



Strengthening Communities Initiative

Building Nonprofit Capacity to Advance Economic Recovery

REQUEST FOR PROPOSALS

The Northland Foundation has announced a new two-year effort to provide technical assistance, competitive financial awards, and training to community and faith-based nonprofit organizations providing critical services to assist in the economic recovery of Northeastern Minnesota.

1. INITIATIVE OVERVIEW AND FOCUS

The Northland Foundation's ***Strengthening Communities Initiative: Building Nonprofit Capacity to Advance Economic Recovery*** is a two-year project designed to increase the long-term sustainability and effectiveness of nonprofit partners to address broad economic recovery issues. Eligible organizations will provide programs or services that assist low-income people of all ages in gaining greater economic security. Examples include, but are not limited to, helping people to:

- secure and retain employment
- earn higher wages and obtain better-quality jobs
- gain greater access to State and Federal benefits and tax credits
- access educational support, job training, and job coaching
- improve financial literacy and asset development
- access affordable housing
- prevent and mitigate foreclosure
- access basic needs
- access various supports to help overcome barriers to employment such as transportation, child care, etc.
- receive support or assistance to start a business

Community and faith-based nonprofit organizations participating in the Initiative will be supported through:

- *Technical Assistance*

Organizations selected to participate in the Initiative will work intensively with experienced consultants and Northland Foundation staff to identify and address capacity-building needs over the course of the project.

- *Competitive Financial Awards*

Organizations who are receiving technical assistance will have the opportunity to apply for competitive financial awards to help further their capacity-building work.

- *Training*

The Northland Foundation will host several capacity-building workshops over the course of the Initiative that address a variety of topics relevant to organizational sustainability.

Training is free and open to any nonprofit regardless of their participation in the Initiative.

Specifically, nonprofit organizations will receive assistance with capacity-building activities across five critical areas (see Appendix C for detailed descriptions):

1. Organizational Development
2. Program Development
3. Collaboration and Community Engagement
4. Leadership Development
5. Evaluation of Effectiveness

Capacity-building activities are intended to increase an organization's sustainability and effectiveness, enhance its ability to provide social services, and create collaborations to better serve those in need. Organizations will undertake capacity-building work in at least three of the five critical areas listed above.

The Strengthening Communities Initiative is funded with a grant from the U.S. Department of Health and Human Services Administration for Children and Families as part of the American Recovery and Reinvestment Act of 2009 - Strengthening Communities Fund - Nonprofit Capacity Building Program. Additional financial support comes from the Minnesota Community Foundation and the Northland Foundation.

2. ELIGIBILITY CRITERIA

Community and faith-based organizations interested in participating in the Initiative must meet the following criteria.

- Participating organizations must be a nonprofit.*
- Participating organizations must provide programming that addresses broad economic recovery issues.
- Participating organizations must provide the economic recovery programming in the seven-county area of northeastern Minnesota (Aitkin, Carlton, Cook, Lake, Koochiching, Itasca, and/or St. Louis counties).
- Organizations with budgets of \$500,000 or less will be given a preference in selection. Additionally, organizations working with agencies that administer the Temporary Assistance to Needy Families (TANF) Program will also be given a preference in the selection process.
- Faith-based organizations must operate at least one secular social service program in order to be eligible (see Appendix G for more information regarding religious programming).

*There is no requirement that organizations applying for the Initiative have 501(c)3 status or a fiscal agent with 501(c)3 status. However, organizations are required to submit proof of their nonprofit status (refer to Appendix D).

3. STRENGTHENING COMMUNITIES INITIATIVE APPROACH

The Strengthening Communities Initiative will utilize a tailored approach to building the capacity of participating nonprofits. The capacity building will include three components:

1) **Technical Assistance**

Technical assistance is the main thrust of the Initiative and will be targeted, one-on-one work that participating organizations undertake with the Initiative consultant. Experienced consultants will work intensively with key staff, board, and volunteers of participating organizations to identify and address the capacity-building needs through the Initiative. Technical assistance will be ongoing over the course of the project and will be offered at no cost to participating organizations. Organizations will develop a technical assistance action plan (scope of work) with the Northland Foundation and its consultants to outline the capacity-building activities that will be undertaken. Organizations receiving technical assistance must work in three of the five critical capacity-building areas.

The Initiative will work primarily with Kathy Keeley as the lead provider of technical assistance. Ms. Keeley brings over 25 years of experience in economic development,

finance, and performance measurement in the nonprofit, government, and for-profit sectors (for a full bio, see Appendix H).

Organizations receiving technical assistance can expect to work with the consultant to review their organization's programs, policies, and procedures in various areas and work to improve these areas. Examples of work could include, but is not limited to:

- Strategic planning
- Board development
- Development or updating of performance measurements, monitoring, and evaluation
- Development of fundraising plans
- Updating financial policies and management systems

2) Competitive Financial Awards

Only organizations that are receiving technical assistance will have the opportunity to apply for a financial award. Funds can be used to further extend capacity-building work with outside experts; purchase technology, software, or equipment; cover the cost of specialized training; and/or fund staff time for the capacity-building activities. Awards will be made on a competitive basis, and an organization can only receive one award. *There is no requirement or advantage for organizations to offer matching funds for capacity-building activities.*

Organizations with budgets over \$500,000 can apply for financial awards up to \$20,000. Organizations with budgets under \$500,000 will typically apply for financial awards up to \$10,000.

The purpose of the Strengthening Communities Initiative is to develop the long-term capacity of grassroots community and faith-based organizations to deliver effective, efficient, and accountable programs that meet critical human service needs and address broad economic recovery issues.

Financial awards must be used in ways that are consistent with this purpose. Requirements of financial awards include:

- Must be used for capacity-building activities only. Examples of allowable expenses include, but are not limited to: (a) consultant fees, (b) training costs, and (c) technology improvements.
- Limited salary support for staff engaged in capacity-building activities may be considered.
- May not be used to deliver direct program services or medical services to clients (see Appendix F).
- May not be used for inherently religious activities. Applicants must adhere to all Federal separation of church and state requirements. Costs related to religious services, religious education, or any other activity with religious content may not be charged to the financial assistance (See Appendix G).

- May not be used for purchasing real property (land), construction, or related expenses.
- May not be used for direct fundraising expenses. For example, organizations may use funds to secure a consultant who will provide training and support in fund development but may not hire a fund-raising consultant to plan a specific event or make a funding request (See Appendix E).
- Activities of program partners receiving financial awards are governed by all applicable Federal laws and regulations. Accountability and transparency are essential.

Northland Foundation staff will assist applicants in developing a budget for their financial award application, as needed.

3) **Training**

To make a widespread impact throughout the region, the Strengthening Communities Initiative will offer six trainings over the course of the project period. Trainings will be held on a range of topics covering the five critical capacity-building areas. Trainings will be free of charge and open to organizations participating in the Initiative along with all other interested organizations.

4. APPLICATION PROCESS

To ensure quality, the Strengthening Communities Initiative will offer two Technical Assistance cohorts. The first cohort will start in May 2010 and the second in October 2010. Each cohort will have two opportunities to apply for competitive financial awards while receiving technical assistance. Again, only organizations receiving technical assistance can apply for competitive financial awards. Organizations can receive only one financial award during this two-year project.

Table 1 – Key Dates for the Strengthening Communities Initiative

Activity	Cohort I	Cohort II*
Informational Sessions	February 9-10, 2010	June 2010
Application Deadline	March 15, 2010	August 13, 2010
Selection for Participation	May 14, 2010	October 15, 2010
Financial Award Applications Due**	June 30, 2010 OR December 31, 2010	November 30, 2010 OR March 31, 2011

* Dates for Cohort II are tentative.

**Only organizations receiving technical assistance may apply for competitive financial awards. Decisions on financial award applications will be made approximately six weeks after an application deadline.

a. Application

Organizations interested in participating in the Strengthening Communities Initiative must first apply to receive technical assistance. An online application is available through the Northland Foundation’s web site (hard copies are also available upon request).

b. Site Visit

After completing the online application, organizations will have a site visit scheduled with Northland Foundation staff to further discuss the organization’s application and capacity-building needs.

c. Selection

An independent panel will review the organization’s application and site visit report and select organizations to participate in the Initiative. Approximately **45 organizations** will receive technical assistance through the Initiative during the two-year project period.

d. Application for Competitive Financial Awards

Organizations who are receiving technical assistance will be eligible to apply for competitive financial awards of up to \$20,000 to further their capacity-building work (up to \$10,000 for organizations with budgets of \$500,000 or less). Each cohort will have two opportunities to apply for financial awards during their participation in the Initiative. Due to limited funds, not all organizations receiving technical assistance will necessarily receive a financial award. An equal amount of funding will be available for the competitive financial award rounds during each cohort. A copy of the Financial Award Application and funding criteria are provided in Attachment B.

5. SELECTION CRITERIA

Organizations will be selected to receive technical assistance on a competitive basis. Applications will be reviewed and selected by an independent panel utilizing the criteria presented in Table 2.

Table 2 – Application Review Criteria

Criteria	Weight
To what extent do the programs and services of the organization address broad economic recovery issues present in the communities it serves?	35%
To what extent has the organization articulated its capacity-building needs in the five criteria areas?	10%
To what extent has the organization outlined capacity-building activities that will meet its stated needs?	10%
To what extent are the proposed capacity-building activities reasonable and attainable through the Initiative?	10%
To what extent will the organization be better able to serve low-income people through its programs and services that foster economic recovery after participating in the Initiative?	35%

Table 2 – Application Review Criteria (continued)

Criteria	Weight
Bonus Points	
Does the organization have a budget of \$500,000 or less?	10%
Is the organization working with an agency responsible for administering the Temporary Assistance to Needy Families (TANF) program?	5%

6. IMPLEMENTATION

1) Technical Assistance

If selected, organizations receiving technical assistance will work with the Northland Foundation to develop an action plan (scope of work) detailing the activities to be completed including specific deliverables, time lines, and expectations of each party. Organizations will receive technical assistance for approximately 12 to 16 months.

2) Competitive Financial Awards

Organizations receiving financial awards will have nine months to implement the activities detailed in their proposal.

7. EXPECTATIONS OF PARTICIPATING ORGANIZATIONS

Organizations that are selected to participate in the Strengthening Communities Initiative will agree to the following expectations.

- Work with Northland Foundation staff and consultant to develop a detailed action plan (scope of work) outlining the work to be undertaken as part of the Technical Assistance program
- Participate in Strengthening Community Initiative training workshops
- Commit the necessary staff, board, and volunteer time to successfully participate in the Initiative
- Participate in all components of the Initiative
- Complete all mid-term and final reports on time
- Submit accurate financial reports which will include appropriate documentation of expenses
- Spend financial award funds only on eligible capacity-building activities
- Participate in the evaluation of the Initiative

8. CONTACT INFORMATION

If you have any questions about the Strengthening Communities Initiative, please contact:

Erik Torch, Grant Program Manager
Northland Foundation
202 West Superior Street, Suite 610
Duluth, MN 55802

(218) 723-4040 or (800) 433-4045
erik@northlandfdn.org

9. APPENDICES

- A. Application Form
- B. Application for Financial Awards (for organizations receiving technical assistance)
- C. Critical Capacity-Building Areas (with examples of allowable activities)
- D. Proof of Non-Profit Status (list of acceptable documents)
- E. Direct Fundraising vs. Capacity-Building
- F. Direct Services vs. Capacity-Building
- G. Legal Safeguards: Guidance Concerning Religious Programming
- H. Biographical Information for Kathy Keeley



Strengthening Communities Initiative

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APPLICATION FORM

Nonprofit organizations are asked to complete the online application, which begins with a short eligibility quiz. To access the online application, please visit the Northland Foundation's web site at www.northlandfdn.org/SCI/index.shtml

I. CONTACT INFORMATION

Date: _____ Organization Name: _____

Contact Person: _____ Phone: _____

Email: _____

Street Address: _____

City: _____ State: _____ Zip: _____

Federal Employer Identification Number (FEIN): _____ (if available)

II. PROGRAMS AND SERVICES

1. Briefly describe your programs that address broad economic recovery issues in the communities you serve:

2. Select the services you currently provide that address broad economic recovery issues (select all that apply):

Assistance in Obtaining or Retaining Employment Job Training Job Development

Social Services to the Unemployed or Underemployed Access to State/Federal Benefits

Other Economic Recovery Efforts (please explain): _____

3. Does your organization currently work with agencies providing TANF (Temporary Assistance to Needy Families):

Yes No

4. In which Minnesota counties do you operate these programs (select all that apply):

Aitkin Carlton Cook Itasca Koochiching Lake St. Louis

III. ORGANIZATIONAL STRUCTURE AND FINANCIAL INFORMATION

5. Current number of paid staff members: _____

6. Current number of volunteers: _____

7. Current number of board members: _____
8. Fiscal year: (date) _____ to _____
9. Current organizational budget: \$_____
10. Deficit or surplus year-end balance for your most recently completed fiscal year: Deficit Surplus
11. Predictions for your current fiscal year: Deficit Surplus
12. Adjustments to budget in the current fiscal year: Adjusted up Adjusted down No adjustment
13. Organization has a mission statement: Yes No Don't Know
14. Organization has a current strategic plan: Yes No Don't Know
15. Staff has reviewed the strategic plan at least once in the last year: Yes No Don't Know
16. Board has reviewed the strategic plan at least once in the last year: Yes No Don't Know
- 17a. Organization develops a written annual work plan: Yes No Don't Know
- 17b. If yes, board approves the annual work plan: Yes No Don't Know
18. Organization has defined program goals for the current fiscal year: Yes No Don't Know
19. Organization has developed measurable program outcomes: Yes No Don't Know

Please rate the following areas:

	1	2	3	4	5
	Not at all	Very little	To some extent	To a great extent	Completely
20. To what extent is your organization achieving the program goals it set for the current fiscal year?	1	2	3	4	5
21. To what extent does your organization measure progress towards achieving outcomes monthly?	1	2	3	4	5
22. To what extent do your information technology systems meet the needs of your organization?	1	2	3	4	5
23. To what extent are you satisfied with your current financial accounting and reporting system?	1	2	3	4	5
24. To what extent does your organization effectively communicate with donors?	1	2	3	4	5

Your organization:

25. Creates cash flow projections. Yes No Don't Know
26. Reviews cash flow projections regularly. Yes No Don't Know
27. Has successfully partnered with other nonprofits in your sector. Yes No Don't Know
- 28a. Increased the number of individuals served over the last fiscal year. Yes No Don't Know
- 28b. If yes, please estimate the percent of increase _____%
29. Has defined two or three scenarios/options for managing your future should funding become more limited.
 Yes No Don't Know

IV. CAPACITY-BUILDING NEEDS

The Strengthening Communities Initiative is designed to increase the long-term sustainability and effectiveness of nonprofit partners to address broad economic recovery issues in northeastern Minnesota. Eligible organizations will provide programs and services to low-income people of all ages that assist them in gaining greater economic security.

30. Please describe the capacity building needs of your organization in relation to your programs and services that foster economic recovery in communities.

31. Please describe how your organization's participation in the Strengthening Communities Initiative will help position your organization to better serve low-income people in gaining greater economic security.

V. CAPACITY- BUILDING NEEDS ASSESSMENT

For the purpose of this project, **capacity building** is defined as undertaking activities designed to increase an organization's sustainability and effectiveness, to enhance its ability to provide social services, and to create collaborations to better serve those in need. This Initiative is focusing on capacity building in **five critical areas**: 1) Organizational Development, 2) Program Development, 3) Leadership Development, 4) Collaboration and Community Engagement, and 5) Evaluation of Effectiveness.

Please rate your organization's current need for capacity building in the following areas:

	1 No Need	2 Very limited Need	3 Some Need	4 High Need	5 Very High Need
32. Organizational Development - Developing or strengthening systems in management, human resources, finance, IT, and planning.	1	2	3	4	5
33. Program Development - Making program improvements to expand reach or improve effectiveness.	1	2	3	4	5
34. Leadership Development - Improving the leadership ability of staff, board, and volunteers.	1	2	3	4	5
35. Collaboration & Community Engagement - Developing collaborations or strategic partnerships with other nonprofits or interested parties (i.e. businesses, colleges, etc.)	1	2	3	4	5
36. Evaluation of Effectiveness - Conducting formal evaluations, developing new performance measures, implementing best practices, replicating effective program models.	1	2	3	4	5

For capacity-building areas rated "Some Need" or higher, please describe briefly what specific activities your organization would like to undertake with assistance provided by the Strengthening Communities Initiative.

37. Organizational Development:
38. Program Development:
39. Leadership Development:
40. Collaboration & Community Engagement:
41. Evaluation of Effectiveness:

VI. ATTACHMENTS

Please attach the following documents:

- 1) Current year budget
- 2) Mission statement and description of current programs and services (one page total)
- 3) Proof of nonprofit status
- 4) List of board members with affiliations
- 5) Current strategic plan, if your organization has one

Return completed application and attachments to:

Erik Torch, Grant Program Manager
Northland Foundation
202 W. Superior Street, Suite 610
Duluth, MN 55802

FUNDING SOURCES

The Northland Foundation's Strengthening Communities Initiative is funded in large part with a grant from the U.S. Department of Health and Human Services Administration for Children and Families as part of the American Recovery and Reinvestment Act of 2009 – Strengthening Communities Fund – Nonprofit Capacity Building Program.

ABOUT THE NORTHLAND FOUNDATION

The Northland Foundation is a resource for people, businesses, and communities working toward prosperity through economic and social justice in Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties. The Grant Program directs resources to nonprofits addressing children and youth/strengthening families, poverty alleviation/self-reliance, and programming to help older adults remain vital and independent. The Business Finance Program provides loans to help grow a sustainable economy. The KIDS PLUS family of programs is focused on improving the well-being of children and youth.



Building a Strong Foundation for the Future of Our Region

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www.northlandfdn.org



Strengthening Communities Initiative

Building Nonprofit Capacity to Advance Economic Recovery

APPLICATION FOR FINANCIAL ASSISTANCE

CONTACT INFORMATION

Submittal Date: _____

Applicant Organization: _____

Address: _____

City: _____ State: _____ Zip: _____ County: _____

Contact Person: _____ Title: _____

Telephone: _____ E-Mail: _____

Organization Website: _____

IRS Tax Federal ID Number (FEIN): _____ (if available)

Annual Organizational Budget: _____

Amount Requested: \$ _____

Recommended financial award requests are up to \$20,000 for organizations with budgets greater than \$500,000 and up to \$10,000 for organizations with budgets of \$500,000 or less.

Instructions:

Organizations must be selected to receive technical assistance in order to apply for a financial award.

1. Please complete the cover sheet, provide a project narrative of 2-5 pages and complete the budget form.
2. Please include the following attachments and any relevant supporting documents:
 - Organization's annual operating budget for current year
 - Organization's most recent audited financial statement (if available) or Form 990
 - List of current board members with affiliations

Return completed application and attachments to:

Erik Torch, Grant Program Manager
 Northland Foundation
 202 W. Superior Street, Suite 610
 Duluth, MN 55802

Capacity-Building Project Narrative

I. Organizational Information

1. Provide a brief summary of your organization's history and mission.
2. What geographic area does your organization serve?
3. Describe how your organization and programs foster broad economic recovery?
4. If applicable, please describe how your organization currently works with agencies providing TANF (Temporary Assistance to Needy Families).
5. Please describe the target population that is currently served by your organization related to your economic recovery efforts.

II. Capacity-Building Project Information

6. Please identify a minimum of three critical capacity-building areas that you plan to address with the proposed project: (a) organizational development, (b) program development, (c) leadership development, (d) collaboration and community engagement, and (e) evaluation of effectiveness.
7. For each critical capacity-building area selected above, please describe why it is a priority for your organization.
8. Please describe the specific capacity-building activities that you plan to undertake with this project.
9. What is the timeframe of your proposed capacity-building activities?
10. Please list key staff and consultants with their qualifications, who will play a major role in the project?
11. What results do you anticipate from the specific capacity-building activities?
12. How will this capacity-building project help position your organization for long-term sustainability?
13. How will you know that your capacity-building activities have been successful?

III. Capacity-Building Project Budget (please complete attached form)

Capacity-Building Project Budget

ORGANIZATION: _____

TOTAL AMOUNT REQUESTED: _____

IMPLEMENTATION TIME LINE: from _____ to _____ (up to 9 months)

Please add more rows as needed. Be sure to briefly describe each of the budget categories provided below.

BUDGET LINE ITEM	TOTAL (Line Item)
Salary and benefits (amount related to capacity-building work)	
	\$
	\$
	\$
<i>subtotal</i>	\$
Consultant and professional services	
	\$
	\$
	\$
<i>subtotal</i>	\$
Conference/Training/Workshops	
	\$
	\$
	\$
<i>subtotal</i>	\$
Equipment	
	\$
	\$
	\$
<i>subtotal</i>	\$
Technology (hardware, software, and software training)	
	\$
	\$
	\$
<i>subtotal</i>	\$
Other Capacity-Building Needs	
	\$
	\$
	\$
<i>subtotal</i>	\$
GRAND TOTAL	\$

Selection Criteria for Financial Awards

Organizations will be selected to receive financial awards on a competitive basis. Applications will be reviewed and selected by an independent panel utilizing the criteria presented below.

Financial Award Review Criteria

Criteria	Weight
To what extent is the organization's mission and programming in line with the goal of the Strengthening Communities Initiative to support economic recovery in northeastern Minnesota?	30%
To what extent did the organization identify activities in at least three of the five critical capacity building areas?	10%
To what extent did the organization clearly state its capacity-building needs?	10%
To what extent are the proposed capacity-building activities likely to meet the identified needs?	15%
To what extent did the organization demonstrate that capacity-building support will result in significant improvement to service?	15%
To what extent has the organization demonstrated support from its leadership for participation in the capacity-building program?	10%
To what extent are the anticipated results of the program measurable and attainable?	10%
Bonus Points	
Does the organization have a budget of \$500,000 or less?	10%
Is the organization working with an agency responsible for administering the Temporary Assistance to Needy Families (TANF) program?	5%



Strengthening Communities Initiative

Building Nonprofit Capacity to Advance Economic Recovery

CRITICAL CAPACITY-BUILDING AREAS WITH EXAMPLES OF ALLOWABLE ACTIVITIES

1. Organizational Development

Developing or strengthening systems in management, human resources, finance, IT, and planning.

- Create a staff performance review process
- Create a strategic plan
- Create financial management procedures/ improve internal controls
- Create job descriptions
- Create marketing materials
- Create/revise organizational identity
- Create/update an annual report
- Implement a new accounting system
- Implement a new budgeting process
- Implement a staff performance review process
- Implement new financial management procedures
- Incorporate as a legally recognized organization
- Install IT infrastructure
- Obtain 501(c) (3) status with the IRS
- Create a revenue development plan
- Identify potential funding sources
- Implement donor tracking software
- Provide revenue development training to staff

2. Program Development

Making program improvements to expand reach or improve effectiveness.

- Analyze outcome data /evaluate effectiveness of current services
- Collect information related to service recipient outcomes
- Collect information related to service recipient satisfaction
- Create an outcome measurement plan
- Implement systems to keep information related to client needs, referral sources, and services provided
- Implement systems to keep records on service recipient satisfaction and/or service recipient outcomes
- Obtain program related equipment and durable supplies
- Research and develop new programs or services
- Take steps to expand current services to new geographic area
- Take steps to increase the effectiveness of existing services
- Take steps to increase the number of clients served in existing geographic area
- Take steps to increase the number or scope of services
- Take steps to reach an underserved population in existing geographic area

3. Collaboration and Community Engagement

Developing collaborations or strategic partnerships with other nonprofits or interested parties (i.e. businesses, colleges, etc.).

- Assess effectiveness of existing collaborative efforts
- Conduct assessment of community needs
- Create a map/inventory of community assets
- Create action plan for coordinating/collaborating
- Create or update a brochure
- Create or update a Web site
- Create processes for collaborating with partners
- Develop new strategic partnerships
- Establish partnership agreements
- Make presentations to community groups

4. Leadership Development

Improving the leadership ability of staff, board, and volunteers.

- Create a volunteer management plan
- Create a volunteer recruitment plan
- Create board policies
- Create executive succession plan
- Engage executive coach
- Implement a volunteer management plan
- Provide management/leadership training to staff
- Provide training/written information for board of directors
- Recruit board members
- Recruit volunteers (non-board)

5. Evaluation of Effectiveness

Conducting formal evaluations, developing new performance measures, implementing best practices, replicating effective program models.

- Launching a Formal Program Evaluation
- Developing and Incorporating New Program Measures
- Incorporating Best Practices
- Assessing Program Outcomes
- Replicating Effective Program Models



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PROOF OF NONPROFIT STATUS

Nonprofit organizations applying to participate in the Strengthening Communities Initiative are required to submit proof of their non-profit status. Proof of nonprofit status is any one of the following:

- A reference to the applicant organization's listing in the most recent IRS list of tax-exempt organizations described in the IRS Code.
- A copy of a currently valid IRS tax-exemption certificate.
- A statement from a State taxing body, State attorney general, or other appropriate State official certifying that the applicant organization has non-profit status and that none of the net earnings accrue to any private shareholders or individuals.
- A certified copy of the organization's certificate of incorporation or similar document that clearly establishes nonprofit status.
- Any of the items in the subparagraphs immediately above for a State or national parent organization and a statement signed by the parent organization that the applicant organization is a local non-profit affiliate.



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DIRECT FUNDRAISING VS. CAPACITY BUILDING

Strengthening Communities Initiative funds cannot be used for direct fundraising. As a capacity building program, the Initiative strives to empower organizations to become more effective, sustainable social service providers – the goal is to use grant funds in ways that will assist your organization in becoming better equipped to carry out programs in the future. Engaging in activities that improve your organization's ability to function will benefit your community and those you serve will be able to depend on your services well after the grant program ends.

Diversifying funding sources is an important part of increasing your organization's capacity, however, **using the Strengthening Communities Initiative funds for direct fundraising activity is a violation of Federal regulation:** *"costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable (OMB Circulars A-122 (<http://www.whitehouse.gov/omb/circulars/a122/a122.html>), A-21 (<http://www.whitehouse.gov/omb/circulars/a021/a021.html>), A-87 (<http://www.whitehouse.gov/omb/circulars/a087/a087-all.html>))."*

Adherence to this regulation is mandated in [45 CFR 74.27](http://www.federalregister.gov/?p=rule-reading&title=45%20CFR%2074.27) (http://a257.g.akamaitech.net/7/257/2422/05dec20031700/edocket.access.gpo.gov/cfr_2003/octqtr/pdf/45cfr74.27.pdf).

The following table provides examples of capacity building vs. direct fundraising.

FUNDRAISING (continued)**DIRECT FUNDRAISING vs. CAPACITY BUILDING**

Direct Fundraising	Capacity Building
Printing and mailing direct mail flyers or brochures that include the option for donors to make donations	Sending appropriate staff to grant-writing seminars
Hiring a fundraising consultant to plan specific events or make funding requests	Hiring a consultant to develop a fundraising strategy for your organization
Contacting organizations or individuals for funds (this includes paying for a lunch meeting)	Hiring a full-time development director to focus on long- and short-term fundraising efforts
Buying donor development software that enables a direct online donation link (such software is not itself problematic; it is the online donation link feature that may not be funded with SCF funds)	Buying donor development software that organizes donor information, but does not enable direct online donations

These are examples are by no means an exhaustive list. If you have any questions as to whether the activities you plan to undertake might actually be considered direct fundraising by the Federal government, ask the Northland Foundation. They can identify whether your planned activities pose potential direct fundraising.

It is highly recommended that you obtain Strengthening Communities Initiative approval of any potentially problematic activities before using your Strengthening Communities Initiative funds, so as to avoid having to reimburse the Federal government. **An awarded grant application and release of funds does not constitute or imply compliance with Federal regulations: grantees are responsible for ensuring that their activities comply with Federal regulations.** In short, if you are in doubt, ask! The Northland Foundation wants you to be successful and will work with you to make sure you are abiding by all rules and regulations with your grant activities.



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DIRECT SERVICES VS. CAPACITY BUILDING

Lately there is a lot of talk about capacity building, especially in the context of Federal grants and nonprofits. As stipulated in all Strengthening Community Initiative program announcements, the Strengthening Communities Initiative funds must be used for capacity building; they may not be used for direct services.

Capacity building is the process of implementing activities critical to the long-term viability of your organization. The goal of capacity building is to increase organizational infrastructure and bolster sustainability. By building or increasing your organization's capacity, the effectiveness of programmatic activities and organizational operations will also increase.

The bottom line: if your organization is equipped to function smoothly at the operational level, your profile in the community will increase, you'll retain great staff, develop and implement better programs, engage more stakeholders, and be more likely to acquire funding in the future from diverse sources. The end result is your organization's ability to offer more effective services to those who need them most.

Think of a sustainability feedback loop. Using funds to directly serve clients will help for a time, but once those funds run out, your organization will not be any better equipped to carry out programs in the future. As a capacity building program, Strengthening Communities Initiative strives to empower organizations to become more effective, sustainable social service providers. Engaging in activities that improve your organization's ability to function smoothly will benefit your community; those you serve will be able to depend on your services, well after the grant program ends.

The table on the following page provides examples of capacity building vs. direct services.

DIRECT SERVICES (continued)**DIRECT SERVICES vs. CAPACITY BUILDING**

Direct Services	Capacity Building
Implementing a program, program activities, or program curriculum that provides services to clients	Researching and developing new programs or services
Purchasing food for service programs	Developing or designing a program or program curriculum
Paying management costs for existing programs	Purchasing program-related equipment and durable supplies
Holding seminars or events for clients	Implementing systems to keep records on client needs, referrals, service recipient satisfaction, or service recipient outcomes
Paying staff to work directly with clients	Evaluating current needs



DEPARTMENT OF HEALTH & HUMAN SERVICES

NORTHLAND
FOUNDATION

Strengthening Communities Initiative

Building Nonprofit Capacity to Advance Economic Recovery

LEGAL SAFEGUARDS: GUIDANCE FOR GRANTEES AND PARTNERS CONCERNING RELIGIOUS PROGRAMMING

1. Religious Materials

Eliminate all religious materials from the presentation of the program to be improved through the Strengthening Communities Fund (SCF). This includes:

- Bibles or other books of worship;
- Registration materials that include religious inquiries or references;
- Follow up activities that include or lead to religious outreach; and
- Religious content in materials.

45 CFR 87.1. (c). ("If an organization conducts [inherently religious] activities, the activities must be offered separately, in time or location, from the programs or services funded with direct financial assistance from the Department . . ."). 69 Fed. Reg. 42586, 42593 (2004).

2. Separate and Distinct Programs

Any program with religious content must be a separate and distinct program from the program or services to be improved through the Strengthening Communities Initiative, and the distinction must be completely clear to the consumer. Some of the ways in which this may be accomplished include, but are not limited to, the following examples:

- Creating separate and distinct names for the programs;
- Creating separate and distinct looks for the promotional materials used to promote each program; and
- Promoting *only* the program or services to be improved through SCF in materials, websites, or commercials purchased with *any portion* of the federal funds.

Note: If an organization offers a program to be improved through SCF and a religious program that both provide the same social service, or the clients served are children, it is very important that the separation between the programs be accentuated.

45 CFR 87.1 (c). ("Organizations that receive direct financial assistance from the Department under any Department program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded with direct financial assistance from the Department."). 69 Fed. Reg. 42586, 42593 (2004)

3. Separate Presentations

Completely separate the presentation of any program with religious content from the presentation of the program to be improved through SCF by time or location in such a way that it is clear that the two programs are separate and distinct. If separating the two programs by time but presenting them in the same location, one program must completely end before the other program begins.

Some of the ways in which separation of presentations may be accomplished include, but are not limited to, the following examples:

The programs are held in completely different sites or on completely different days.

- The programs are held at the same site at completely different times. Separation may be accomplished through such means as:
 - Have sufficient time between the two programs to vacate the room, turn down the lights, leave the stage, etc. in order to reasonably conclude the first program before beginning the second;
 - Completely dismiss the participants of the first program;
 - The second program could follow in the same room or, where feasible, in a different room to further distinguish the difference between the programs.
- The programs are held in different locations of the same site at the same time.

Separation may be accomplished through such means as:

- Completely separate registration locations; and
- Completely separate areas where programs are held such as by room, hallway, or floor, etc.

45 CFR 87.1. (c). ("If an organization conducts [inherently religious] activities, the activities must be offered separately, in time or location, from the programs or services funded with direct financial assistance from the Department . . ."). 69 Fed. Reg. 42586, 42593 (2004).

4. Availability of other Programs

After the program or services to be improved through SCF have ended a grantee may provide a brief and non-coercive invitation to attend a separate religious program.

The invitation should make it very clear that this is a separate program from, and not a continuation of, the program to be improved through SCF. It must also be clear that participants are not required to attend the separate religious program, and that participation in the program to be improved through SCF is not contingent on participation in other programs sponsored by the grantee organization.

Religious materials, such as a registration that includes religious follow-up may only be provided in the privately funded program rather than the federally funded program.

45 CFR 87.1 (c). ("participation [in any privately funded inherently religious activities] must be voluntary for beneficiaries of the programs or services funded with [direct federal financial] assistance"). 69 Fed. Reg. 42586, 42593 (2004).

5. Cost Allocation

Demonstrate that federal funds are only being used for the program to be improved through SCF. Some of the ways in which separation of funds may be accomplished include, but are not limited to, the following examples:

- Implement the use of time sheets that keep track of all staff hours charged to the federally funded grant, whether the staff work in other programs or not.
- Require any staff working in both the program to be improved through SCF and other programs to clearly indicate how many hours are spent on each program.
- If any staff work on both the program to be improved through SCF and a non-federally funded program at the same site on the same day, require the staff to clearly indicate not only how many hours are spent on the program to be improved through SCF but also which specific hours are spent on that program. The hours should reflect that time spent on any program with religious content have been completely separated from hours spent on the program to be improved through SCF.
- Show cost allocations for all items and activities that involve both programs such as staff time, equipment, or other expenses such as travel to event sites. This may be accomplished through such means as described in the following examples.

Example: If transportation is used to go to a site where the program to be improved through SCF is conducted and a religious or non-religious program funded through other means is also conducted by the grantee at the same site, one half of the travel costs (gas, lodging, etc.) should be charged to the federal program. If three separate and distinct programs are conducted at a site by a SCF recipient and one of them is the program to be improved through SCF, only one third of the travel costs should be charged to the federal program, etc.

Example: If an electronic device is used 30% of the time for the program improved through SCF, this should be demonstrated through clear record keeping. Only 30% of the cost of the electronic device should be charged to the SCF program.

OMB Circular A-122, Attachment A. § A.4.a.(2); 45 C.F.R. 87.1.

6. Advertisements

Federally funded programs cannot limit advertising the program improved through SCF to religious target populations.

45 CFR 87.1 (e). ("An organization that participates in programs funded by direct financial assistance from the department shall not, in providing services, discriminate against a program beneficiary or prospective beneficiary on the basis of religion or religious belief.")



Strengthening Communities Initiative

Building Nonprofit Capacity to Advance Economic Recovery

BIOGRAPHICAL INFORMATION FOR KATHY KEELEY



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Founded in 1999, The Keeley Group has completed strategic planning, project design, business planning, and executive coaching projects for more than 100 nonprofits, foundations, government organizations, and small businesses across the United States and internationally. Its principal, Kathy Keeley, has spent more than 25 years as a social entrepreneur working in economic development, finance, and performance management. She and her cadre of expert consultants provide assessments, recommendations, management advice, and technical assistance for existing ventures; consults with struggling or underperforming ventures; and develops feasibility studies and business plans for new ventures. A few of its many clients are The Atlanta Community Foundation, The Metro Atlanta Arts Fund, and government entities such as the City of Las Vegas, District of Columbia, Gunnison County and Chester County, Pa.

Kathy Keeley founded the Women's Economic Development Corporation and was its president for ten years, served as Chief of Staff for Minneapolis Mayor Sharon Sayles Belton, and was Senior Fellow and Program Director at the Corporation for Enterprise Development, a Washington, DC-based organization that deals with economic development, human investment, and governance policy.

Keeley has developed an intimate knowledge of the nonprofit and economic environment in northeastern Minnesota through her extensive work with such organizations as the Northeast Entrepreneur Fund, Northland Foundation, and Greenstone Group. In 2006-2008, Keeley was the Principal Consultant on a Foundation project to assess, develop recommendations for, provide management and board consulting, and assist in project evaluation efforts benefiting eight northeastern Minnesota nonprofit earned-income/social enterprise ventures.

Kathy Keeley is the Principal Consultant for the Northland Foundation's Northeastern Minnesota Strengthening Communities Initiative. The Keeley Group will design and deliver five customized training sessions; conduct the initial comprehensive assessments with the participating nonprofits, as well as create and implement targeted technical assistance plans to meet their unique needs; and provide support for the overall coordination and evaluation of this regional capacity building effort.