

Organizational Assessment

Community Foundation for the Alleghenies

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Summary

The Community Foundation Research and Training Institute (CFRTI) has prepared the following organizational assessment which examined the performance of Community Foundation for the Alleghenies (CFA) and the factors that will impact that performance in the future. The report addresses the leadership, management, operational and adaptive capacity of CFA.

Purpose of Organizational Assessment

CFA has successfully defined strategic goals for the future both for their foundation and for the communities they serve. They have adopted a strategic plan which has established the following goals:

- Ambitiously grow the assets of the Foundation to \$100 million to increase the philanthropic legacy of their donors;
- Strategically leverage resources to best address community needs and invest in opportunities;
- Grow, educate and engage their donor base through consistent and informative education;
- Adjust internal operations to achieve strategic goals.

As part of their process to address the most compelling community needs, CFA has identified early childhood education and community development as the two most compelling needs faced in their region.

For early childhood education, they seek to provide high-quality learning opportunities for children, training and incentives for providers, and to improve the facilities and equipment in early education centers. For community development, their goal is to transform their community, and to create a vibrant region.

Success in achieving these goals would result in a much larger – and perhaps complicated – organization. They have legitimately asked themselves two questions: Does CFA have the resources and systems in place to achieve those goals? And, what changes does CFA need to make to expand their capacity to effectively administer a much larger foundation?

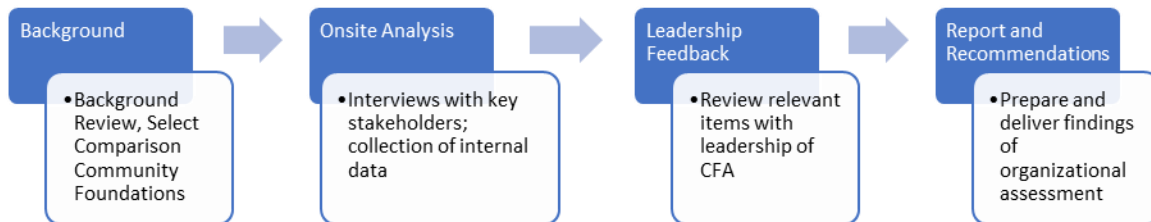
Background and Methodology

In preparing this assessment, CFRTI reviewed numerous documents relating to the management and governance of CFA. These included written policies and procedures, the current strategic plan, minutes of board meetings, and financial records including fund statements, operational budgets, investment performance reports, audits and regulatory filings such as numerous Form 990 submissions.

CFRTI staff also interviewed ten board members and six of the current staff members. In our interviews, we asked questions about roles/responsibilities, administrative policies/procedures, systems and processes, communications, resource deployment, organizational capacity.

In developing this report, CFRTI implemented the following steps:

- Gathered background information on CFA, including identifying peer community foundations;
- Multiple on-site analyses, including interviews with key stakeholders;
- Review of relevant items with CFA leadership, and receive feedback; and,
- Prepare the report and recommendations.



Each of these steps has now been completed. On October 2, the findings from the final report were shared with the board of CFA.

Our Findings

Governance

Structure of Board of Directors

CFRTI noted that while there are 26 members of the Board of Directors, a subset of that group does not seem to be particularly active or engaged. When we reviewed the board minutes for the last two quarters of 2018, we noted that only about 20 of the 26 board members had been in attendance at the meetings held during that time period.

We recommend reducing the size of the board so that only active board members are represented. We do not recommend cutting ties entirely with this group: They are on the board because they are proven leaders with a commitment to CFA.

If there are previous board members who wish to remain engaged, a separate category of board membership – that does not include full voting rights – could be considered.

Subsequent CFA Follow-Up Actions

Subsequent to the initial report of this finding, CFA took steps create the position of Director Emeritus among the Board of Directors. After a board member has served a term on the board, they can be named as a Director Emeritus by vote of the remaining board members.

A Director Emeritus will receive all written notices and information about board meetings, and they are encouraged to attend meetings and participate in the discussion. They are not, however, eligible to vote. In addition, their presence or absence does not count when determining if a quorum is present.

Content of Board Meetings

Board members understand and (generally) accept the fact that much of the detailed governance work of the organization takes place at the executive committee level, or at a meeting of a standing committee, rather than at a meeting with the full board. As a result, board meetings seem to focus on receiving and accepting reports from the standing committees, rather than on a discussion of substantive issues.

In addition, because of the active nature of the standing committees the board packets can be extremely long. It was not uncommon for the board packets we reviewed to be 30-40 pages in length – and sometimes longer.

Some board members expressed concern about this. In our survey of board members, and in our personal interviews with them, several expressed the opinion that board

meetings were mostly for listening to reports, rather than discussing important governance matters.

We recommend that CFA take a close look at their board meeting structure, and consider changes as follows:

- Limit reporting at board meetings, and focus on substantive decision-making items – Would CFA benefit if each meeting was focused on a particular issue? Or, should a board meeting be dedicated to an update of progress in achieving the goals in the strategic plan?
- Restructure Board Meeting Schedule – Could the meetings be improved by scheduling fewer meetings, with more time available for each meeting?
- Different time of day – Meetings are currently held at 8:00 am, which means board members who work need to leave to start their work day. Would a lunchtime or evening meeting work better?

Subsequent CFA Follow-Up Actions

Mike Kane will be convening meetings of the board and staff to look at different options for the board meeting schedule, including the structure and logistics for the meetings. He also intends to have more extended discussions among board members examining the best use of the board's time while they are in session, with a goal of allocating more time for discussion of pressing issues.

Strategic Planning

The current strategic plan for CFA is well-written and comprehensive. Yet the size and breadth of the plan leaves the reader feeling overwhelmed. The Strategic Plan 2018-2022 contains:

- 4 main goals,
- 18 sub-goals, and
- 106 objectives to achieve goals and subgoals

In addition, the responsibility for achieving most of the objectives falls on four staff members: Kane, Perkosky, Hencel and Berzonski.

CFRTI wonders if the current plan tries to tackle too much. The four main goals – *Growth, Impact, Promotion and Capacity* – are laudable and should be maintained. But an important role of strategic planning is to identify sub-goals and objectives that will not be attempted, as much as it is identifying those that will be attempted.

We recommend that when the time comes to update the strategic plan, careful consideration be given to limiting the sub-goals and objectives to those items which are highest priority in achieving the main goals.

Subsequent CFA Follow-Up Actions

These comments will be taken into consideration when the next plan is being reviewed. In addition, there will be a discussion of the development of succession planning (which is discussed in the next section).

Organizational Structure

Management and Succession Planning

CFA is led by President and CEO Mike Kane, who has been in that role since 2001. Assisting Mike in his management responsibilities is Angie Berzonski, who joined CFA in 2011.

As noted below, CFA is a large, dynamic and complex organization. Most board members and volunteers do an excellent job of understanding their responsibilities, and staff members function well within their respective areas of responsibility.

The entire organization comes together at the President and CEO level. Kane is responsible not only for daily management, but also for helping to define and then achieve the vision for the community foundation and its role in the community. The amount of information that Kane must know, understand and act on seems daunting.

Kane is universally respected by all key stakeholders, and has proved to be quite capable of functioning with distinction as the leader of the organization. CFRTI is concerned, however, about the ability of CFA to maintain its momentum in Kane's absence.

Of course, we wish Kane a long and healthy career at CFA. But the organization risks losing his oversight either for extended period (with, say, a health-related issue) or permanently (retirement, or death). CFA should put a clearly-defined transition plan in place that can allow for a short-term departure of Kane and for the time when he permanently leaves the organization. For a short-term departure the transition process should be clearly defined; in the case of a permanent departure it is noted that Kane's skillset will be difficult to replace.

Subsequent CFA Follow-Up Actions

Subsequent to the initial report of this finding, CFA took steps to name Angie Berzonski as the Associate Director. In that capacity, she would become the acting Executive Director in the event of the unplanned departure of the Executive Director. She would continue in that role until a new Executive Director was chosen by the board. CFRTI applauds this action by CFA, and feels this is an important part of a succession plan.

Complexity

Community Foundations are inherently complex organizations, but CFA seems excessively complex. Factors contributing to this complexity include:

- 745 funds – many small in size
- 4 supporting organizations
- 2 active affiliates
- Large number of fiscal sponsorship funds
- Significant customization of scholarship funds
- CFA serves 4 counties
- Population base approximately 350,000
- Loan Programs
- Government Filings (PATH Match, Educational Improvement Tax Credit)
- Targeted Initiatives (Early Childhood, Community Development)

One of the risks of this level of complexity is the difficulty for board members, volunteers and staff to understand the organization. Those involved likely understand the part of the organization with which they work most closely; but lack of complete understanding can be problematic, particularly for board members who need to make decisions based on what is best for the entire organization. (As noted above, the one person with the best understanding of the entire organization is President & CEO Mike Kane.)

While most of these items are an important part of the mission of the Community Foundations, consideration should be given to the following changes:

- *Limit the customization of scholarship funds* – Scholarship funds are a popular charitable fund for donors. They can be a challenge to manage, and can be particularly challenging when they are customized to target a particular type of student, field of study, response to an essay question, etc. It is recommended that CFA limit the customization of scholarship funds, so that more funds can use a common application or share the same scholarship selection committee
- *Reduce Management of Fundraising Activities* – There are times when CFA manages a fundraising event (such as Walk for Hope). While of benefit to the community, this management can be time-consuming and take time from other important community foundation functions
- *Set and Enforce Fund Minimums* – We noted a significant number of charitable funds of all types with balances below \$10,000. It is recommended that CFA set a reasonable policy on minimum fund sizes, and enforce those minimums

Another potential change which might help CFA manage their complex organization is to consider the creation of a Chief Operating Officer. A Chief Operating Officer (COO) is the staff member who oversees ongoing business operations within the company. The COO reports to the CEO and is usually second-in-command within the company.

Alternative titles for the COO include Chief Operations Officer, Operations Director and Director of Operations.

As community foundations grow, the responsibilities of a Chief Executive Officer often gravitate towards fund development and community leadership. The creation of a COO position would allow the CEO to focus on those two important areas.

Restructure Community Project Funds

We noted that CFA manages a large number of Community Project Funds. These funds, sometimes called Fiscal Sponsorship Funds, are nonpermanent funds created to raise money for a specific charitable purpose or event, and disburse those funds to vendors and staff as appropriate for the project.

Administering these funds takes a lot of time. Where should a community foundation spend its time? One of the main missions of a community foundation is to attract and manage endowment gifts. In addition, unrestricted endowments give a community foundation the most flexibility in meeting the future needs of the community served.

Of course, community foundations can and do create restricted funds, and funds that are not endowed. But given the limited resources, both human and financial, that all community foundations operate under it is optimal for a community foundation to spend as much time as it can on raising and managing unrestricted endowments.

Currently, CFA manages approximately 160 Community Project Funds – funds that are both temporary and restricted. While these funds are created for valid reasons and serve a compelling community need, the time spent on a Community Project Fund is time that is not spent on endowed and/or unrestricted funds.

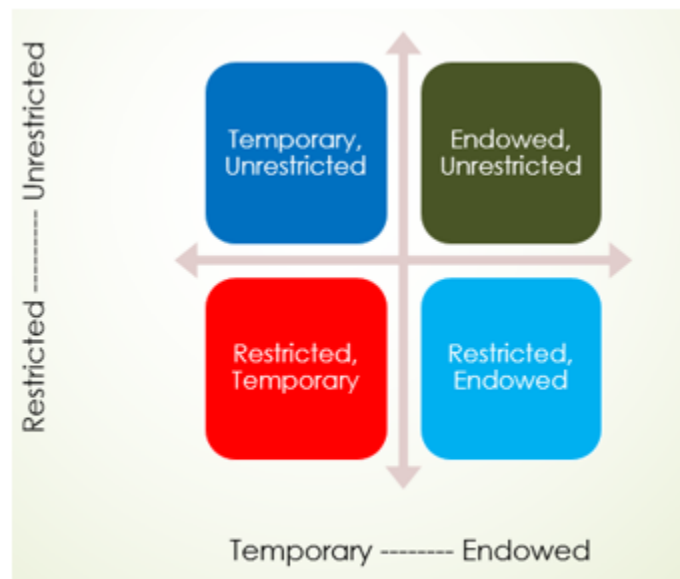
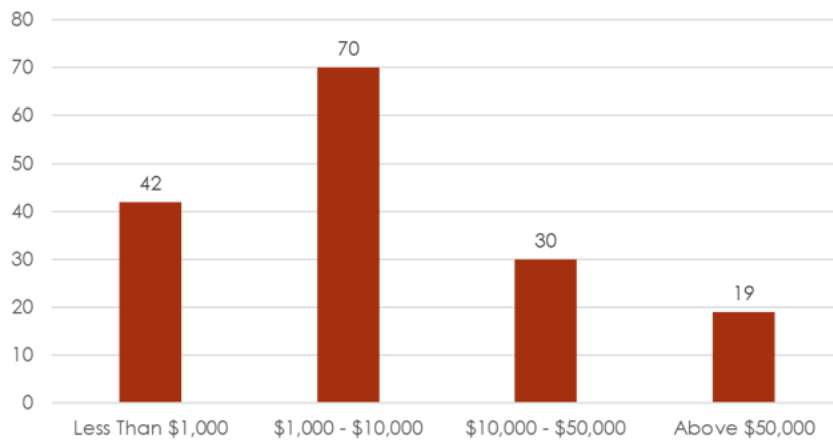


Figure 1: Where Should a Community Foundation Spend Its Time?

Figure 2 Number of Community Project Funds, By Fund Size



As noted in the adjacent graph, many of these funds have small balances. We noted 42 funds with a balance below \$1,000, and another 70 funds with a balance below \$10,000.

A strong argument can be made that these funds serve a critical need in the community. And, if Community Foundation

for the Alleghenies does not provide this service, no one else will.

CFRTI understands these arguments. At a minimum, though, CFA should undertake a study to determine the true cost of administering these funds, and price them accordingly. Another option may be to create a related supporting organization with dedicated staff that can provide the management of these funds – and this would give CFA a better understanding of the costs of managing Community Project Funds.

Subsequent CFA Action

CFA has begun the process of contracting with an accounting firm for a **Cost Allocation Analysis**, which will identify the major functions or programs of CFA, assign personnel to those activities, and develop cost estimates.

CFA has contracted with Fourth Economy to conduct an evaluation to help them better understand **the impact of the CFA's grant-making** through the Community Initiatives Fund in the Johnstown community. This survey is intended to gather feedback regarding the design, implementation and outcomes of various community initiatives launched through CFA. The results can be used to evaluate the outcomes of existing projects, and provide guidance regarding the structure of projects in the future.

CFA intends to undertake a **Community Perception Survey** with three goals:

1. To understand how the community feels about progress made in key CFA investment areas (economic development, education, trails, housing, etc.)
2. Learn how civic engagement/social capital has increased over time, and assess the region's sense of community. Also, explore local confidence in the region's ability to collaborate.
3. Identify new areas of focus important to local residents that CFA can shift to and/or prioritize.

Understanding CFA

Mission, Direction and Strategy

CFA has a well-written strategic plan, and clearly defined mission, vision and values statements.

Mission: *We empower all people to become philanthropists who have a permanent impact and leave a lasting legacy in our region.*

Vision: *We envision an inclusive and engaged culture of philanthropy that grows an abundance of resources, achieving perpetual impact in a thriving region.*

Values:

- *Philanthropy* – Recognizing that every person has the potential to leave a legacy
- *Empowerment* – Partnering with our donors to realize their philanthropic dreams
- *Integrity* – Exemplifying honesty and transparency in all that we do
- *Leadership* – Understanding, identifying, and responding to community opportunities
- *Collaboration* – Leveraging and connecting community resources to maximize impact for all

CFA has adopted a strategic plan which has established the following goals:

1. Ambitiously grow the assets of the Foundation to \$100 million to increase the philanthropic legacy of their donors;
2. Strategically leverage resources to best address community needs and invest in opportunities;
3. Grow, educate and engage their donor base through consistent and informative education;
4. Adjust internal operations to achieve strategic goals.

Importantly, the Johnstown community has also developed a strategic vision and plan entitled *Johnstown Vision 2025 – A Resilience Framework*. Completed by the Johnstown Regional Partnership along with Carnegie Mellon University and the Remaking Cities Institute, the plan highlights strategies to be achieved in the decade after the plan was prepared in 2015. (At least two staff members – Kane and Berzonski – participated in the development of the plan.) This document can be an important tool in helping CFA identify organizational goals consistent with the *Vision 2025* plan.

Organizational Structure

In addition to the work they do in and around Johnstown, CFA has two staffed affiliate funds which serve outlying communities of Somerset and Bedford. These affiliates are

designed to make sure CFA serves donors from those areas, as well as helping to identify critical needs in those cities.

CFA also has responsibility for four supporting organizations, which are:

- The John P. Murtha Foundation
- Foundation for Pennsylvania Watersheds
- Fractracker Alliance
- Southwest Pennsylvania Environmental Health Project

A supporting organization is a separate charitable organization with a board of directors separate from the board of the Community Foundation. In the case of each of CFA's supporting organizations, they are considered "Type 1", which means that a majority of the board of the supporting organization is appointed by the board of CFA. Each supporting organization is required to file a separate Form 990.

Another important program of CFA is the Met Ed/Penelec Sustainable Energy Fund. This fund, created in 2000, is designed provide financial support for projects that promote renewable and sustainable energy. Support can be distributed in the form of grants, loans or equity investments for a variety of projects. The fund is jointly governed by the Berks County Community Foundation and the Community Foundation for The Alleghenies.

As noted in the *Findings* section, the complex nature of CFA – with two affiliates, four supporting organizations and major initiatives such as the Met Ed/Penelec Fund – make the responsibilities of governance and management more difficult.

Governance Structure

CFA by-laws call for a governing board of up to thirty members. Board members serve a 3-year term, and can be reappointed for two subsequent 3-year terms.

Board officers include a Chairman, President & Chief Operating Officer, Secretary and Treasurer. At the time of this report, those positions were held by the following:

- Board Chair - Mark E. Pasquerilla
- President and Chief Executive Officer – Mike Kane
- Board Secretary - Gary C. Horner, Esq.
- Acting Secretary - Michael Sahlaney, Esq.
- Board Treasurer - Terry K. Dunkle

Staff description

In addition to President & CEO Mike Kane, current staff at CFA include:

- Barb Charney - Accounting Associate

- Marisa Lehman, Donor Services Associate
- Lori Huska - Accounting Assistant
- Katrina Perkosky - Donor & Development Services Officer
- Angie Berzonski - Program Officer
- Stephanie Daniels - Executive and HR Assistant
- Marie DeWerff - Administrative and Technology Specialist
- Kecia Bal - Communications Officer

CFRTI observed that staff is task-driven, and, once assigned clear duties, perform those duties admirably.

CFA holds regular staff meetings at which they strive to achieve 100% staff attendance. The staff meeting CFRTI attended was well-structured and thorough yet not overly long. A written agenda highlighted upcoming meetings of the board and standing committees, a listing of organizations using the board room for meetings, and an update from each staff member on important projects that week.

Fund Offerings

CFA offers a wide range of charitable fund options for donors. These include unrestricted endowments, scholarships, donor advised funds, designated fund, and community project funds.

We noted the following fund types (with summary data included):

<u>Fund Type</u>	<u>Assets</u>	<u># of Funds</u>
Partnership/Pass Thru	\$3.4 million	140
Designated	\$22.2 million	191
Agency	\$7.6 million	34
Donor Advised	\$4.1 million	105
Scholarship	\$15 million	226
Other	\$25.2 million	49
Total	\$77.5 million	745

CFA offers charitable gift annuities, and they use reinsurance to limit the liability risk.

Policies

CFA has developed a broad range of policies. We found the written policies to be clear and understandable to the reader. Policies that we reviewed included the following:

- Confidentiality
- Conflict of Interest
- Spending Policy
- Whistleblower Policy
- Grant Making Due Diligence

- Document Retention
- Social Media Policy
- Nondiscrimination Policy
- Investment Policy
- Gift Acceptance Policy
- Fiscal Sponsorship
- Donor Initiated Fundraising Policies

Administrative Fees

The current fee structure calls for the following fees:

- All endowment funds except scholarships – 0.9%
- Scholarship funds – 1.25%
- Designated Distribution Funds – 5% of donations

The current fee structure allows the Executive Director to negotiate fees on individual funds, if necessary.

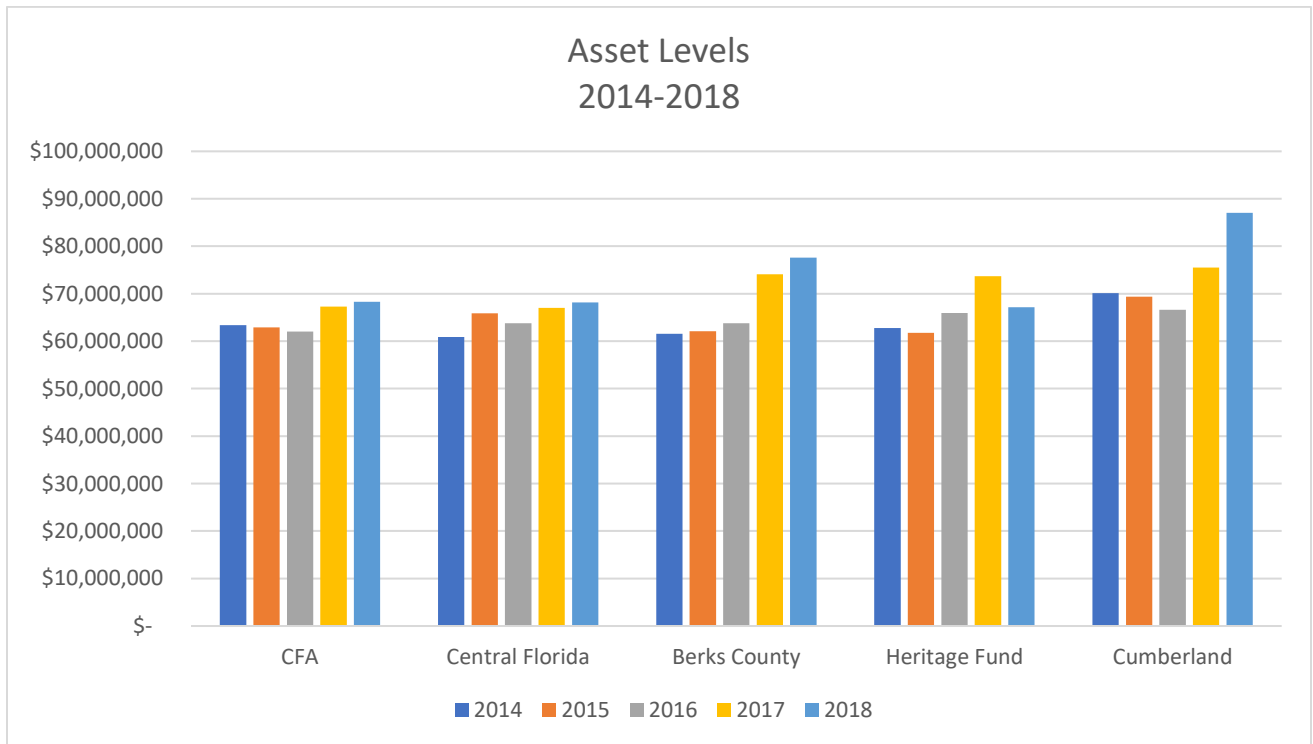
As was noted in the *Findings* section, CFRTI recommends that CFA undertake a cost analysis study to determine the actual costs of administering different types of funds. It is not uncommon for community foundations to develop a fee structure which varies by type of fund, and also allows for reduced fees as a fund becomes larger.

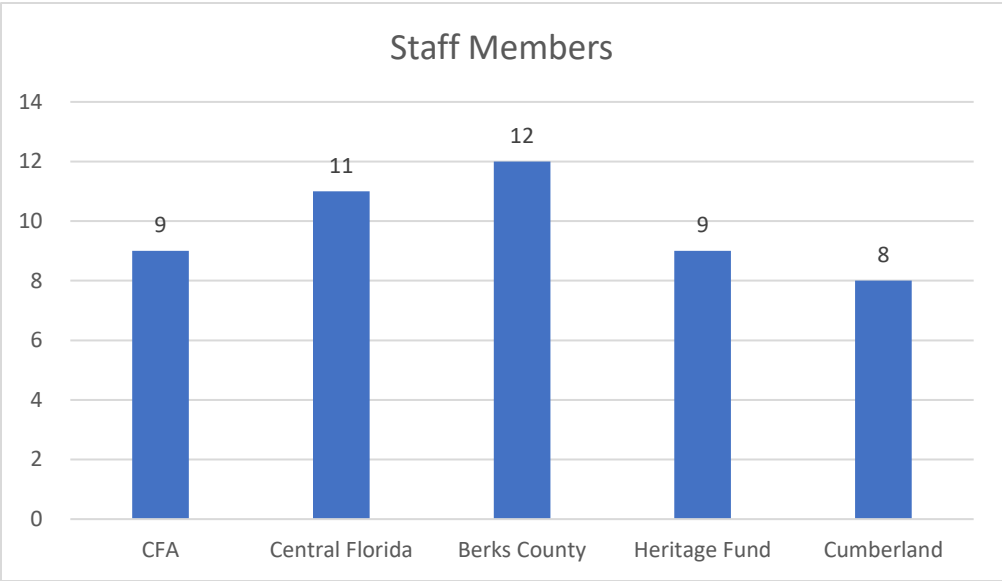
The core investment management fee is 0.70%.

Peer Analysis

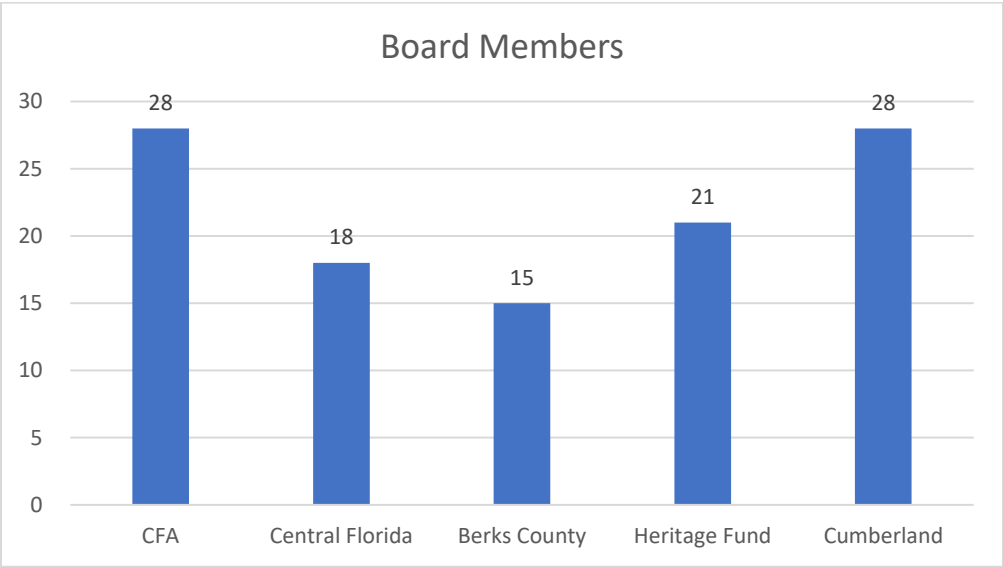
In analyzing community foundation peers for CFA, we broke our peer analysis into two components. The first group of peers were those that are similar in size to CFA. These include the following community foundations

- Central Florida Foundation
- Berks County Community Foundation
- Heritage Fund of Bartholomew County
- Cumberland Community Foundation

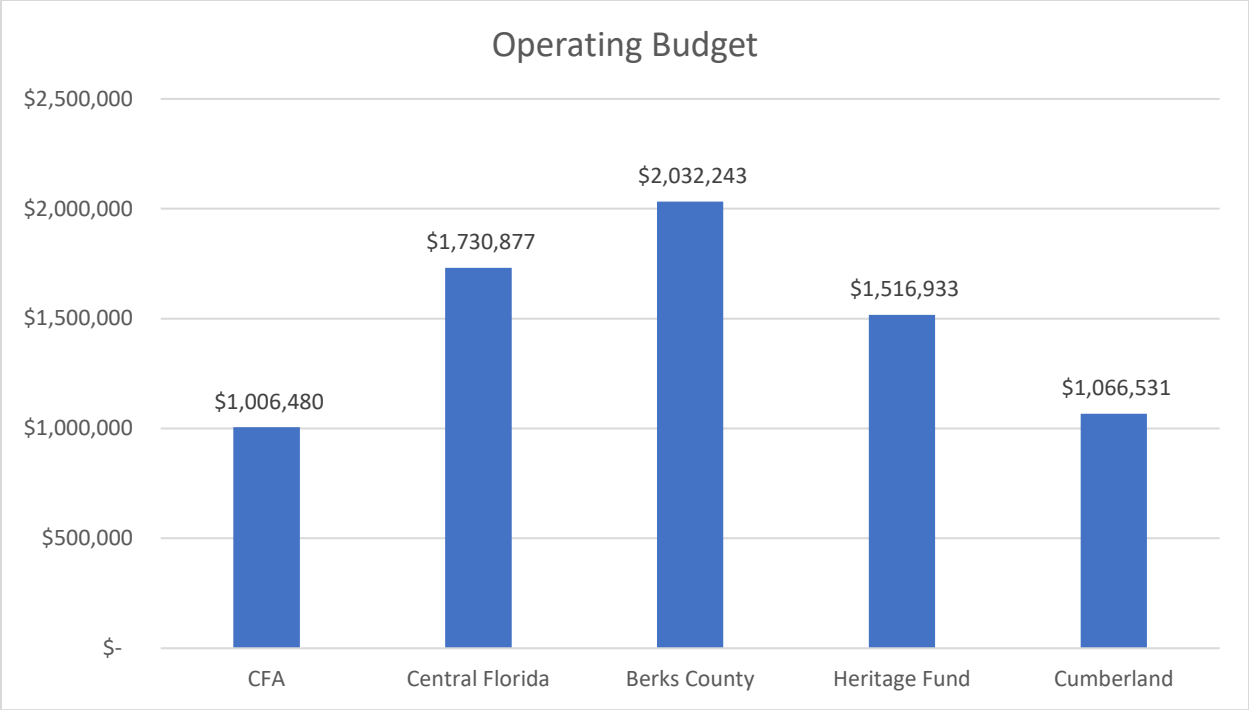




As noted in the narrative of the report, the structure of CFA is very complex. Despite this, the number of staff members that they have is about average for their peer community foundations – which do not have as complex of a structure as CFA.



The number of CFA board members is on the high end compared to their peers ... but does not appear to be excessively high.



The 2018 operating budget for CFA puts it at the lowest of the peer community foundations. It should be noted that we are aware that some of the foundations with higher operating budgets on this list receive some of their operating revenue from corporate donations.

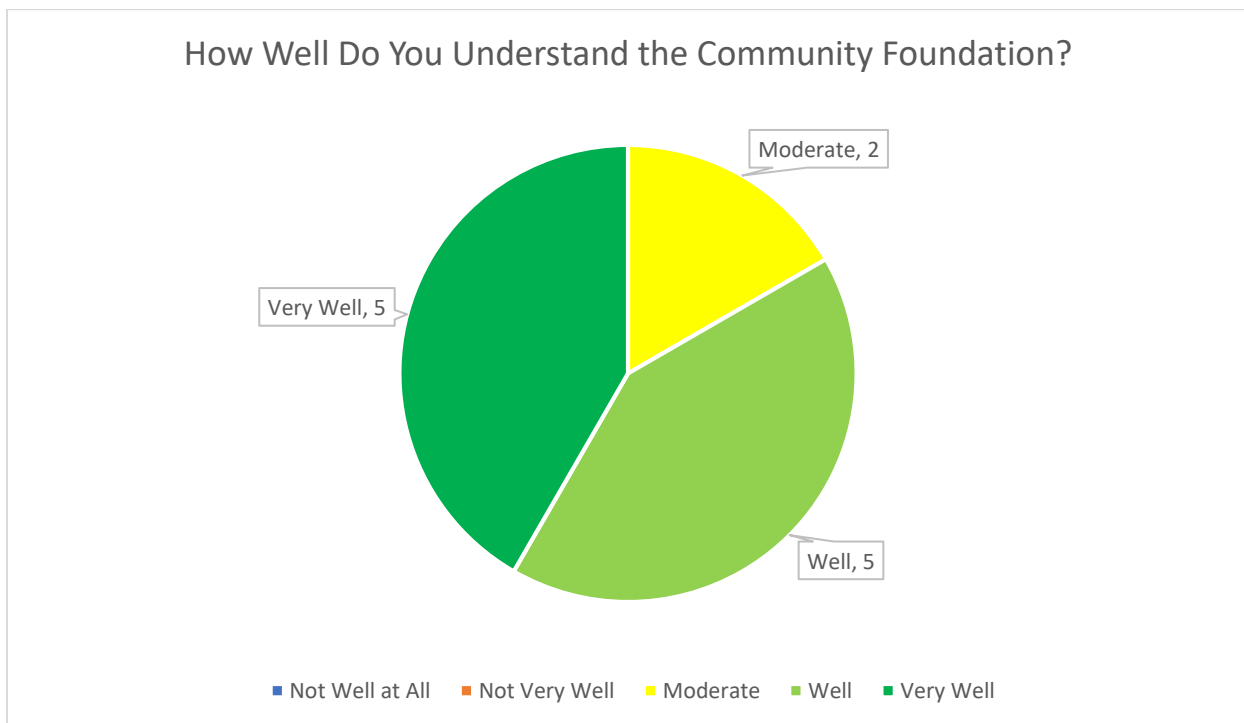
Survey Results

We surveyed key stakeholders to determine community perceptions of CFA. Responses were received from 158 survey participants, which included board members, donors, professional advisors and grantseeking organizations. Some of the more relevant survey responses are shown below:

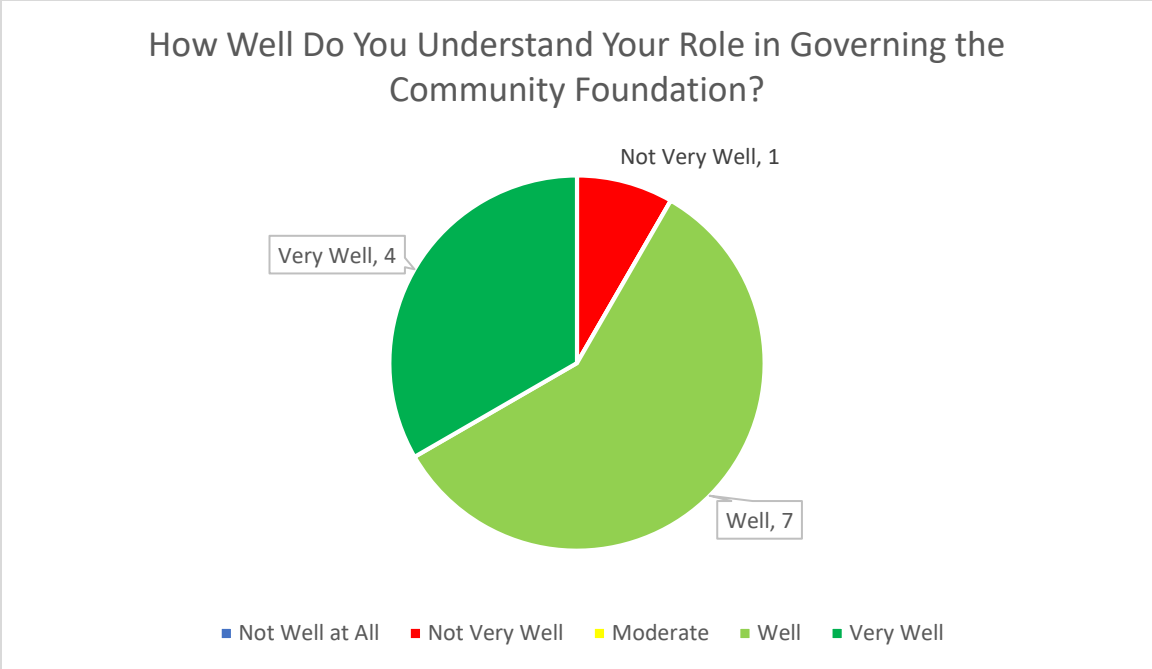
Survey of Board Members

CFRTI received survey results from 12 of the 26 board members. Survey results from board members suggest that those who have governance responsibility have an acceptable level of understanding – but the organization could do better.

When asked how well they, as a board member, understand the community foundation, 5 indicated they understand CFA very well, 5 understand it well, and two indicated a moderate level of understanding.



Board members were next asked about their level of understanding of their role in governing the community foundation. Here, board members indicated a more moderate level of understanding – and one admitted they did not understand their role very well.



Awareness and understanding of any community foundation is always a challenge. Board members indicate that CFA could improve in this area. When asked, “Do you think the Community Foundation is Well-Known and Well-Understood by the Community It Serves?”, the board was split down the middle. Half of those responding (4) said “Yes”, and the other half (4) said “No.”

Board members were asked about the size of the board. The survey question asked, “The Community Foundation currently has 26 board members. Is this the right number of board members, or is it too few, or too many?” Responses were as follows:

- Right number – 3
- Too many – 4
- Too few – 2

Board members were also asked if the current composition of the Board adequately represents the community it serves. Eight of out ten board members who responded said “Yes”; the remaining two said “No.”

Survey of Donors

A total of 81 donors responded to our donor satisfaction survey. Nearly all (78 of 81) had created their own fund, rather than giving to an existing fund.

The survey found a high degree of donor satisfaction. Nearly seven out of ten donors said they were “very satisfied”, and an additional 21% said they were “satisfied”.

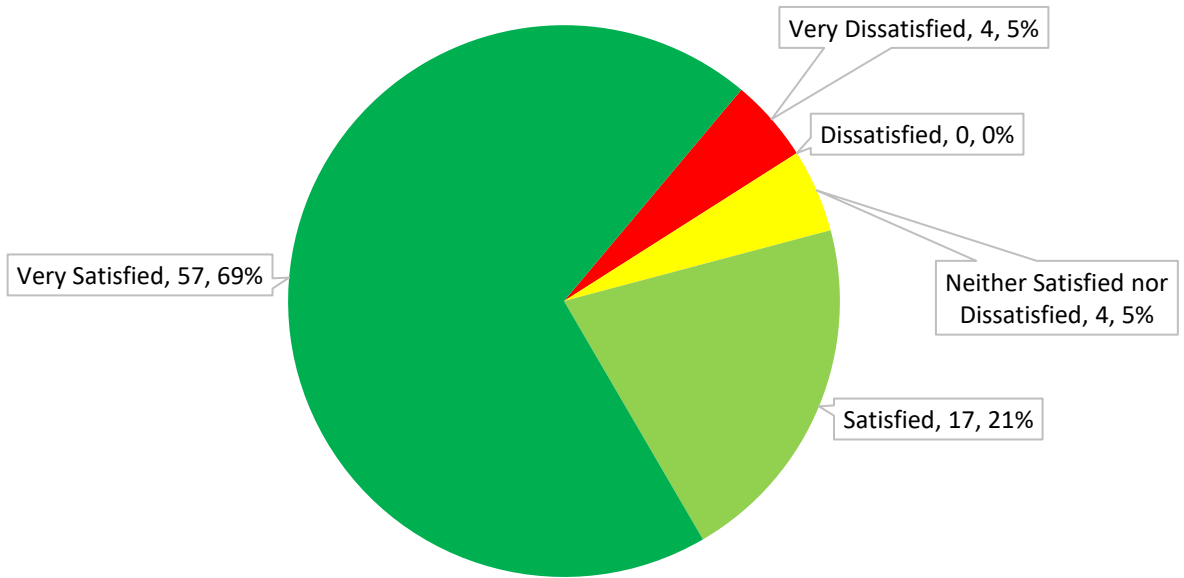
Of the remaining 8 donors, four indicated they were “very dissatisfied”. As we dug into these responses, we were unable to uncover comments which would help us understand the donor dissatisfaction. In fact, those donors made either no comments or positive comments, as follows:

Comments from Very Dissatisfied Donors

- Donor #1 - *Paula Hencel does a great job. She is very helpful. Keep improving the Johnstown region, and keep making the area more attractive to bring in new businesses.*
- Donor #2 - *All my experiences with the foundation have been great. Thank you for everything!*
- Donor #3 - *One thing you love about CFA that you want them to keep doing? Communicating*
- Donor #4 - *One thing you love about CFA that you want them to keep doing? Keep doing what you are doing.*

The donors, when given the opportunity to make an opened-ended comment, did not affirm their “very dissatisfied” response; in fact, they made positive comments. **This suggests that the “very dissatisfied” response could have been in error.**

How Satisfied Are You With The Customer Service You Receive From Community Foundation for the Alleghenies?



Survey of Professional Advisors

Professional advisors are critical stakeholders in the success of a community foundation. Because of the size of many gift to community foundations (it's no exaggeration to say that many donors will eventually give their life savings to a community foundation), a professional advisor (attorney, accountant, or financial advisor) is often the "gatekeeper" to help make the decision to make the gift.

We surveyed professional advisors in and around Johnstown, and received the following results:

- Of the five professional advisors who returned the survey, four said they had referred a client to CFA. The one who had not referred a client commented "I have not referred a client up to now ... but I will begin to refer"
- Of those who had referred a client, all said they were satisfied by the customer service they had received.

Survey of Grantseeking Organizations

As part of our survey of key stakeholders, we asked grantseeking organizations about the process of applying for grants from CFA. Responses were submitted from 58 charitable organizations.

The vast majority felt they had adequate information when applying for a grant. When asked, “*Did the Community Foundation provide you with adequate instructions or orientation prior to your grant application?*”, 83% of the respondents said “Yes”.

Digging a bit deeper, it appears that CFA does a great job of providing information to grantseekers, but could benefit from providing additional informational sessions to grantseeking organizations. Nearly 10% of respondents said that they understood CFA’s grantmaking process only “a little” or “not at all”. While these numbers are low, it does suggest that additional efforts to provide information to local charities is warranted.

