



**Baltimore City Children and Youth Fund
Report to Mayor and City Council
May/June 2019
(Submitted August 20, 2019)**

This report covers activities conducted in the months of May and June 2019 for the Baltimore City Youth Fund (BCYF). This combined report includes information on the immediate and longer-term impact of the City's audit of the Fund, which spanned several months and stretched the capacity of ABC staff and BCYF contractors.

Capacity Implications of City Audit

As noted in last month's report, the City ordered a complete audit of the Fund on April 11, 2019. Though the decision was an opportunity for ABC and BCYF to show that the project has been well managed, and grantees selected without political influence, the audit led to significant delays in multiple areas of the project, including the following:

- **Grantmaking delays:** The disruption in funding placed a hold on ABC's ability to expand the staffing, operational and programmatic capacities necessary to support the grantmaking process and halted all activity related to initiating the release of new RFPs. During the Year 1 process, ABC subcontracted with two consulting firms to design and execute the grantmaking process for BCYF. ABC was not able to onboard the additional capacity needed to support a new grantmaking cycle, including the possibility of extending continuation grants for Year 1 grantees, whose grant cycle was considerably shorter than expected given their difficulties in acquiring insurance.
- **Disbursement delays for current grantees:** The ABC finance coordinator assigned to BCYF had to spend time gathering the financial for the BCYF audit and at the exact same time, ABC's own fiscal audit was underway also requiring significant percentage of his time along with regular accounts payable and reviewing BCYF grantees expense reports. These were the grantees' second quarterly expense reports, which were due March 31. ABC required grantees' second quarterly report to be approved prior to disbursing the next grant payment. The audits significantly delayed BCYF's ability to clear these reports. Some grantees had to cease or significantly curtail program activities.
- **Delayed responsiveness to grantees:** The BCYF audit resulted in a significant work burden for ABC staff and BCYF contractors whose time and attention were diverted away from the current portfolio of grantees. In addition to the delays, reviewing reports and disbursing funds, the BCYF team lacked the capacity to respond to grantees in a timely manner. The administrative team processes up to 50 emails daily from grantees and fiscal sponsors. The audit also occurred as BCYF was discussing the possibility of a "no-cost extension" for grantees due to multiple delays and challenges during the grant cycle. Decisions and work plans were placed on hold as BCYF contractors responded to requests for information for the audit.

Grantee Reporting:

Grantees' quarterly reports reflected numerous success stories and also some challenges, including those associated with operating a nonprofit with limited resources and capacity. A number of grantees regularly posted photos and videos of their programs on their own social media sites and the BCYF team is beginning to compile videos for the Fund's social media sites. These are just a few highlights of the work performed this quarter:

- Almost 300 students participated in workshops focused on grief, with 45 students attending a 10-week peer support group. One high school student in particular, with a history of aggression after his brother's murder, ultimately expressed an interest in becoming a peer ambassador to help other grieving students at his school.
- Several students graduated from high school, including some students who overcame academic, medical or personal challenges. Programs held career days to help students with job applications, financial literacy and mock interviews and celebrated their students planning to attend community and four-year colleges. Among the many success stories:
 - A student who received the Howard University Bison Scholarship which covers education costs up to a Doctor of Philosophy or Medicine.
 - A student who will be attending the University of Pennsylvania this Fall on a four-year, full academic scholarship.
 - A student who will be attending Washington College in the Fall with a full scholarship for four years.
 - Several students accepted into college with a mix of scholarships, financial aid and parental support.
- Multiple programs include a travel component where students visited New Orleans, Philadelphia, Washington, D.C., and South Carolina for educational and cultural exchanges. Local field trips, such as to iFLY, an indoor skydiving facility, provided students an opportunity to learn about physics.

School-based programs held close-out activities in May and June and summer programs prepared for an influx of youth. Multiple programs began preparation for YouthWorks - either sponsoring youth and young adult workers or helping their program participants prepare for placement.

Grantees continued to struggle with financial reporting and BCYF onboarded a fiscal TA consultant in May to provide in-person assistance. As noted in earlier reports, the standard of reporting for public funds is significantly different than reporting for private foundations. Grantees are required to produce proof of payment for each expense - a receipt, credit card or bank statement and/or canceled checks. For each employee or volunteer receiving a stipend, either a payroll report or invoice with proof of payment is required along with details about the work the individual performed. Documentation can be up to 200 pages for grantees with large or complex budgets. This can be a considerable undertaking, not just for grantees characterized as new, emergent or developing in terms of financial and administrative controls, but even large organizations and fiscal sponsors have submitted expense reports that were ultimately rejected and returned for revisions. Sometimes this is a result of incomplete information

ABC's fiscal staff assigned to BCYF has significant experience in financial compliance and what is considered acceptable documentation. All of the grantees were given a basic sheet at the beginning about the elements that would be reviewed. The fiscal consultant who designed the sheet & ABC approved it, also had experience in working with public funding grantees which is significantly different than private funding requirements.

Initially, grantees were slow to work with the new finance TA consultant, having been introduced to several different team members since their onboarding and not always understanding the various roles. Some grantees also balked at the requirement that the meetings occur in person. Given the lack of success with providing guidance and instruction remotely through email, the meetings were designed to help grantees revise the first and second quarter expense reports, with the required backup documentation, and begin practicing sound fiscal recordkeeping. (These reports were due March 30).

Meetings in May and June had mixed results. Some grantees came to the meeting without the required documentation and did not complete the report, expecting the BCYF team to complete it. Others revised the expense report during the meeting but failed to submit the final version for approval with the documentation. Some grantees aired their frustration with the request for additional documentation and did not submit revisions. A few grantees were able to complete the entire process only for their report to sit unreviewed because the team was occupied with the audits.

Grantees' third quarterly report was due June 30, while the audit was still ongoing. The majority of grantees still did not have an approved report from either the first and/or second quarter as of June 30. Though the finance coordinator was slowly able to begin addressing the backlog of financial reports while still supporting the audit, the majority of reports reviewed were rejected due to errors and/or lack of sufficient documentation. These grantees were advised of the required corrections and referred to the financial TA consultant. A number of grantees chose to make the corrections on their own and subsequently turned in another report that was usually rejected because the original issues were not resolved, or their explanations created additional questions. This cycle of revisions and rejections further exacerbated the backlog of reports and resulted in a frustrating experience for grantees who waited upwards of eight weeks between the submission and review of their report. As noted in the March/April report, only 24 of 83 grantees had received their anticipated disbursements by April 30.

As part of the effort to solve the challenges around financial reporting, ABC invited the fiscal sponsors serving BCYF grantees to speak with ABC's President and CEO, Controller, finance coordinator assigned to BCYF, and financial TA consultant. The conversations served two purposes: to clarify required back up documentation for expense reports and to remind fiscal sponsors that unspent grant funds and grant funds spent outside of the approved budget would need to be returned to the City, per the BCYF contract.

The first session, on May 24th, was an in-person meeting with Fusion Partnerships and Strong City, which combined, serve as fiscal sponsor for more than a quarter of programs in the BCYF portfolio. Both fiscal sponsors expressed frustration with changing requirements for expense reports, delays reviewing reports and the pace of disbursements. Fiscal sponsors typically allow grantees to expend the full grant amount provided there is a signed grant agreement and offer bridge funding to programs when funders break grants into multiple disbursements. This practice, however, leaves the fiscal sponsors vulnerable to cash flow shortages when grant payments are withheld. Fusion and Strong City were waiting on up to \$300,000 in BCYF funds.

The second session with fiscal sponsors, held via conference call and recorded for those unable to attend, was for the nine remaining fiscal sponsors supporting just one BCYF grantee per sponsor. Some of these fiscal sponsors were new to providing the service and unaware of the financial and legal responsibility they assumed when they signed the contract. These new, typically small, fiscal sponsors are also less likely to provide financial management for grantees, which increases the likelihood the expense reports will be rejected.

Technical Assistance Update

The team of technical assistance (TA) advisors continued to provide individualized support to each grantee, ranging from helping organizations complete narrative reports, providing guidance on program design and implementation, and offering resources such as leads on additional grants and sources of funding. TA providers also supported grantees with making budget and metrics revisions and submitting them to BCYF for approval, in accordance with the grant contract. Given the administrative team's slow response time to grantees due to the audit, the TA advisors served the critical role of tracking down a team member to review time-sensitive requests. The TA team has collectively spent 3,236 hours supporting grantees since their onboarding in December.

BCYF held a grantee convening on May 4, organized and led by the consulting firm SRG, a BCYF partner and TA provider. More than 80 individuals attended the convening at Barclay Elementary/Middle School and grantees were encouraged to bring additional members of their team so they could attend multiple breakout sessions. Topics included:

- Narrative reporting, storytelling, and metrics: Grantees are required to submit both narratives and metrics in the quarterly reports.
- Strategies for outreach and recruitment: Some grantees have faced difficulty recruiting their target youth population.
- Maximizing technical assistance: BCYF learned during this session that although TA had been explained on several occasions, some grantees did not understand the role of their TA advisor and were reluctant to share their challenges and ask for help out of fear of losing funding.
- Financial management practices: Multiple grantees have privately expressed an apprehension and lack of understanding around financial management.

A convening offered on June 25 focused on program sustainability and strategies for accessing public and private funding. The information session was in response to grantees' questions about how to continue their programs after the BCYF grant. BCYF was limited to offering just one-year funding rather than multi-year, which often results in programs shutting down just as participants are beginning to experience a positive impact. The convening offered a panel with local funders, a working session on organizational readiness and capacity development, and guidance on best practices and models for sustainability.

BCYF and SRG also began planning the Summer Institute, a final convening for Year 1 grantees, to be held in August. The team would have liked to offer convenings for non-grantees but due to a lack of capacity, BCYF opted to focus on offerings limited to the portfolio.

Year 2 Grantmaking and Transition Planning

A plan and timeline for Year 2 grantmaking was devised and laid out in January 2019, which was contingent upon several components, including budget, staffing and approvals of the grantmaking strategy from ABC and the City. By March, this plan could not be finalized given unresolved levels of clarity ABC needed. (Made changes here). After the audit was announced and MOU renewal with ABC delayed, BCYF halted all activity related to initiating grant continuations for Year 1 grantees and the release of new RFPs at the direction of the City. Though the City renewed the MOU in June, BCYF is now faced with balancing a convergence of requirements instead of sequential projects.

➤ Grantmaking

- In Year 1, BCYF was urged to disburse \$10.8MM in one portfolio with limited infrastructure in place to support onboarding 84 grantees at the same time and especially grantees requiring significant support/capacity building. Grantees received limited onboarding in advance of contracting, which led to multiple challenges throughout the grant cycle and negatively impacted programs. BCYF seeks to avoid these challenges in Year 2 by implementing a grantmaking strategy based upon the values and principles set by the Task Force.

➤ Supporting Year 1 Grantees

- BCYF will continue supporting grantees with corrections/revisions Q1 and Q2 reports so they can receive their final disbursements before the end of the grant cycle on August 31.
- The grantees will be offered a 60-day no-cost extension for Year 1 grantees, as needed.
- If continuation grants for Year 1 grantees are approved, we will close out the grantee's Year 1 grant first and conduct due diligence that includes:
 - Approving the final quarterly report
 - Reviewing Year 1 performance and reports; discussing strengths, areas for improvement and lessons learned
 - Developing a refined Year 2 activity plan/scope of work, including plans for youth recruitment and retention, and partnership
 - Developing a refined Year 2 staffing plan
 - Developing a refined Year 2 budget and spending plan
 - Drafting Year 2 performance measures and targets
 - Reviewing Year 2 compliance requirements and coordinating next steps (i.e. insurance renewal, fiscal sponsorship, etc.
 - Identifying Year 2 technical assistance and capacity building goals

➤ Building the Permanent Institution

- The MOU between the City and ABC calls for BCYF to transition to a permanent institution, reflecting the recommendation of the BCYF Task Force to form an independent organization with an independent governing body to oversee the Fund long-term.
- The BCYF consultant team met with representatives from the City to gain clarity around legislative and operational requirements and coordinate those requisites with ABC.

Miscellaneous

➤ **Site visits**

As noted in March/April report, BCYF contacted grantees in April to set up site visits, a requirement of the City's MOU with ABC. The site visit coordinator was scheduled to visit programs in May and June. Note grantees did not get started until December 2018/January-February 2019. Grantees have been inviting the BCYF team to events and activities throughout the grant cycle and were typically eager to host the site visits. Approximately three programs had already completed their activities and BCYF is documenting their progress through pictures and videos posted on social media and/or letters from parents confirming their child's involvement and activities they conducted while in the program.

➤ **Renewal of Memorandum of Understanding**

The City Council Budget committee unanimously voted on June 13 to reauthorize the MOU between the City and ABC to continue operating BCYF for another year after city auditors stated there were no material findings to date related to how grants were administered. The full City Council approved the MOU on June 17.