



**Baltimore City Children and Youth Fund
Report to Mayor and City Council - November 2019
(Submitted December 20, 2019)**

Note: This report covers activities conducted in November 2019

Year One Grantee Update

The Year One grant period has been completed, including for grantees with a no-cost extension, and all grantee reports were due by November 15, 2019. The consultants continued to review program reports and help grantees become compliant by providing assistance with drafting reports. The goal is to close the portfolio by the end of the year, with all quarterly grantee reports reviewed and approved and unspent funds returned to the City. As noted in several reports throughout the year, grantees and fiscal sponsors continued to struggle with submitting accurate Expense Reports with the required supporting documentation (e.g., receipts, etc.). Associated Black Charities (ABC) added additional capacity to help grantees with the process. The review of expense reports is not likely to be completed by the end of December. The level of detail that must be reviewed and then corrected by the grantees is significant. The two major fiscal sponsors for the grantees also need assistance in that they are not adequately staffed for the level of financial compliance documentation that ABC is requiring. For the purpose of accountability, ABC has requested cancelled checks, receipts for expenditures, etc.

The financial review to close out grantees for Year One has been a huge undertaking. It requires a continuous back and forth engagement with grantees, use of financial technical assistance consultants, realigning other ABC staff work to help support this effort (the internal ABC staff is working every weekend except Thanksgiving to try to get through the reports; ABC is not receiving any additional compensation. ABC's direct compensation for the Youth Fund for this work to close out Year One and begin the transition was capped at \$198K for 2019. The priority for use of the administrative funding is related to the consultant work to close out the program reports, including any problematic grantees, NCE, complete the design and work related to the Continuation design and agreements, systems and software needed for new entity, research and designing the new legislation, setting up the actual new entity, work with the initial new entity Board members, planning the training for the new Board, working with Maryland Nonprofits who will complete the training, identifying software needs and selection of software, etc.

Year Two – Continuation Grants

Per the September report, the new entity BCYF intends to award continuation grants to Year One grantees that meet compliance requirements. This information was communicated to grantees, with the following conditions:

- Funds being made available to BCYF: ABC expressed its intention to sunset its relationship with BCYF, as per the Memorandum of Understanding (MOU) to establish a permanent entity, as of December 31,

2019. BCYF cannot enter into contract with grantees for continuation grants unless City Council approves an ordinance recognizing BCYF as the permanent institution. BCYF and the City would also need an MOU.

- BCYF approval of grantees' proposed scope, budget and performance measures for the 2020 grant year.
- Grantee compliance with Year One requirements, as well as compliance for Year Two contracting.
- Appropriate BCYF staffing to review grantee submissions and serve as a day-to-day point of contact for grantees.

Several conditions have not been met which will impact the timing of the release of continuation grants, and the Christmas break will cause further delays.

- **Delayed ordinance:** The City shared the first draft of the ordinance with the consultant team on November 13, 2019. The draft required significant revisions which were made mid-December. The ordinance recognizing BCYF as the new intermediary is expected to be introduced in January 2020. Without the ordinance and subsequent MOU with the City, BCYF lacks the authority and information required to responsibly finalize operations for 2020, including release of the continuation grants.
- **Delayed onboarding of interim BCYF board:** The interim BCYF board is expected to convene for the first time in early December. As the governing body of BCYF, it is imperative that the board be prepared to make decisions that allow BCYF to carry out its mission while upholding the values set forth by the task force. It will take time to fully onboard the members and prepare them to make decisions that will inform many of the Fund's day-to-day operations. As BCYF does not have its own dedicated staff and the consultants currently working on the project have contracts that will sunset at the end of the year, although the contracts can be extended, the interim Board will either need to approve the continuation grants or delegate that authority. This step will not occur during the interim board's first meeting, likely delaying the review of grant applications until early 2020.
- **Delayed close-out of Year One reports:** Ongoing challenges around grantees' expense reporting continued, including incomplete and delayed submissions. ABC spent a significant amount of time working with grantees to submit accurate reports with required backup documentation; however, the process is still taking longer than planned. Grantees must be in compliance with Year One requirements to be considered for a continuation grant and BCYF intended to conduct a review of each grantee's programmatic and financial performance as part of the approval process.

The consultant team has drafted the continuation grant application but did not release it to grantees due to the delays above and subsequent impacts on planning and operations; and, the desire to manage grantees' expectations regarding when they could expect to receive their grant award and subsequent disbursements. Grantees' ability to complete the application for continuation grants requires that the following decisions be made by the contracting entity in coordination, and in some cases memorialized in the MOU with the City:

- **Grant cycle dates:** The grant cycle should likely begin after the new BCYF entity has been recognized by the City as the intermediary, which gives it the authority to contract with grantees. This occurs when the ordinance passes, and the MOU is signed. Grantees are particularly seeking clarity on a timeline of check disbursement before they submit a budget, scope of work and metrics. (For example, a school-year program will have reduced staff costs if check disbursement occurs in May versus February.) The Grant period will be partially determined based on the ordinance and MOU.

- **Insurance requirements:** Since insurance will be a requirement for grantees the new entity will need some guidance from the City as it relates to their ability to cover the costs of the insurance since the grantees will not have a new grant agreement in place prior to the ending of their current insurance. Insurance was covered for grantees last year if they did not have it included in their budget. We recommend that this cost be covered again, and have it included in their budget submission.
- **Reporting requirements:** Going forward, it will be helpful if the City's Audit Department work with us to determine what would be acceptable documentation requirements for grantee expense reporting. For the first year, based on what ABC understands to be best practices governing programs funded by taxpayer dollars, ABC required grantees to submit copies of canceled checks, receipts for purchases, payroll where applicable, etc. Many grantees find it challenging to collect this level of details. Grantees would like a more simplistic means of verifying their expenditures going forward while at the same time ensuring that there is clear accountability. This will be a significant function for the new BCYF entity, and they have not yet determined how this function will be handled for Year Two. ABC will reach out to its auditing firm to set up a discussion with the Board of the new entity. A&R has had significant experience with assisting nonprofits and understands the level of details expected by City and State Government for accountability.

Permanent Intermediary

The task force recommended in 2017 that BCYF be an independent, stand-alone intermediary; however, no provision was made in the original legislation and subsequent MOU for an orderly transition from ABC to the new entity. However, the consultants working with the new BCYF entity felt they could manage to stand up the new entity by January 2020. The new entity is working with the Fund for Educational Excellence (FFEE) to serve in providing the back-office functions for the new entity. But the Fund for Educational Excellence does not want to serve in a role related to fiscal responsibility for the grantees but would like to find ways they can be helpful in building capacity for the new entity.

New systems will need to be created, staff and/or consultants hired, and even office space will need to be acquired. Unfortunately, the new BCYF entity has no current authority to spend City funds for start-up costs, although ABC is using the City funding to pay for the consultant work related to the basic set up of the new entity. However, the new entity needs specific software to manage the grants, but ABC cannot enter into a contract with the software company since ABC will not be the end user. ABC inquired of the City Law Department if ABC could contract with the new entity and then pay them directly for the software. The initial response was no since the new BCYF was not yet recognized by the City through the ordinance process.

ABC and the consultant team setting up the new entity met to determine potential solutions. One of the possible options was to maintain a number of the agreements for service or software with the Fund for Educational Excellence since ABC has an existing agreement with the Fund in support of the technical assistance providers.

Problem Grantee

There is one grantee that ABC had to suspend indefinitely based upon allegations raised by their Board members in terms of inappropriate handling of the grant. ABC consulted their Board Chair and attorney. There are additional details about this specific grantee that ABC will submit under separate cover.