Nonprofit Partnerships, Scale, and the Question of Effectiveness in Financial Capability Programs

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EXECUTIVE SUMMARY:

In early 2017, Opportunity to Assets (OPTA) convened six nonprofit organizations in the greater Los Angeles area as part of a project funded by JPMorgan Chase & Co. to identify strategies that can help community based organizations enhance the effectiveness of their financial capability programs. This report summarizes the discussions and findings from that study. The question of effectiveness is approached from a productivity angle where two distinct components, namely, output efficiency (or unit cost of service), and success rate are analyzed.

This paper argues that the study partners in Los Angeles, like many other nonprofit organizations across the country, are generally unable to improve output efficiency (i.e., reduce unit costs), simply because revenues raised through various funding sources are spent on securing staff resources in order to expand financial capability programs. This is sometimes a reflection of the constraints placed on grant dollars by various funders, or an indication of the desire of nonprofit organizations to grow existing programs in the quickest possible way. Nevertheless, the study predicts that organizations will eventually face increases in unit costs of service if they attempt to expand their programs beyond a narrow capacity threshold. Therefore, financial capability programs face productivity challenges as they are unable to realize economies of scale.

To reach scale, most organizations will need to change their long-term cost trajectory. Yet, this can prove to be impractical because the type of investments that can change long term cost structures, usually lack economic justification at the existing small scales of most financial capability programs. To address this problem, this paper suggests that if organizations make strategic investments in key areas collectively, they can take advantage of rapid, across-the-board efficiency enhancements that can help improve scale and productivity. The concept of collaboration through partnerships is of course not a new idea, but most partnerships revolve around programs or advocacy. This paper recommends that in order to improve efficiency of financial capability programs, nonprofits should consider collaborating on structural investments that are generally geared toward improving staff preparedness, motivation, and retention, rather than specific program areas. Efficiencies resulting from these investments will allow organizations to expand their programs and increase scale.

The study also suggests that efficiency-enhancing structural investments can simultaneously improve success rates (the second component of productivity relationship). Using self-reported data from a survey of financial capability staff, path analysis was conducted to identify factors that improve effectiveness of financial capability programs. Interestingly, influential factors identified by this model were generally aligned with efficiency-enhancing areas of investment. Therefore, nonprofit partnerships that focus on developing and training their workforce and invest in other areas of organizational capacity in a joint fashion, are more likely to experience significant improvements in effectiveness resulting from both, improved scale and efficiency, as well as improved performance and outcomes.

Findings from this study can have implications for leaders of nonprofit organizations, as well as public and non-public funders of financial capability programs. Since there are not enough internal triggers to set a community based organization on the path to transform financial capability departments, external triggers might be needed to facilitate this process. Foundations and philanthropic organizations can play a crucial role in this regard. They can act as both the triggers, and the catalysts in this process. By recognizing that the sustainability of financial capability programs rests on capacity enhancing investments,

foundations can encourage nonprofit organizations to form such partnerships and offer funding support for these efforts. Ideally, funds awarded for capacity building investments through partnerships will be treated independently from any programming support offered directly to nonprofit organizations.

To make these transformative investments, study partners in Los Angeles identified three broad priority areas; i) staff development, ii) specialization of services, and iii) standardization, data collection, and technology. At the time of drafting this report, they were in the process of drafting and signing a memorandum to formalize their cooperation on some of these joint strategic priorities.

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INTRODUCTION:

Do community based organizations (CBOs) that offer financial capability programs make a real impact in the lives of low-income families? If so, how effective are they? Are the grant dollars that are invested annually by philanthropic foundations in CBOs making a real difference in low-income communities? Are financial capability programs offered at scale? If not, is there a realistic path to scale for the field of financial capability? How can the nonprofit industry that relies so heavily on grant funding ever reach scale? These questions, while broadly defined, are keenly relevant to funders, practitioners, researchers, and policy makers at all levels of government.

Over the past two decades, the idea of combating poverty through wealth or asset-based strategies has grown in popularity and the field of practice is continually exploring new pathways to strengthen the impact of such strategies. Scholars and practitioners see the logical appeal of asset-based interventions as natural complements to the existing "income-supports" strategies such as EITC, TANF, and SNAP that have been traditionally relied upon to support low-income households.

But even as the emphasis on financial capability strategies continues to grow, the question of effectiveness looms heavily on the entire nonprofit sector. It is of course very difficult to address specific questions related to impact or effectiveness of an entire industry. However, what is referred to here as "the nonprofit sector" is just a wholesale definition of small and midsize organizations that operate in different neighborhoods and provide services to different segments of the population that are generally referred to as "low-income." Such high-level aggregation is warranted in this case since this whitepaper attempts to answer the question of effectiveness-- not from a product, target population, or program perspective, but from an organizational or structural one. In order to accomplish this, we will look at the capacity challenges that befall nonprofits during their attempt to strengthen the impact of financial capability programs and services in lower income neighborhoods.

LIST OF PARTNER ORGANIZATIONS

East LA Community Corporation (ELACC)

Koreatown Youth And Community Center (KYCC)

Lift Los Angeles (LIFT)

Mexican American Opportunity Foundation (MAOF)

New Economics For Women (NEW)

West Los Angeles Community Development Corporation (WCDC)

In early 2017, Opportunity to Assets (OPTA), convened six community development, nonprofit, and faith-based organizations in the greater Los Angeles area as part of a contract with JPMorgan Chase & Co. to discuss opportunities and obstacles facing this group of organizations in expanding its collective impact in Los Angeles. Over the course of the next several months, OPTA organized one-on-one meetings with directors and executives of all six organizations, conducted meetings with staff, and launched an anonymous survey to solicit input from financial capability practitioners in order to identify the key bottlenecks and challenges faced by these organizations in implementing their financial capability strategies. During this period, OPTA also organized regular group meetings to periodically update executives and directors of these organizations on its progress and received feedback on the next steps. This paper summarizes findings from research conducted by OPTA and reflects the collective discussions that were held with study partners. A brief description of each organization appears in Appendix A.

STATEMENT OF PROBLEM AND PURPOSE OF STUDY:

Focusing on building wealth for the poor as a strategy to fight poverty is rather oxymoronic. Wealth, by definition, results from a process of accumulation and in that meaning, requires a priori existence of a flow of income. But generation of income is directly related to the availability of a stock of productive resources; assets, which among other things, include human, social, and non-human capital. Since alternatives to bridging the gap in building assets are few and far between, it should not come as a surprise that most of the theoretical work around wealth-based strategies has centered on informing public policy. [1]

It is certainly not an overstatement to claim that the entire field of financial capability and asset building would be irrelevant without an intentional policy component. Therefore, the lion's share of efforts to promote financial capability for low-income families has concentrated on advocacy and research that deal primarily with issues related to programming, funding, or legislative action. Yet, little attention has been given to the obstacles and challenges that exist in the delivery mechanism of these policies and programs.

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The nonprofit sector is naturally a reliable conduit for facilitating access to much needed services for millions of low-income households in communities across the United States. In that capacity, nonprofit organizations sometimes function as delivery hubs in different neighborhoods. They provide vital services such as childcare, utility and transportation assistance, nutrition, mental health counseling, affordable housing, and job placement services to name a few. But is the delivery model for such services, (henceforth referred to as the Social Service Delivery model), also appropriate for financial capability programs? There are reasons why this may not be the case. Social services are usually in high demand; childcare, housing subsidies, jobs, etc., are among the immediate needs for most low-income families. Successful delivery and fulfillment of those needs continually fuels the demand for such services. In a sense, and while there are some exceptions, the interaction between a nonprofit organization and a client in the social service delivery model is more or less structured as a transactional relationship that has an immediate impact on the level of wellbeing of the recipient.

On the other hand, programs intended to support and improve financial capability of low-income households are in great need, but one would be hard pressed to argue that they are also in high demand. To understand the difference, consider the following explanation. Providing hot meals or a childcare service both offer immediate relief to specific needs. Hence the need for such services and programs effectively represent demand for these services.

1 For example, See (Beverly, et al., 2008, p. 99).

For individuals and families that utilize such services, a "transactional" relationship is established between them and the neighborhood organization. But financial capability services cannot be defined in a "transactional" frame, therefore, the need for these services may not necessarily reflect an effective demand. Financial capability services usually do not have an immediate impact on the level of wellbeing of a household. They do not satisfy an urgent need in any direct fashion. Instead, the effect of improved financial capability on a household's wellbeing is rather "transformational" and can only appear over the long term. So, the traditional social service delivery model may not be as effective in delivering such results, simply because it cannot generate an effective demand.

Perhaps an example than can best demonstrate this is the Voluntary Income Tax Assistance (VITA) program. VITA is a popular program among organizations that offer financial capability services to low-income households. The core function of VITA is to provide access to preparation and filing of tax returns. Low-income families have several options when it comes to filing their taxes. However, what makes VITA an attractive alternative is probably the fact that the service is offered at no charge, and families can rest assured that not only the nonprofit organization has their best interest in mind, but is also more specialized in helping them get the maximum possible benefit (refund) under the tax law.

Over time, several organizations that have offered VITA have been able to grow the scale of their operations and are serving larger numbers of households each year. In addition, and through expanded outreach efforts, they have been able to increase awareness of the Earned Income Tax Credit (EITC) refunds, making VITA one of the major financial capability programs offered throughout the country. Still, VITA is only one of a very limited number of examples where a financial capability program is delivered in a "transactional" format. Families who meet the IRS income reporting requirements (and even those with lower incomes who do not meet the requirements, but do so in order to benefit from EITC refunds), have a direct need to complete and file tax returns. For these households, there is an effective demand for tax filing services. Yet, at the same time, most VITA programs are still struggling to help families save a portion of their tax refunds. Without a doubt, saving represents a great long-term financial need for low-income households, but it does not generate a corresponding demand. As a result, VITA has had limited success in connecting households to tax time saving opportunities. Most nonprofits would consider their mission fully accomplished if larger portions of their clientele opted to save parts of their refunds in a savings account.

This distinction may sound trivial, but the implications are far reaching. Financial capability is transformational in nature and its effectiveness relies on its ability to generate effective demand. Unlike a transactional model, the quality of human resources, their preparedness, level of experience, and motivation are crucial factors in building a trusting relationship with clients. Access to suitable financial products to meet saving, borrowing, and transactional needs of low-income households is also a necessary complement for the successful delivery of financial capability programs. In this context, everything, starting from staff training, to outreach and marketing methods, client recruitment and engagement capabilities, funding and program sustainability, and even outcome measurement makes the delivery of financial capability services different from the traditional social

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service delivery model. Understanding the distinctions in delivery models is important, not only for nonprofit leaders, but also for funders as they have a unique opportunity to support efforts of nonprofits in chartering this new territory. This paper intends to tackle some of these questions.

BACKGROUND:

In 2017, six local nonprofit organizations in the Greater Los Angeles area came together to discuss ways to improve the effectiveness of their financial capability programs and services. These organizations, like thousands of others across the country, are working diligently toward improving the financial lives of people living in communities within their geographic reach. While these nonprofits and the programs they offer differ from one another in areas such as target populations, programing elements, data collection, and program evaluation, they were all unanimous in their pursuit of a common goal: identifying ways to amplify the effectiveness of financial capability programs and services.

Addressing the issue of effectiveness through the lens of delivery mechanism, places a natural emphasis on elements that are closer in meaning to the organizational business model. For example, issues related to staff preparedness, experience and motivation, revenue structure and expenses, scale and sustainability, as well as accumulation and transfer of knowledge within an organization can be analyzed more effectively using an economic approach that looks at organizational productivity as a way to measure effectiveness of financial capability programs and services.

Some researchers have analyzed the concept of productivity through the prism of economies of scale. For example, some authors have suggested that since most nonprofits fail to reach scale, inefficiencies tend to increase when several nonprofit groups basically provide the same type of service at a small scale. This results in duplication of administrative tasks and oversight costs and contributes to the overall inefficiencies in the nonprofit sector (LaPiana, 2010), (McLaughlin, 2010). Others, have argued that in the absence of a competitive market, few external incentives remain to push nonprofits toward operating more efficiently. Perhaps, one of the more promising approaches to aid our understanding of productivity in the nonprofit sector is the model provided by Neuhoff and Searle (2008). They have suggested that the question of productivity (cost per outcome) can be analyzed by distinguishing two components of productivity; namely output efficiency and success rate.

In equation 1, a reduction in cost per output represents the first path to productivity. This component measures the unit cost of service for a nonprofit organization. For example, if an organization allocates $15,000 to provide financial education to 70 at risk youth, per unit cost of service (output efficiency) is $214.3. The nonprofit organization can improve its output efficiency by lowering its unit cost of service in successive iterations of the program; for example, by looking at increasing its recruits or exploring alternative delivery channels for financial education.

But equation 1, incorporates a second path to productivity through the inclusion of a term that measures units of output per unit of outcome. This is referred to as the success rate (Neuhoff & Searle, 2008).[2] In our example, if one out of every five participants in the financial education program sets up a monthly budget and starts saving money regularly (assuming that these are actually the intended outcomes of the financial education program), then the total productivity (or outcome productivity) for the organization will amount to $\$214.3 \times 5/1 = \$1,071.4$.

2 Perhaps the inverse of success rate makes more intuitive sense in this case.

Equation 1

$$\frac{Cost}{Output} \times \frac{Outputs}{Outcome} = \frac{Costs}{Outcome} \rightarrow efficiency \times \frac{1}{success\ rate} = productivity$$

Neuhoff and Searle (2008), suggest that organizations might be able to achieve their productivity goals either by improving output efficiency, or success rates. However, they remind us that these two components are not necessarily independent from one another and in some cases, efficiency and success rates may in fact be inversely related. In other words, it is possible that reductions in the cost per unit of output is achieved only at the expense of lowering the overall success rate of a program. Conversely, one may argue that increasing success rates could also result in increases in cost per output. Nevertheless, identifying the components of outcome productivity, marks a step forward in shaping our understanding of the process through which nonprofit organizations can improve the effectiveness of their financial capability programs.

It is sometimes argued that since nonprofits do not define their strategies based on sales or profit maximization, it is not customary to measure productivity in quantitative terms (Drucker, 1989). Others have argued that quantitative measurement of productivity might be challenging, because "… tangible results is often difficult to sort out and because those results often are not expected to materialize for years, or even decades." (Poister, 2003, p. 19). These criticisms notwithstanding, still more complexities arise when one attempts to broaden the scope of analysis by defining productivity in the context of social impact. However, following Ebrahim and Rangan, (2010), we argue that performance in a service delivery model is best measured not in terms of social impact, but in terms of activities (outputs) and outcomes.[3] This is a generally acceptable approach not only because of the complications of measuring impact, but also because of the questions regarding validity of measuring impact from a causal perspective, where so many factors other than those accounted for in a financial capability program can influence a desired impact.

APPROACH:

One important question that the Los Angeles partners were interested in exploring was whether or not collaboration among organizations could lead to improved productivity. Specifically, what is the process through which productivity improves? In fact, our cursory review of literature on the concept of productivity in the nonprofit sector revealed that while some differences in approach exists among various researchers, "scale" and "collaboration" are seen as the key ingredients in addressing the productivity challenge. For example, using a contingency model, Ebrahim and Rangan (2010) suggest that long term impact can improve in at least two different ways: increasing the scale of operations and expanding the comprehensiveness and scope of services, which can also be achieved through partnerships across organizations.

This view has been echoed by others as well. In their book, Epstein and Yuthas (2014) suggest that "innovation", "scaling", and "leverage" are three pathways that can lead to improved impact. Based on their definition, innovation involves changing the way an organization operates

3 See (Ebrahim & Rangan, 2010, p. 22)

and structures itself to deliver value. It also includes operational changes that affect the products and services produced or the manner in which they are produced. With regards to scale, the authors point out the importance of maintaining quality and accountability as an organization expands its services. But the most important pathway to impact according to Epstein and Yuthas, is the leverage pathway. An organization with an effective strategy, model or process can scale its impact exponentially by sharing proven innovations with other organizations. "Any asset, practice, or capability can potentially be shared with other organizations working toward the same cause." (Epstein & Yuthas, 2014, p. 202). Incidentally, this is the same idea behind equation 1. To be specific, achieving scale is only possible through increasing output efficiency (the first component in equation 1), while effective organizational collaboration can lead to both a larger scale and improved success rates (the second component of equation 1).

Convergence of thought on the issue of scale through partnerships is significant, but from a practical point of view, it does little to help us understand the challenges faced by community based organizations in working collaboratively to reach scale. In order to get a better understanding of these challenges, OPTA arranged a series of one-on-one interviews with all six participating organizations in Los Angeles and conducted an anonymous survey of staff to collect additional information. Conversations with participating organizations largely hovered around the concepts of efficiency, scale, and outcomes. In the next few sections, challenges in going to scale will be discussed in the context of equation 1, using both theory, as well as findings from our interviews and the anonymous staff survey.

MEASURING OUTPUT EFFICIENCY: NO ECONOMIES IN SCALE FOR NONPROFITS!

Let's assume that in 2013, Nonprofit ABC received a grant award of $50,000 to start a financial coaching program. The organization hired a new employee at an hourly equivalent rate of salary and benefits of $19.5. ABC also spent an additional $8,500 in that year on expenses related to program setup, and training. By the end of the year, the program had already severed 68 individuals and families. The direct cost of the program in 2013 amounted to $49,060 and the per unit cost of service (our measure of output efficiency) amounted to $721. In 2014, the program received a new grant in the same amount and with the program now in full swing, ABC was able to serve 84 clients. The direct cost of the program in 2104 was $46,350. As a result, the unit cost of service in 2014 was reduced to $551. In terms of equation 1, this means that our measure of output efficiency increased by 23%. In 2015, ABC saw an increase in its grant funding to $75,000. This allowed the organization to expand its program further by hiring another part-time staff and serving a total

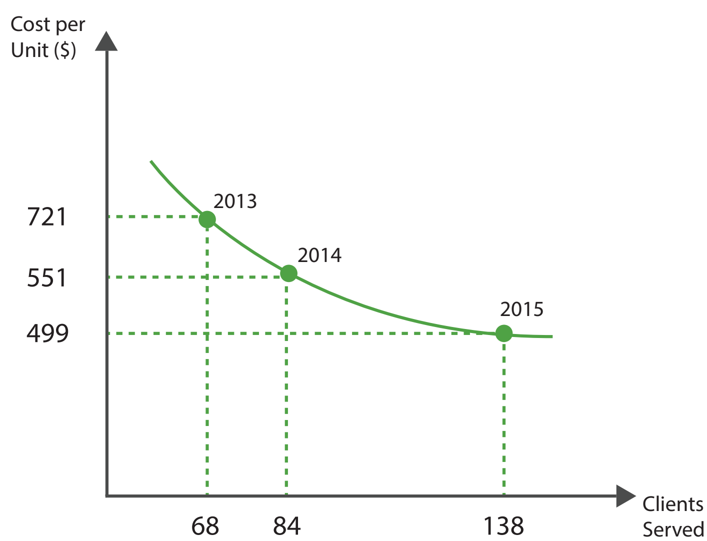

Figure 1- Increases in output efficiency in the expanded program

of 138 families in that year. The direct cost of the program in 2015 amounted to $68,900, resulting in a unit cost of service of $499 per client. Figure 1, provides a graphical representation of changes in output efficiency for ABC from 2013 to 2015.

Is ABC on its path to scale? While, inspection of Figure 1, suggests that unit costs have indeed decreased and more families are now being served in the program, such improvements in efficiency and unit costs do not, however, necessarily correspond to economies of scale. In fact, there is a widespread confusion regarding the concept of scale as applied to the nonprofit sector. In an analysis of Community Development Financial Institutions (CDFI), which can also be easily applied to the nonprofit industry in general, the authors state that: *"Private sector actors tend to talk about 'scale' as in 'economies of' – i.e., presuming a cost model in which variable costs decline as production increases. However, for the CDFI industry, reaching scale typically refers to delivering product(s) to a larger audience, delivering more products, or increasing assets or loan volume."* (Ratcliff & Moy, 2004, p. 4).

The above quote appears to suggest that there is an inherent difference between interpretations of "scale" in the for-profit and nonprofit sectors. But this difference is rather specious, and, in fact, referring to scale simply as a "large number" allows for a vague description of the more substantive definition of the term in relation to cost. That notwithstanding, the authors seem to suggest that by going to scale, costs will inevitably go down. This is because average costs, or unit costs, tend to decline as output increases. But, in reality, economies or dis-economies of scale are not short-run considerations (i.e., they are not related to variable costs as referred to in the quotation); rather, they refer to long-run average costs. As the example below will demonstrate, the argument that increases in output will result in lower costs is characteristically inaccurate.

In our earlier example, while ABC was able to reduce its average cost within the first three years of implementing its financial coaching program, gains in efficiency did not come about as a result of changes in the program structure and there was no guarantee that efficiency will continue to improve with a possible expansion of the program. To be more specific, suppose that in 2016, ABC was able to garner additional grant support to hire another full-time employee and was able to increase the number of clients served from 134 to 189, while spending around $100,000 in direct program costs. A quick calculation reveals that the cost per output has now increased from $499 in 2015 to $529 in 2016. Therefore, ABC is not on the path to scale. In fact, nothing in our example allows us to conclude otherwise. In expanding its financial coaching program, ABC did not make any cost reducing structural enhancements, so there is no reason to believe that costs will continue to go down as the program expands. The grant dollars that ABC received were mostly spent on supporting staffing needs. A range of options, from creating a new staff training program and ongoing professional development, to establishing referral partnerships with other neighborhood agencies, or from investing in a database system or a website to collect client information systematically, or standardizing procedures across a network of partners, or creating a tiered system for financial coaches, etc., would have been the types of changes necessary to improve the structure of the coaching program. These and other recommendations are in fact part of a report that highlights the need for a more comprehensive and professional approach to financial coaching (Consumer Financial Protection Bureau (CFPB), 2017). In theory, such investments in program delivery model reduce long term costs and allow for economies of scale to set in, thereby allowing for larger numbers of participants to be enrolled in the program in the future. [4]

But in fact, our hypothetical organization, ABC, will find it difficult to implement any of these capacity enhancements, primarily because such investments clearly lack economic justification! To see this more clearly, suppose that in 2014 when ABC was already serving 84 clients, it was able to raise additional funds to invest in a new data collection and tracking platform for its financial coaching program. Given the costly nature of the fixed initial investment in a data system (including the associated training costs), ABC will clearly experience an increase in per unit cost of service, in this case from $551 to $913 (see Figure 2). With these numbers, one would be hard pressed to justify such investments. This is largely because program revenues that are generated through grant dollars are typically inelastic to capacity investments, therefore no sizeable return on investment (in terms of program revenues) could be expected from such enhancements.[5] ABC will have no incentive to make this investment.

Still, one might argue that since funding for the data system in our example was ultimately provided by grant dollars from a third-party, unit cost should not be a consideration in this investment decision. However, this argument would only be true if program sustainability was not a concern. In reality, nonprofit organizations are often challenged to show a path toward sustainability for their programs. Therefore, a higher per unit cost does more harm than good in this case. ABC would be more interested to use any additional

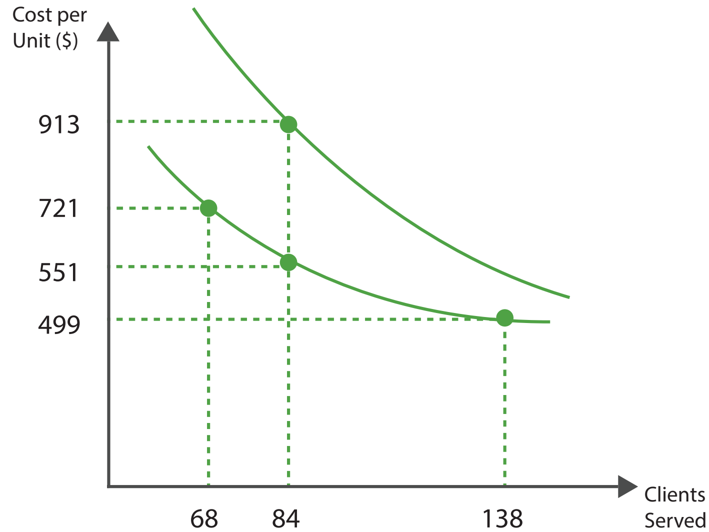

Figure 2- Investment in scale and the change in cost structure.

grant dollars to meet its staffing needs rather than invest in structural improvements when its existing programs operate at such a small scale.

So, how does one address these contradictions? If, without proper structural investments, the path to long term scalability and improved productivity is impossible, and yet at the same time such investments tend to increase unit cost of service, how then can nonprofit organizations achieve scale? This contradiction almost never arises in a for profit enterprise. In the case of the latter, revenues depend largely on asset levels and the size of operations, whereas in neighborhood nonprofits that rely on grant dollars, program revenues usually do not change significantly with asset levels or new investments. In our

If, without proper structural investments, the path to long term scalability and improved productivity is impossible, and yet at the same time such investments tend to increase unit cost of service, how then can nonprofit organizations achieve scale?

4 Reducing long-term average costs should not be confused with reducing efficiency unit costs in the short run. While it is relatively easy to implement cost-cutting measures in order to reduce variable costs and as result improve efficiency, the issue of reducing "long run" average costs is not too easy to tackle. The main difference between economies of scale and efficiency-enhancing reductions in variable costs is in the underlying causal relationship between output and cost. In most cases, it is possible to cut variable costs by increasing output (output causing cost), but it is impossible to go to scale without cutting the long run average costs (costs causing output). For a more formal analysis of economies of scale, the reader is referred to any intermediate microeconomics textbook, such as (Thomas & Maurice, 2005).

5 What this means is that subsequent increases in grant support or program revenues may not be significant enough to generate a sizeable return on investment.

example, the total number of clients served by ABC in its financial coaching program is in large part determined by the amount of funds ABC is able to raise to support staffing needs in the program. More than likely, ABC will not be able to increase its program funding in any significant way simply because it now has a new data system in place. Of course, ABC is only a hypothetical organization in our story, but conversation with our real study partners allowed us to discover other dimensions of the type of challenges nonprofit organizations face in improving efficiency through scale.

EXECUTIVE INTERVIEWS:

During this study, comprehensive interviews were conducted with directors and top-level executives of six study partners in Los Angeles. These organizations differ in size and scope of operation. All but one, are multi-site organizations, yet all offer financial capability services mostly through one central location. Staffing levels in financial capability programs and their definitions vary across these organizations, but in general, staffing levels (i.e., paid staff) is normally around 4 full time paid employees. When asked about departmental budgets, most respondents indicated that excluding overhead and/or administrative expenses, they operated on break-even levels. Department budgets typically cover salaries and benefits for staff as well as other programmatic costs and fees, including staff training expenses. Overhead and other administrative expenses are largely absorbed or subsidized through other sources of organizational revenue.

In terms of funding sources, it appears that many have recently increased their reliance on public funding, citing reductions in funding from financial institution foundations as one of the reasons for increased reliance on public funds. At the same time however, some organizations have decided not to rely too heavily on public funds, citing costs of program administration, including complicated reporting requirements, as one of the reasons for their lack of interest. In one of the interviews, a respondent also commented that *"… generally, we have not applied for public funds, mostly because public grants require large scale operations, so we will have to bring other organizations on board and that reduces the amount of the grant per organization."* [6, 7]

In order to provide services and to maintain staff resources at their existing levels, financial capability departments across all six partners typically manage an average of 8 to 10 grants during their fiscal cycle, a relatively large number considering how small financial capability departments are at these organizations.

This brief background on the LA partnership serves to show, rather in clear terms, that financial capability programs in Los Angeles face resource limitations and are operating on a miniscule scale. But aside from funding levels, other aspects of funding also seem to create unintended barriers for nonprofits in scaling their financial capability programs. In many cases, reliance on grant awards with annual renewal cycles makes long term planning *de facto* impossible. Coupled with the small size of most financial capability grants that are available to the industry, annual grant cycles introduce additional layers of inefficiency. Department heads are compelled to focus on meeting proposal deadlines and reports all the while attending various community events/meetings that leaves them with little or no time to concentrate on long-term

6 Comment made during face to face interviews.

7 In fact, a report by UCLA Center for Civil Society indicated a positive correlation between share of revenue from government and average number of collaborative efforts of nonprofits (UCLA Center for Civil Society, 2010, p. 29). It appears that government grants usually push nonprofits toward closer programmatic collaboration.

strategies to improve departmental productivity.

In addition, uncertainties related to continuation of funding from different funding sources and concerns over sustainability of financial capability programs have prompted organizations, on the one hand, to limit staff pay, and on the other hand, to lower qualifications for hiring new employees. Some respondents felt that this strategy would pay off in the long term, expressing hope that staff retention rates might be higher for new employees who do not have higher qualifications. To compensate for this tradeoff, some organizations have made larger investments in offering on-the-job training for newly hired staff. And while professional training has helped organizations develop some of the essential competencies for effective implementation of financial capability initiatives, a lack of professionalization and qualification requirements or licensing for financial capability staff has resulted in low staff retention rates. A comment during one of the interviews nicely summarized the challenge in this respect: *"I am not sure whether we are doing the right thing for the organization or not when we send our staff to different trainings. In a way, I feel we are just preparing them for their next job at the County office or at some other place."*

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In fact, data collected from staff surveys during this study provided additional evidence on the challenges that nonprofit organizations face in retaining staff. Based on the findings from the sample, median length of employment with an existing employer in a financial capability program is only two years. Also, the median length of employment, including all past employers, is only three years. These findings clearly indicate that financial capability programs face challenges related to staff recruitment and retention, as well as with transfer of knowledge in the field. In many cases, those employed either do not have sufficient job experience or do not stay long enough with their employer to develop the necessary experience and competencies.

So, where does this leave us with our analysis of scale and output efficiency? On the one hand, since most financial capability programs operate on a small scale and have revenue structures that are not responsive to structural enhancements, nonprofit organizations find it difficult or irrational to invest limited resources in improving the structural capacity of financial capability programs. Instead, their resource allocation priorities are mainly aligned with securing or maintaining staffing levels. However, this approach is incompatible with the notion of economies of scale. In fact, in the short run, allocating more resources to program staffing will eventually reduce output efficiency (i.e., it will increase per unit cost). This, in turn, limits the potential for financial capability programs to retain qualified staff as most employees would find it difficult to survive and grow professionally in an industry where output efficiency deteriorates even when programs continue to expand.

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But perhaps the silver lining in this scenario is collaboration. Collaboration among nonprofits is of course not a new phenomenon. Many have long established partnerships for advocacy and grant purposes (UCLA Center for Civil Society, 2010, p. 29). However, according to our analysis, the type of collaboration that can help nonprofits improve efficiency are not necessarily program-based partnerships. Rather, it appears that partnerships for general capacity-building investments may offer a more realistic solution to the problem of economies of scale. Capacity building investments and efforts to make structural enhancements are typically not economically justified for a single nonprofit organization. But they could be justified if such investments are made jointly through a partnership of organizations. In that case, the total cost of investment will be spread over a larger, collective level of output and can result in lower per unit costs. As shown in Figure 2, capacity building investments will usually put a nonprofit on a higher cost trajectory, thereby making them economically not justifiable. Nevertheless, economic theory posits that this higher cost trajectory will have a steeper negative slope compared to the original cost curve. This suggests that at higher levels of output, unit costs will be significantly smaller than before, thereby allowing economies of scale to set in. The idea of developing a collaborative capacity-building investment strategy is one of the main recommendations of this study.

the type of collaboration that can help nonprofits improve efficiency are not necessarily program-based partnerships. Rather, it appears that partnerships for general capacity-building investments may offer a more realistic solution to the problem of economies of scale

MEASURING SUCCESS RATES:

The second left-hand-side component in Equation 1 is the ratio of output per unit of outcome. This measures the success of an organization in translating outputs into financial capability outcomes.[8] From a practical point of view, measuring this ratio is not as straightforward as output efficiency (the first term in Equation 1), because there is often no standard definition for outcomes, or the main outcomes are not readily quantifiable.[9] Naturally, one significant step in measuring success rates is to define a common set of measurable outcomes for financial capability programs. Thankfully, our one-on-one interviews with study partners offered some insights into the complex challenges that organizations face in this regard.

Most partners indicated that certain measures of outcomes have been defined and are already in place for data reporting purposes. These are largely carried out as part of each organization's grant reporting requirements. While, this provides a starting point for defining a common set of outcomes, most partners had reservations about the practicality of this effort. Some even expressed concern that it was not clear how measuring outcomes would in any way help the nonprofits improve their success rates. During one of the executive group meetings, one attendee commented that most of the organizations at the table already had a fairly good idea of the financial profiles of the households they served. For example, many had a good idea of how much income families made on average, how much they spent, or how much they were able to save. But there was not much they could do in order to improve the financial capability outcomes of their clients based on this knowledge alone. In a way, this comment reflects a long-standing criticism of data collection that treats it mostly as a one-way street. Nonprofit data collection is not very client-centered, since they are not able to customize services according to the specific needs of their clients. This, makes it difficult for staff to collect data as households become increasingly unwilling to spend additional time

8 While we refer to this term also as the "success rate", it is obvious that it in fact measures the opposite of the rate of success

9 For example, if a financial education workshop is offered with the intension of improving "financial awareness" of participants, it would be difficult to measure such an outcome.

sharing household financial information. Furthermore, other than to determining eligibility, households know that the information they provide will not likely result in better service. It should not come as a surprise to find out that financial capability staff are also generally reluctant to spend more time collecting data. In fact, our online survey of financial capability practitioners showed a negative and statistically significant correlation between staff motivation and time spent on data collection. This is in part due to the negative dynamic that is created between families and financial capability staff when the latter spends additional time to collect data. [10]

online survey of financial capability practitioners showed a negative and statistically significant correlation between staff motivation and time spent on data collection

The overall sense from the group meetings concerning measuring outcomes was one of frustration. All organizations agreed that it was important to collect a more or less uniform set of data since it was important to attempt to measure a comparable set of outcomes. But most were frustrated that data collection was never organic to their financial capability programs in the first place. Some suspected that the problem could be traced to the top-down approach in data collection; where the type of data to be collected was typically identified by a granting source instead of the organization itself. In such instances, collected data may not accurately reflect the unique attributes of the households or the characteristics of the neighborhoods from which it was collected.

Another issue that was raised during our one-on-one meetings was that of grantors making investments in data collection platforms on behalf of a group of grantees. While this helps reduce the collective cost of investment for organizations, both in terms of time and money, it presents new challenges for nonprofits. For example, some grantors require different data platforms for reporting purposes. This makes data collection an especially arduous task for staff, as it becomes repetitive in nature and takes valuable time away from providing services. In fact, our survey of financial capability staff revealed that on average, staff spent 21% of their total work hours doing data collection/entry and reporting.

Given these challenges, it became clear that quantifying a measure of productivity according to Equation 1, would be difficult for the Los Angeles partnership, at least in the near future. [11]While all partners expressed their commitment to work together on streamlining and defining a common set of goals, it was clear that this effort would take some time to come to fruition. In the meantime, the study had to address the issue of measuring success rates in order to offer insights to partners on how to improve productivity in the context of Equation 1. One solution, of course, was to assume that success rates remain constant. This assumption makes it possible to measure changes in productivity simply by measuring changes in output efficiency. While this seems to be the most practical approach, it does impose arbitrary assumptions regarding the nature of productivity gains or losses by completely disregarding success rates. Instead, one could use indirect methods to evaluate success rates in financial capability programs. Though organizations may not be able to directly measure their success, if they use indirect methods to do so they could at least understand the factors that have a positive influence on success rates.

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10 Estimated Pearson correlation coefficient between time allocated to data collection/ data entry and the intrinsic motivation of staff was -0.358 (p=0.041). More details regarding the survey instrument and results appear in Appendix B, and C.

11 At the time of drafting this report (October 2017), study partners have agreed to start the process of defining outcomes and reach agreement on how to collect data and measure outcomes.

By manipulating these factors, organizations could then concentrate on improving the cost efficiency of their financial capability programs while remaining reasonably confident that their efforts to reduce cost per unit of output would not result in a deterioration of outcomes.

To demonstrate how organizations could indirectly evaluate their success rates, a survey instrument was designed to measure the effectiveness of financial capability programs and services using anonymous responses from staff in financial capability departments. The survey also included questions to measure factors such as staff motivation, and preparedness that were later used in a correlational study to measure effectiveness. The survey instrument used for this study appears in Appendix B, while details regarding the collected data and corresponding measurements appear in Appendix C.

RESULTS FROM DATA ANALYSIS:

The survey instrument that was developed for this study collected data on a number of self-reported constructs including: effectiveness of financial capability programs, level of preparedness of financial capability staff, employee motivation (separated into intrinsic, and extrinsic components), and other demographic and job-related indicators. A correlational study was conducted to explore factors that explained effectiveness of financial capability programs. The main assumption was that staff self-reported measure of "effectiveness" (the dependent variable) was closely correlated to the unknown measure of "success rate" in financial capability programs. Therefore, if the data analysis provided statistically significant results, then factors that explain effectiveness could potentially be influenced in order to improve success rates, ergo productivity, across financial capability programs. Combined with measures to improve output efficiency, organizations could then take reasonable action toward improving productivity in their financial capability programs.

Figure 3, provides a graphical representation of the model used in the study. The signs next to the variables represent the direction of correlation between an outcome variable and a determinant. For example, according to the model estimates, the higher the number of financial capability programs a staff person is involved in, the lower the level of staff preparedness will be, etc. A combination of four structural regressions were fitted to conduct a path analysis on financial capability program effectiveness. [12] Direct, indirect, and total effects of the complete model are presented in Table 1. The primary outcome of interest is program effectiveness. According to data presented in Table 1, the variable with the largest total causal effect is intrinsic motivation of financial capability staff (0.455). Other major factors, include staff preparedness (0.414), and years of financial capability employment (0.236). Among the factors with an inverse effect on effectiveness, the largest influence was attributed to the number of financial capability programs staff are involved in (-0.173).

DISCUSSION AND RECOMMENDATIONS:

This study attempts to offer insights into strategies that can intensify the impact of financial capability programs. Instead of adopting a program-specific approach, it focuses on the concept of organizational productivity that measures the success of an organization in delivering outcomes. Organizational productivity consists of two distinct components; 1) unit costs of service (output efficiency) and 2) success rates. Any attempt to improve

12 See (Mertler & Vannatta, 2010) for details regarding designing and conducting Path Analysis.

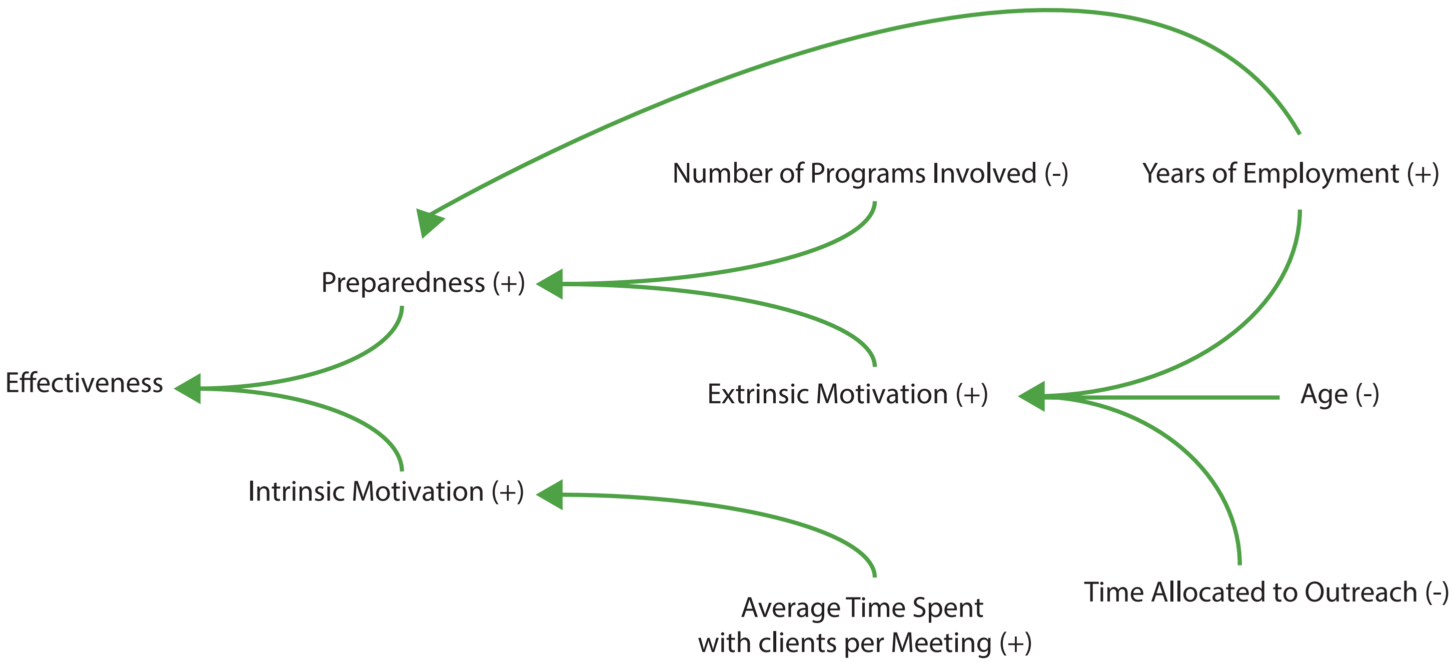

Figure 3 Path Analysis Diagram for Financial Capability Program Effectiveness.

organizational productivity will require improvements in at least one of the components, assuming that any improvement in either component, is not at the expense of the other one, at least not to such a degree that results in overall reductions in organizational productivity. Analysis presented in the preceding sections shows that the study partners, like many other nonprofit organizations across the country, are generally unable to reduce unit costs, simply because revenues raised through various funding sources are mostly spent on securing ongoing staffing needs to expand financial capability programs. This is sometimes just a reflection of the constraints placed on grant or contract dollars by various funders or an indication of the desire of nonprofit organizations to grow existing programs in the fastest way possible. But the study predicts that financial capability programs will face challenges in this regard, because organizations will eventually face increases in per unit costs (i.e., efficiency losses) if they attempt to expand their financial capability programs beyond a narrow capacity threshold. In other words, study partners are unable to improve productivity with their current revenue/expenditure model, as they are unable to realize economies of scale.

To reach scale, most organizations will need to change their long-term cost trajectory. Yet, this can prove to be very challenging because the type of investments that can change long-term cost structures usually lack economic justification at the existing small scales of most financial capability programs. To address this problem, this paper proposes that if organizations join forces and make strategic investments in key areas in a collaborative fashion, they can take advantage of rapid, across-the-board cost reductions that can help improve productivity. The concept of partnerships is of course not a new idea, but most partnerships usually revolve around programs or advocacy. This paper recommends that nonprofits should consider collaborating on business-structure investments that are generally geared toward improving staff preparedness, motivation, and retention.

One potential advantage of this type of collaboration is its uncompetitive nature. In other examples of collaboration, such as in cases where two or more organizations partner to offer a new program or service, making joint decisions means that the locus of control shifts form one organization to another, or to a collaborative of organizations. In such cases, there is always a concern that programmatic decisions made jointly by a group of organizations may not be in alignment with the needs of the clients served by each organization. For example, if a group of partners collaborate to setup a micro lending program, the type of product or service they may end up offering, or the specific requirements that the collaborative sets choose for the program, may not be the most appropriate for the clients served by any one organization. Yet, collective decisions on capacity investments such as staff training, data collection, etc., will have no (or very limited) direct impact on any specific program, or group of clients served through those programs. These investments, however, will improve the overall capacity of all organizations in serving larger numbers of clients across all financial capability programs.

		Casual Effect		
Outcome	Determinant	Direct	Indirect	Total
Extrinsic Motivation (R^2=0.366)	Time Allocated to Outreach Activities	-0.358*	-	-0.358*
	Age	-0.404	-	-0.404
	Years of FinCap Employment	0.606*	-	0.606*
Preparedness (R^2=0.413)	Time Allocated to Outreach Activities	-	-0.103	-0.103
	Age	-	-0.116	-0.116
	Years of FinCap Employment	0.396*	0.174	0.570*
	Number of Programs	-0.419*	-	-0.419*
	Extrinsic Motivation	0.287*	-	0.287*
Intrinsic Motivation (R^2=0.155)	Average Time Spent per Meeting	0.394*	-	0.394*
Effectiveness (R^2=0.533)	Outreach Activities	-	-0.043	-0.043
	Age	-	-0.048	-0.048
	Years of FinCap Employment	-	0.236	0.236
	Number of Programs	-	-0.173	-0.173
	Average Time Spent per Meeting	-	0.179	0.179
	Extrinsic Motivation	-	0.119	0.119
	Preparedness	0.414*	-	0.414*
	Intrinsic Motivation	0.455*	-	0.455*

Table 1- Summary of Causal Effects in the Path Analysis of Program Effectiveness.

This paper recommends that nonprofits should consider collaborating on business-structure investments that are generally geared toward improving staff preparedness, motivation, and retention

It should be emphasized that the investment strategy outlined above, looks at productivity only through the prism of cost. But a strategy to lower unit cost of output is not necessarily concerned with financial capability outcomes. So, to incorporate success rates in generating outcomes, this study used survey data to model effectiveness of financial capability programs. Results indicated that effectiveness, to a large extent, depends on intrinsic motivation of staff and their level of preparedness (see Appendix C for definitions and more details). Intrinsically motivated staff perform their job tasks and responsibilities regardless of specific expectations of tangible reward. Employees that are intrinsically motivated derive satisfaction by feeling a sense of achievement in accomplishing something worthwhile (Geroge & Jones, 2011).

jobs in the area of financial capability are treated mostly as a stepping stone for other opportunities. This affects the ability of nonprofits in accumulating and transferring knowledge and raises questions regarding the quality of services offered in financial capability programs

But effectiveness also increases with specialization. Results from data analysis indicate that when financial capability staff is directly involved in providing variety of services to clients, they experience a loss in level of preparedness which ultimately influences the effectiveness of financial capability programs. Finally, extrinsic motivation is also a significant factor in the model. Extrinsic motivators are external factors that can affect staff performance, such as recognitions, awards, bonuses, pay increases, professional development opportunities, etc. Unlike intrinsic motivators, extrinsic motivators in this study only had a direct effect on staff preparedness and influenced effectiveness only in an indirect way.

These results are encouraging because they are completely aligned with the cost reduction strategies outlined in previous paragraphs. For instance, knowledge of the positive influence of intrinsic motivation on program effectiveness, means that study partners could collaborate on creating job descriptions and hiring strategies to identify individuals that are motivated by the promise of financial capability all while feeling satisfaction in helping families to improve their financial situation. Hiring employees whose values are in complete alignment with organizational values are critical in developing a truly transformational delivery mechanism for financial capability programs. For example, intrinsically motivated employees will support and guide their clients to achieve financial capability primarily by developing a close and trusting relationship with them. In addition, by encouraging staff to improve preparedness, organizations can pay closer attention to staff retention and extrinsic motivators. Ideas such as annual staff recognition awards, calibration of pay, moving toward a tiered system of employment and possible certification of staff are great strategies to consider in this regard. In general, during discussion on collaborative strategies to enhance capacity, study partners identified three broad priority areas:

intrinsically motivated employees will support and guide their clients to achieve financial capability primarily by developing a close and trusting relationship with them

Staff Development: Considerable systematic challenges exist in hiring and retaining qualified staff. Because of a lack of formal structure, qualification requirements and career ladder opportunities, jobs in the area of financial capability are treated mostly as a stepping stone for other opportunities. This affects the ability of nonprofits in accumulating and transferring knowledge and raises questions regarding the quality of services offered in financial capability programs. Study partners in Los Angeles identified this as a priority area for a possible collaboration. The group agreed that it would be important to standardize job descriptions for financial capability staff, define specific competencies and move toward a tier system of employment in the field of financial capability. Along with these enhancements, study partners expressed interest in exploring the possibility of creating a joint training program for new hires to be offered at regular intervals. Finally, both executives and financial capability staff identified that investing in a “learning community”, where staff could regularly exchange ideas and information with their peers from other organizations, would be critical to improving and expanding the skill sets of financial capability staff. With calls for professionalizing the field of financial capability echoing louder than ever before, the need to formulate collaborative staff development strategies becomes even more incontrovertible.

An organization with a larger savings program, while may have an absolute cost advantage over smaller ones, may not necessarily have a comparative advantage in going to scale

Specialization: One of the fastest ways to reach scale is to make a transition toward specialization. If organizations collaborate to invest resources in studying and identifying comparative advantages in various areas of financial capability, it would make it easier for them to go to scale. Technological advancements in the area of financial capability have provided new opportunities for organizations to specialize and offer services in innovative ways that can easily bridge any geographic separation between clients and service providers. These advancements will no doubt continue in the future and will create new opportunities for the industry. If partners in Los Angeles decide to collaborate while specializing in specific areas of program delivery, they can develop a network of cross referrals that can lower unit cost of service for the entire partnership. But the key to successful implementation of such a strategy is measuring productivity and identifying comparative advantages. For example, several organizations may provide incentivized emergency savings programs, but they may not have the same comparative costs structures. Some may serve several hundred clients at a time, while others could be running a much smaller program.

Here is where measuring comparative advantage becomes important: An organization with a larger savings program, while may have an absolute cost advantage over smaller ones, may not necessarily have a comparative advantage in going to scale. The basis for specialization in our discussion is comparative advantage or "opportunity cost" and not absolute advantage. Community investors and philanthropists should consider this factor in their funding decisions. To clarify, let's assume that nonprofit organizations, (ABC) and (DFG), decide to work collaboratively in offering incentivized savings and lending programs. Nonprofit ABC is a larger organization and offers these programs to a larger number of clients than DGF. In addition, calculation of unit costs reveals that ABC has an absolute advantage over DFG in running both programs as its unit costs are less than DFG. For example, assuming both organizations offer the same incentive to savers, it costs ABC, $563 to offer an additional savings account while it costs DFG $636 to do the same (see Table 2). Is there any incentive for ABC to collaborate with DFG? Can each organization specialize in one of the programs? The answer to both counts is, yes.

According to the information in Table 2, an additional savings account for ABC will cost the organization 2.27

	Savings Program	Lending Program
Large Nonprofit (ABC)	$563	$248
Small Nonprofit (DFG)	$636	$483

Table 2- Unit Cost of Service for ABC and DFG.

lending accounts, whereas the cost of an additional savings account for DFG is only 1.32 lending accounts.[13] On the other hand, the cost of an additional lending account for ABC is 0.44 savings accounts whereas for DGF, adding an additional lending account costs 0.76 savings accounts. This relationship suggests that it would

13 See (Mertler & Vannatta, 2010) for details regarding designing and conducting Path Analysis.

be beneficial for ABC to specialize in expanding its lending program, while DFG concentrates on scaling its savings program. Using technology, both neighborhood organizations will still offer both programs, but will use a cross referral arrangement with the other organization to offer the program they do not specialize in.

It is high time for foundations, philanthropists, and nonprofit executives to consider this concept more seriously in their future strategic plans. But the success of this strategy, as discussed earlier, is predicated on measuring unit costs of service across neighborhood organizations that are open to collaborate with one another on capacity building investments.

Standardization, Data Collection, and Technology: Last but not least on capacity building investment priorities is the question of standardization, data collection, and choice of technology. For reasons discussed in preceding paragraphs, this is by far the most complicated of the three investment strategies discussed in this section. However, without some level of standardization and agreement on measuring outcomes, efforts to improve productivity will be incomplete. During group meetings with study partners, organizations agreed to explore funding opportunities that would enable them to standardize definitions for a minimum set of key outcomes, identify critical data points to measure those outcomes, collect data, and create a joint report on the impact of financial capability programs in Los Angeles. Such collaborations will bring the organizations closer to refining and finalizing a standard set of outcomes, and will give them an opportunity to share their perspectives on data collection and reporting with different funders. One of the big challenges that nonprofits face in collecting and reporting data is the multiplicity of definitions, templates, and reporting portals that are often a required part of their grants and contracts. Failure to invest in building organizational capacity in this area in the past, has resulted in failed efforts by various funding sources to create separate data collection and reporting structures that make this process repetitive, challenging, and demotivating for staff.

One of the big challenges that nonprofits face in collecting and reporting data is the multiplicity of definitions, templates, and reporting portals that are often a required part of their grants and contracts

A final recommendation to study partners from OPTA suggests that study partners (and perhaps other organizations) sign a memorandum of understanding to express their non-binding commitment to cooperate on some or all of the strategies outlined in this section. At the time of writing this report, study partners had already taken the first steps in developing a joint financial capability staff training program and expressed commitment to creating a learning community of financial capability staff.

CONCLUSION:

Findings from this study can have implications for both, funders of financial capability programs and nonprofit organizations. Nonprofit organizations in low income neighborhoods provide much needed services to low income households, but their capacity to expand programs is miniscule when compared to the extent of the need in the community. To improve effectiveness of financial capability programs, nonprofit leaders should consider developing a transformational delivery model. This, in part, is predicated on hiring staff that are intrinsically motivated to work in the field of financial capability. Organizations should also define a clear set of competencies and qualifications for their new hires and consider offering a tier system of employment to move the industry toward professionalization. Over time, this will help increase staff retention and accumulation of knowledge in the field of financial capability.

Unfortunately, there are not enough internal triggers to set community based organizations on the path to transform their financial capability departments. But a collaboration of like-minded organizations can overcome the status quo inertia and make investments in developing truly transformational delivery models. Foundations and philanthropic organizations can play a crucial role in this regard. They can be both, the triggers and the catalysts in this process. By recognizing that sustainability of financial capability programs rests on capacity enhancing investments, foundations can encourage nonprofit organizations to form partnerships and offer funding support for such efforts. Funds geared toward capacity building investments should be treated independently from any programming support they offer to these organizations. Though any assistance offered to nonprofit collaboratives to make structural investments may not directly affect low-income households, funding partners should remain confident that improvements in productivity resulting from such investments can offer significant dividends in the long run by effecting real change in low income communities across the United States.

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APPENDIX A – ORGANIZATIONAL PROFILES

East LA Community Corporation (ELACC)

East LA Community Corporation (ELACC) advocates for economic and social justice in Boyle Heights and East Los Angeles by building grassroots leadership, developing affordable housing and neighborhood assets, and providing access to economic development opportunities for low and moderate income families. Our vision is to see Eastside community members thrive when they have healthy, safe, accessible places to live, work, and play, regardless of their income.

In 1995, ELACC was born with the goal of addressing the critical need for accountable development on the Eastside. To have lasting impact, ELACC's model from its inception included engaging residents traditionally left out of community decision-making processes, and working collaboratively with residents to transform the built environment through land use planning and real estate development. For 22 years we have stayed true to that goal by working side-by-side with community members, guided by the belief that Eastside families will thrive when they have healthy, safe, and accessible places to live, work, and play, regardless of their income. ELACC has leveraged over $230 million in investments through our real estate development and programs.

Our community transformation model has three core integrated strategies—Real Estate Development, Community Organizing, and Asset and Wealth Building—delivered through the work by the following programs:

1. Community Organizing raises awareness and increases neighborhood unity by mobilizing low-income residents and assisting them in accessing decision-making structures.

2. Tenant Services connects our low-income tenants to services where they live, eat, and play, increasing access to opportunities that can improve their quality of life. Through our programs, staff and volunteers reach over 900 residents living in seven of ELACC's affordable housing sites.

3. Community Wealth helps families build assets and wealth through financialeducation and counseling, homeownership education and counseling, and wealth building programs. To date,ELACC has provided pre-purchase guidance to 1,500 households and foreclosure prevention to over 800.

4. Real Estate and Asset Management preserve and increase the supply of affordable housing on the Eastside by building and renovating multi-family rental units for low-income households and single-family for-sale homes for moderate-income households. To date, we have developed 681 units of affordable rental housing and 87 for-sale single-family homes. Currently, 50 units are under

construction and another 474 units are in predevelopment.

Koreatown Youth and Community Center (KYCC)

KYCC (Koreatown Youth and Community Center) was established in 1975 to support a growing population of at-risk youth in Los Angeles. Today, KYCC is the leading multiservice organization in Koreatown, supporting children and their families in the areas of education, health, housing, and finances. We believe that if the family is healthy, our community will thrive. KYCC is committed to making Koreatown a safe and beautiful place to live and work.

The mission of KYCC is to serve the evolving needs of the Korean American population in the greater Los Angeles area as well as the multiethnic Koreatown community. KYCC's programs and services are directed toward recently immigrated, economically disadvantaged youth and families, and promote community socioeconomic empowerment.

KYCC's Community Economic Development Services unit provides comprehensive economic development services focus on improving the financial security of the clients we serve. We strive to stabilize household finances, increase utilizations of financial products and services, and assist building assets to accumulate wealth.

LIFT (Los Angeles)

Founded in 1998, LIFT is a national nonprofit dedicated to ending intergenerational poverty. Since then, we have helped 100,000 low-income individuals achieve their goals. Today we connect hardworking parents and caregivers of young children to the people, tools and resources they need. LIFT operates in Chicago, Los Angeles, New York and Washington, D.C., communities with some of the highest rates of concentrated poverty. By fostering relationships between low-income parents and caregivers of young children (members) and dedicated volunteers (advocates), we help families build the personal well-being, social connections and financial strength to secure basic needs and achieve long-term goals and aspirations, like a safe home, living wages or a better education. Headquartered in the nation's capital, LIFT is also committed to developing strong partnerships with a range of partners on national issues vital to a better future for children and families. To learn more, visit www.liftcommunities.org .

Mexican American Opportunity Foundation (MAOF)

The mission of the Mexican American Opportunity Foundation (MAOF) is to provide for the socio-economic betterment of the greater Latino community of California, while preserving the pride, values and heritage of the Mexican American culture. This is accomplished through programs in early childhood education and family services, job training, and senior lifestyle development throughout the multi-cultural communities served by MAOF.

Since its inception, MAOF's service area has expanded to cover the counties of Los Angeles, Orange, Ventura, San Bernardino, San Diego, Kern, and Monterey. Annually, more than 100,000 Californians (95% of which are in the low to moderate income level) benefit from the organization's innovative programs in 46 service locations. MAOF's programs provide free or low-cost services to individuals, families and seniors who are socially and economically challenged, and serves nearly 8,000 in child care and early childhood education programs every day.

New Economics for Women (NEW)

New Economics for women has created a new way, a blueprint, that helps improve the lives of women and their families. We have seen economic climates swing between decline and prosperity. Through all of these changes, NEW has become a wise and resilient community development organization understanding what it takes for low income, women-led families to become knowledgeable and empowered.

NEW's approach includes creating physical spaces (our housing, community centers and schools) that help families prosper in healthy and safe environments. And with our multi- generational approach, entire families are empowered to connect their values to their goals, which over time, transforms their view of what they need to invest in order to prosper.

The NEW approach includes creating safe and nurturing housing communities as well as rich educational and training environments. Our process also includes opportunities for families to build assets and invest in their futures. By participating in our programs and services, women and families address behavioral economic habits which simultaneously builds their financial knowledge and self-confidence.

West Angeles Community Development Corporation (WCDC)

The mission of the West Angeles Community Development Corporation is to increase social and economic justice, demonstrate compassion, and alleviate poverty as tangible expressions of the Kingdom of God through the vehicle of community development.

West Angeles CDC's mission is to be a leading catalyst for the revitalization and stabilization of communities in South Los Angeles, beginning with the Crenshaw District. The principles of reconciliation, sustainability and social equity guide our priorities, project selection and implementation and strategies. West Angeles CDC subscribes to community development as a liberating process aimed at Economic Empowerment, Social Justice and Community Transformation.

APPENDIX B – STAFF SURVEY QUESTIONNAIRE

Dear Participant,

Thank you for taking the time to complete this survey. Opportunity to Assets is currently conducting a capacity building research study for nonprofit organizations that offer financial coaching and other financial capability programs and services in the greater Los Angeles area.

The goal of the study is to identify avenues for closer collaboration among nonprofit organizations in delivering financial capability services and strengthening the impact of such programs. Your response will help us improve our understanding of the existing landscape of financial capability programs and identify key bottlenecks and challenges that need to be addressed in order to improve the effectiveness of such programs.

Please note that the survey is anonymous; it does not collect any personally identifiable information, nor does it identify the organization from which the responses were collected. We appreciate your candid responses and participation in this crucial survey in advance.

Opportunity to Assets

Part I. General Information

1- Gender

a. Male

b. Female

c. Other/ Decline to Respond

2- Affiliation

a. Full Time Employee

b. Part Time Employee

c. Intern/ Volunteer/ Vista Fellow/ Other

3- Age Range

a. 18-29

b. 30-49

c. 50+

4- Highest Degree of Education

a. High School Diploma/ Associate Degree/ Certificate

b. Bachelor's Degree

c. Graduate Degree

5- If you are currently pursuing a postsecondary degree or certification, please indicate type of degree and area of study.

6- What is your main area of work in Financial Capability (mark all that apply).

a. Individual Development Account

b. Other Savings Programs

c. Credit Building Program

d. VITA/ Free Tax Preparation

e. Financial Coaching

f. Financial Education (including home buyer/ business development/ other workshops)

g. Credit Counseling

h. Other Counseling (including homeownership, foreclosure preventions, business development)

i. Bank on initiative or other financial access programs

7- Number of years employed/volunteering with current organization (enter 0 if less than 1 year).

8- Number of years employed/ volunteering with current organization providing financial capability services (enter 0 if less than 1).

9- Including all past employers, what is your total years of experience in the field of financial capability (enter 0 if less than 1)?

Part II. Service/Case Management

10- How many clients do you typically serve in a group setting in a given month? (Please provide your best estimate. Enter 0 if you do not provide services such as workshops, etc. in a group setting).

11- How many clients do you typically serve individually either by phone, email or face to face meeting in a typical workday? (Enter a number)

12- When meeting in person, on average, how much time (in minutes) do you allocate to each client? (Enter a number)

13- In a given work week, on average, how many in person meetings do you hold with clients? (Enter a number)

14- The largest share of client caseload that you currently handle belongs to which of the following client categories?

a. Youth

b. Single Adults

c. Single Parents

d. Married couples or two wage-earner households

e. No dominant category

15- The largest share of client caseload that you currently handle belongs to which of the following household categories?

a. Extremely Low Income

b. Low Income

c. Low to Moderate Income

d. No dominant category

16- Do most of the households you serve receive public benefits (such as TANF/Calworks)?

a. Yes

b. No

c. It's more or less an even split

17- Please list the names of all of the database systems that you currently use as part of your case management activities (Enter "None" if you do not do data entry work or don't use any systems):

Part III. Capacity and Effectiveness

18- For the specific programs/services indicated above, please select the amount of training you received to perform the essential tasks and duties. (Scale from 1 to 10, one meaning no training and 10 fully trained).

19- List names of training/workshops/certificates that you have received in the past 3 years (Enter "None" if you did not receive any training)

20- For the specific programs/services indicated above, please select your level of experience in performing the essential job tasks and duties. (Scale from 1 to 10, one meaning no experience and 10 highly experienced).

21- For the specific programs/services indicated above, please select your comfort level in performing the essential job tasks and duties? (Scale from 1 to 10, one meaning not comfortable at all and 10 extremely comfortable).

22- To what extent do you think financial capability programs offered at your organization affect the financial conditions and/or general financial wellbeing of your typical clients? (Scale from 1 to 10, one meaning no effect at all and 10 extremely effective).

23- How do you think your clients would evaluate the effectiveness of financial capability programs and services that they receive in general? (Scale from 1 to 10, one meaning not helpful at all and 10 extremely helpful).

24- Based on your experience working with clients how would you rate their openness in sharing their household financial information when applying for financial capability programs/services. (Scale from 1 to 10, one meaning not open at all and 10 extremely open).

25- Based on your experience working with clients how would you rate their overall success in increasing their total household assets and savings as a result of participating in financial capability programs. (Scale from 1 to 10, with one meaning not successful at all and 10 extremely successful).

26- Based on your experience working with clients how would you rate their willingness in changing their financial behavior after receiving financial capability services. (Scale from 1 to 10, with one meaning not willing at all and 10 extremely willing).

27- Please summarize some of the limitations that you face in helping your clients improve their financial wellbeing. What recommendations do you have in addressing these challenges in an effective way?

28- Please provide a rough estimate of time (in percentages) that you currently allocate in completing each of the following financial capability tasks. (Note: As an example, for 15%, just enter 15. Total percentages should add to 100).

a. Outreach and Promotion

b. Orientation and Intake

c. Data Collection/Data Entry

d. Delivery of Service/Case Management

Part IV. Overall Satisfaction

29- My job and my work environment allow me to grow personally and professionally. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

30- I like the field of financial capability. The information and recommendations that we provide to our clients are very important. I use these guidelines and recommendations in my own personal life. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

31- My job requires me to be innovative and allows me to use my creative skills. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

32- I feel financially stable in my own personal life. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

33- My job offers career advancement opportunities and allows me to attend workshops, seminars and conferences that are helpful to my professional development. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

34- My job gives me a sense of responsibility and accountability. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

35- My job gives me personal satisfaction. I can see myself working in the field of financial capability for many years. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

36- I can use my experience and expertise from this job to improve my own income, build savings, and increase my wealth. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

37- My job offers me an opportunity to build relationships with other professionals outside of my organization. (Scale from 1 to 10, one meaning strongly disagree and 10 strongly agree).

Thank you for participating in our survey. Your contribution will help us deepen our understanding of the field of financial capability and asset building. We expect to release the complete report on the "Financial Capability Capacity Building Initiative" sometime in the fourth quarter of 2017. You will be able to download a copy of the report from our website. In the meantime, for any questions or comments feel free to contact us at Support@OpportunityToAssets.com

APPENDIX C- FINANCIAL CAPABILITY STAFF SURVEY

A 37-item survey was developed by OPTA to collect responses from financial capability staff across six study partners. As a result. a total of 16 responses were collected from the group in April 2017. However, to establish statistical significance for subsequent correlational analysis, additional responses were solicited from staff at other organizations in and outside of the study area. As of May 2017, a total of 35 responses were collected through convenience sampling. One of the responses was incomplete and was subsequently eliminated from the sample. The survey was conducted anonymously and was administered primarily to assess the effectiveness of financial capability programs and services. A copy of the survey instrument is available in Appendix B.

Nine different financial capability programs and services were identified in the survey and respondents were asked to select all areas that they were personally involved in. The result indicated a representative sample, with a majority of respondents selecting financial coaching, followed by

Figure 4- Main area of work in financial capability.

VITA/ Free Tax Preparation (see Figure 3).

Most respondents indicated that they were full-time employees (94.1%). Many indicated that they were typically involved in 3 or 4 programs at their respective organizations. Also, 85% of the respondents were female. In terms of level of education, 64.7% had a bachelor's degree followed by 20.6% with a graduate degree or higher, and 14.7% with a high school diploma or Associate degree.

In addition to the general information section, the self-reported staff survey collected responses on the following four categories: Client Profiles & Caseload, Staff Preparedness, Staff Effectiveness, and Staff Motivation. This report will only cover some of the main results from the survey.[14]

Information provided in Table 3, indicates that staff typically support five clients per day either by telephone, face-to-face meetings, or email. The median number of face-to-face meetings per week was 7. The sample also

14 Readers who are interested to obtain more information regarding the survey may contact OPTA for additional details.

Question	Response
How many clients do you typically serve in a group setting in a given month?	15 (Median)
How many clients do you typically serve individually either by phone, email or face to face meeting in a typical workday?	5 (Median)
In a given work week, on average, how many in person meetings do you hold with clients?	7 (Median)
When meeting in person, on average, how much time (in minutes) do you allocate to each client?	52 min. (Average)

Table 3- Financial Capability Staff Caseload.

indicated that the average time for each session of face-to-face meetings with clients was about 52min. In fact, during the group meeting with staff, we found that some organizations have developed a specific format for client meetings. At least one organization indicted that staff typically holds two meetings in the morning, and two in the afternoon on most days. Case managers spend 15 minutes prior to the meeting to review notes from previous session(s) and then proceed to hold a 45-minute session with clients.

But a typical day for a financial capability staff involves more than supporting existing clients. When asked to identify time allocation, respondents stated that the median share of time allocated to providing case management services was 41%. Intake activities and data collection/data entry each consumed close to 21% of the time, followed by 18% for outreach and promotion activities (see Figure 5). While the survey generally targeted all financial capability staff, parallels could still be drawn between this and the 2016 Financial Coaching Census data where relatively similar percentages for client support and case management as well as data entry were reported by the author (Lienhardt, 2017, p. 5).

The survey of financial capability staff included three questions (questions 18 through 20) that measured the level of preparedness of staff in conducting their job tasks and responsibilities. Answers to these questions were based on an ascending scale from one to 10. These questions asked the respondents to self-assess their level of training, experience, and comfort level in performing the essential job tasks. Average responses to these questions was used to measure "Preparedness", which was subsequently used in statistical modeling.

The next composite measure that was quantified in the survey was "Effectiveness." Five questions (questions 22 through 26) asked the respondents to assess the effectiveness of financial capability programs and services on a scale of one to 10. These questions, collectively asked

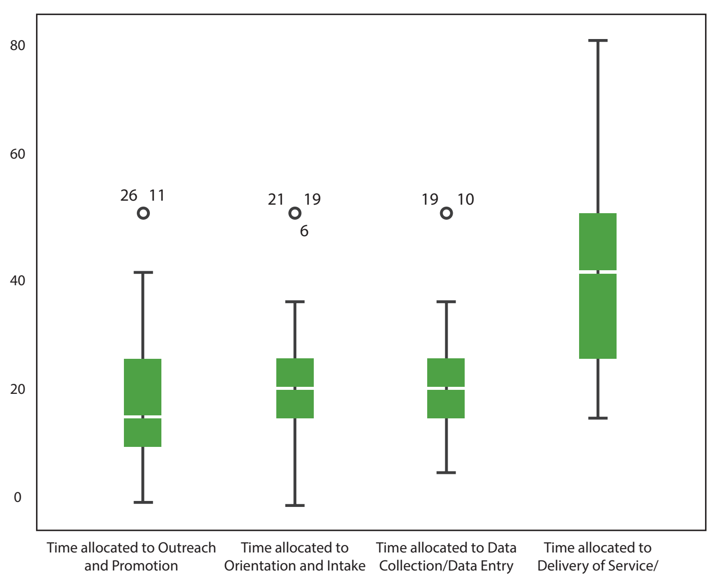

Figure 5 - Financial Capability Staff Time Allocation.

the respondents to assess the degree to which financial capability programs at their respective organizations were successful in changing the behavior of their clients as well as helping them increase savings and improve their financial well-being. This variable was also used in the statistical model (as the dependent variable) to evaluate the effectiveness of financial capability programs and services.

Finally, the survey also included nine questions (questions 29 through 37) on a scale of one to 10 that were used to assess levels of motivation among financial capability staff. Two sets of measurements were obtained for motivation; "Extrinsic Motivation" (based on questions 32, 33, and 37) and "Intrinsic Motivation" (based on questions 29, 30, 31, 34, 35, and 36). Extrinsic motivation refers to drivers such as reward or punishment that affect behavior. Factors such as pay levels of financial capability staff, networking opportunities for future professional career advancement, etc., are typically among the list of external or environmental factors that may explain behavior. On the other hand, intrinsic motivation refers to internal drivers of behavior, such as a sense of accomplishment, responsibility, and making difference in the lives of other people. Using average scores, both intrinsic and extrinsic motivators were included in the statistical analysis of effectiveness of financial capability programs.

For questions or comments please contact the author at ed@OpportunitytoAssets.com