leave from the board to work as a staff member.
- For Organization 3, the most stable of the cohort, the changes had more to do with letting go of controls by

"We agreed to make the $100,000 donation, originally targeted as a new building fund, to be used as our cash reserve as long as we paid back whatever we borrowed from this fund."

-Operations Director, Organization 5

"When the board started looking at excess and wanting to get their hands on it, I got defensive, because I raised it. But I also knew that to develop a deeper, better board it needed to feel more intrinsically involved with some control. Everyone sees it as my organization and the board acts like they work for me. The conversations around reserve put the board at the table with me—a key to change in relationship. It's has been fantastic because our conversation is different. I have a board document that we created and it includes board control. We doubled the reserve fund to $80,000 partly through board gifts."

-Founder and Executive Director

the Executive Director. He now recognizes that there is opportunity loss in doing everything and has hired more sophisticated financial staff. The biggest hurdle, however, was giving up control of reserves by restricting their use. The NFF's counseling in this area allowed him to develop with his Board a comprehensive Reserve Policy tailored to its needs.

2) Developing a Cohort:

Another goal of the BEA program was to develop a cohort of peers – all working to develop organizational capacity through BEA. To this end, three meetings were scheduled and some incentives were created for leaders to meet outside of these structured situations. While attempts were made to meet outside of the group meetings. Yet, very few actual connections were made.

There are a number of possible reasons why the cohort did not gel, the key one being leadership attrition. After the first meeting, the same group of people never met again. By the third meeting, two organizations involved Board members to support new or nonexistent staff, and one sent a substitute due to a conflict in scheduling. Other reasons tie more into program design than program circumstance as the diversity of organizations (budget, purpose, community) left some wondering what they had in common.

> *"It was a delight to meet anybody, but I never felt that we came together in ways that we engaged with each other."*
>
> *"It was an encouragement. I thought that losing Leslie and losing the person in NFF interrupted the flow. "*
>
> *"The first meeting, there was a good connection." "And then the groups started sending other people."*

3) Communication Challenges:

As described throughout this report, the number of changes in leadership at CCF, the cohort, and with NFF, made it nearly impossible to create an unbroken thread of communication. There were a number of areas, where this challenge seems to have impact.

- Sharing of materials and knowledge: Some organizations claim not to have received some of the materials generated by NFF, in particular the *Template for Reserve Fund*. Information about strategies and resources occurring during individual NFF consultations were not shared consistently at the cohort meetings.
- Development of relationships: The inconsistent participation of leadership made any deep connection impossible. While the organizational leadership was remarkably candid, there was clearly little or no additive sense of camaraderie.
- Understanding the various supportive roles – CCF, NFF, Elisa Callow: There was some confusion about how the various resources were to be accessed, as the roles of each of the resources were not clearly described. In the case of NFF, there was a desire for more tailored support than its contract indicated leading to disappointment on the part of one organization.

A clear indication of communication gaps was the failure of some organizations to develop a Reserve Policy by the end of the BEA program. At program's end, receiving the final grant payment became the motivation for some organizations to finalize a Policy rather than internally-driven commitment.

Program Recommendations

The following recommendations flow from this report and have been augmented by two separate conversations with organizational leadership:

Recommendation One—Extend project timeline to three years.

Indications for the extension of the program timeline include a need to develop organizational readiness and provide a more realistic time frame for cultivating existing or new donors, integrating a regularized focus on longer horizons and the importance of the development of reserves into the culture of an organization and involving Board members or a shift in relationship between Board and Executive Director.

"It would have been beneficial to have a longer timeline to raise cash reserves. Cultivating major donors to give takes time and attention from leadership. Because of our challenge with a leadership transition, this cultivation of donors was made more difficult than usual." –Organization 2's Final Report, March 2014.

"The first priority was to develop a new culture of fundraising on the Board." -Organization 4's Final Report, March 2014.

"Success can take a long time (years!) before it shows up on the balance sheet. It is okay (normal!) for healthy reserves to be aspirational, not reality." -Building and Sustaining Cash Reserves, What Have We Learned Thus Far?, October 2013, Cohort presentation developed by Nicole Simoneaux, Director Advisory Services, Nonprofit Finance Fund.

"Considering that the goal of the grant was a culture change within the organization this can't happen in 18 months – that feels too temporal and project focused. If this were a three year grant and you are really talking about building new revenue streams, a realistic time frame could include: plan, implement, flesh out and make changes, refine measurements of success." Former Executive Director, Organization 4

The following is a sample scenario that identifies how a longer timeline might play out, highlighted by a preparatory year prior to the full program launch and release of the majority of the grant support.

Y*ear One:* Readiness

- ✓ Assessment of systems
- ✓ Understanding of baseline finances through the CCAT (Core Capacity Assessment Tool)
- ✓ NFF basic training and a small grant for any of the following:
    - Financial accounting – are the internal systems prepared for the development of a reserve fund?

- Provision of referrals to non-profit accounting resources .
- Board development: What does the Board need to succeed?
- Goals, strategies and feasibility: Is it business planning review, more money, board engagement, and donor cultivation? How do we know that these strategies are meaningful?
- Co-vetting plans with cohort and financial and development expertise.
- Tailoring the range of small grants to organizational readiness.
- Creating and approving a Reserve Fund Policy. This recommendation is key, but cannot be achieved without some contextual learning as described for the Readiness period.

***Year Two and Three:* Launch and Completion of Goals**

- ✓ Make allowances for different "starting points" for an organization: size, maturity, and legacy.
- ✓ Evaluate the extent of overarching organizational change as well as achievement of reserve and an increase in the fund balance.
- ✓ Facilitate co-learning by the organizations and consultant technical and "perspective" support.

***Ongoing*: Pathway to Success**

- ✓ Insure that the Foundation checks in with the cohorts to assess their level of stabilization through various metrics including reserve fund and policy, board involvement, staff continuity, mission and program consistency.

Recommendation Two—Require Consistency of Participation and Involve Board Leadership in the Cohort.

- Whenever possible, part of the grant agreement should require that the same people participate in the cohort meetings.
- Within reason, the Board President or Treasurer should participate in any training-focused meetings.

Recommendation Three—Consider the challenges of whole organizational change and be prepared for different outcomes.

Foundations should assume from the outset that the people—on all sides of the table—may change. During the project duration every key player changed in a short span of time. Unexpected financial issues may also come up. Changes in what the organization can or needs to deliver to the community will occur that affect the expected outcomes. Because changes can ripple through an entire organization, maintaining the consistency of board membership is especially important (see recommendation 2 above).

- Institute comprehensive documentation and record keeping so that consistent communications is maintained among those involved through the lifetime of the project.

Recommendation Four—Consider the opportunities for sharing learning with other Foundations.

Many in the cohort saw CCF as a field teacher, acting as an ombudsman between the reality of this sector (small- and midsized organizations) and the field of philanthropy.

- Maintain the practice of an external advisor and evaluator whose role is to witness, record, and provide ongoing feedback to the cohort and CCF staff.
- Continue to have CCF staff focus on coaching and advocacy more than compliance. This orientation was particularly helpful at the conclusion of the pilot BEA program.
- Include NFF or other financially sophisticated resources in the development and assessment of BEA program goals.

Recommendation Five—Assure understanding of all roles and responsibilities of the various participating resources and consultants for benefit of the cohort and the BEA program team.

- Define the purpose and limitations of the NFF or any other technical assistance consultancy.
- Be prepared to revise and expand upon support if necessary.
- Plan for orientation if staffing changes occur within the BEA timeframe.

Coda for the California Community Foundation

> **"…Cooperation is just interdependence. You can be independent, but really a healthy and fuller person is one that masters how to be inter-dependent. It requires a whole other level of complexity and possibility. You go beyond your limitations."**
>
> ***-Operations Director, Organization 5***

At the final BEA cohort meeting, a different group of people sat around the table. Of the original cohort leadership, only two in addition to consultant Elisa Callow, and Nike Irvin of the California Community Foundation were present. Now that the individual strategies and stories had been told, some over arching questions emerged:

- What does organizational readiness look like and what do organizations need to develop a reserve fund?
- What does progress and success look like and how does a Foundation communicate this to its leadership and its peers?
- What lessons are learned from these five organizations' stories?
- What would matter in asset mapping along with actual dollars? People, longevity of staff, board maturity and awareness, the reliable delivery on mission?
- What has the Foundation learned about itself, its capacity for understanding and accepting a range of outcomes?
- How will the Foundation attend to the unfolding story of these organizations given that the program has a longer timeline for "completion" than do more traditional project, program based grants?

Building Equity in the Arts focused on two beneficiaries of capitalization– the organization (internal strengthening) and the communities served (external strengthening). The strategies to be employed were described as a three-legged stool: teaching and technical assistance, board development, and seeding a reserve fund.

Thus the question of *BEA*[5] as a success or failure can be answered as one of qualified success. Its successes can be seen in organizational resiliency and learning, board development and responsibility, foundation responsiveness and flexibility and perhaps most importantly – the community benefit resulting from these organizations' missions and programs, which are only strengthened by BEA, an investment that should continue to yield benefits for years to come.

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[5] The question of impact is complex. How do larger budget organizations evidence impact from a relatively small cash grant? What is the link between internal and external capacity? The connection between changes in organizational culture and external benefit should be viewed as a work in progress understood and tracked over time as these organizations develop greater resiliency.

The California Community Foundation (CCF) is committed to improving the quality of life of all Los Angeles County residents by addressing the root causes of the county's most urgent challenges. The foundation has served as a public, charitable organization since 1915, empowering donors to pursue their own personal passions and to collaborate with us in transforming Los Angeles County. CCF stewards $1.5 billion in assets and manages nearly 1,600 charitable foundations, funds and legacies.

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