

INTRODUCTION

The Sobrato Family Foundation's General Operating Support (GOS) grants provide flexible support for Silicon Valley nonprofits that foster self-reliance, increase economic independence, and improve the quality of life for those most in need. The Foundation's community-driven approach to grantmaking reflects the Sobrato Family's deep commitment to Silicon Valley, and while the Foundation's grantmaking has evolved over the years, the Foundation's commitment to GOS, multi-year support, and working with a broad range of partners has remained constant. Between 2004 and 2017, the Foundation awarded more than \$55 million in GOS grants across Silicon Valley. The Foundation's commitment to serving the most marginalized communities is directly built into Sobrato's approach to GOS grantmaking, which requires that grantees serve economically challenged clients.

In 2017, the Foundation partnered with Harder+Company to conduct the first systematic assessment of Sobrato's GOS investments to better understand the impact of SFF giving on grantees and the broader Silicon Valley nonprofit sector, and to inform further development of the program. As part of this effort, the assessment team reviewed and analyzed over ten years' worth of grants and organizational data, including more

than 600 grants to 187 organizations; interviewed 40 individuals representing 17 GOS grantee organizations, and spoke with nine peer funders and local stakeholders.

The Silicon Valley Context

While Silicon Valley is known as a hub of innovation and one of the wealthiest parts of the country, the region also experiences deep inequities and one of the widest income gaps in the nation.

The GOS assessment was guided by the following questions:

- How does the Sobrato Family Foundation approach its GOS grantmaking?
- Who is the Foundation reaching through its GOS grants?
- What has the Sobrato Family Foundation achieved through GOS grantmaking?
- How does the local funding landscape support or hinder grantees' capacity to provide needed services?
- What are the implications for the Foundation's grantmaking and field leadership moving forward?

What is General Operating Support?

GOS allows nonprofits to spend funds as they see fit, including to fulfill internal organizational needs. Despite the critical nature of this funding, across the nation, GOS grants account for a relatively small proportion of overall giving.

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It's always so nice to meet a funder who understands the need for GOS; there aren't enough of them. I really appreciate that they take the time to understand the work of the agency and partner with our leadership team by trusting us to use the funds in the best way to support our mission.

*Elise Cutini, CEO
Silicon Valley Children's Fund*

The Great Recession and Essential Services

Grantees report that although Silicon Valley's employment rate and wages now exceed pre-Recession levels, recovery and growth have been disproportionate; low-income individuals' and families' earnings have not kept pace with the Valley's overall economic growth. As a result, grantees still see a significant need for child care, meal assistance and other basic services in the communities they serve. "Everyone expected that the need would rise because of the recession and then the need, just like the tide, would recede as people got back up on their feet," said Second Harvest's former CEO, Kathryn Jackson. That, however, has not been the case for Second Harvest, whose food bank now serves around 50,000 more clients per month than it did in 2009.

Low-income and marginalized residents face low wages that are insufficient for the high cost of living, a lack of affordable housing, and considerable gaps in educational attainment and job opportunities. Silicon Valley nonprofits play a central role in addressing unmet needs related to essential services, including health care, education, housing, and legal support. And while nonprofits are experiencing increasing demand, they are under resourced. Local nonprofits are pressed to keep up with the demand for services and often struggle to hire, retain, and provide sustaining salaries for staff.

The local funding landscape is changing—while many nonprofits are relying less on government funding, some foundations and philanthropists are turning their attention to other geographies, and corporate funders are notoriously hard to access. In this challenging context, grantees, peer funders, and stakeholders view the Sobrato Family Foundation as playing a vital role through its demonstrated, lasting commitment to nonprofits in the region.

KEY FINDINGS

Since 2004, GOS grantees have served more than 6 million beneficiaries across the Valley. The largest share of grant dollars has supported human service organizations, followed by education services, and housing and shelter services.

Sobrato's GOS grantmaking supports a range of nonprofits in terms of age and size, with a focus on more well-established, small- to medium-sized organizations.

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We are challenged every year to secure adequate funding for our essential services work—food, clothing, and emergency financial assistance. These basic needs are not often the priorities of local corporations or foundations. We usually have to raise money from individuals for these programs. Knowing that we have been able to count on general operating support has been key to giving us the flexibility we need to weather the ups and downs.

*Poncho Guevera, Executive Director
Sacred Heart Community Service*

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GOS Grantee Organization Characteristics (2004-2016)

- **SFF grants tend to go to older organizations:** Almost half of GOS grants have gone to organizations that are 20 years old or more. 12 percent of grants went to nonprofits that had been in existence for less than five years.
- **Organizational spending:** In line with standard nonprofit spending patterns, Sobrato's GOS grantees spend an average of 81 percent of total expenses on programming, with the remainder going toward management/general and fundraising.

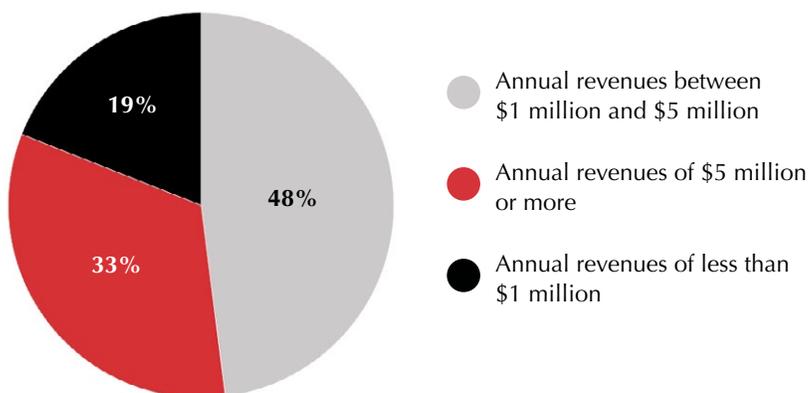
GOS grantees represent the geographic diversity of the Valley. Between 2004 and 2016, nearly two-thirds of all Sobrato's GOS grants were awarded to organizations headquartered in Santa Clara County. While half of these went to organizations headquartered in San Jose, grants have also been consistently awarded to organizations in smaller cities, including Gilroy and Morgan Hill, and high needs areas like East San Jose. A quarter of GOS grants were to organizations headquartered in San Mateo County. About three-fourths of those went to organizations based in Redwood City, San Mateo, and East Palo Alto; and grants were also made to organizations in remote areas with access to fewer social services, including Pescadero and El Granada.

The most common uses of GOS funds were for fund development, hard infrastructure, service expansion, paying rent, and administrative functions. Less frequently, grantees used GOS for marketing and communications, data and evaluation, training, innovation, technology, and to fill funding gaps. **Additionally, about three-fourths (76 percent) of GOS grants in this sample supported programmatic and/or administrative salaries, as opposed to non-personnel expenses, such as paying rent or purchasing equipment.** For most nonprofits, salaries represent well over half of their budgeted expenses. Many nonprofits in Silicon Valley struggle to offer living wages that are on

Sobrato GOS Grants by Sector, 2004-2016

SECTOR	SELECTED SERVICES	NUMBER OF GRANTS (%)	TOTAL DOLLARS
 Human Services	Emergency assistance, family & child services, hospice, senior & special needs services	171 (28%)	\$17,731,375
 Education	Adult education, student & educational services, parent & teacher group support, special education	107 (17%)	\$8,005,200
 Youth Development	Youth development, mentor, and community service programs	66 (11%)	\$4,651,450
 Housing & Shelter	Housing development, management & construction, low income & subsidized rental housing, temporary housing, homeless shelters	59 (10%)	\$6,994,380
 Health Care	Patient & family support, nursing support, rehabilitative care, ambulatory & primary care, community clinics	42 (7%)	\$3,700,125
 Employment	Employment preparation & procurement, job training, vocational rehabilitation	37 (6%)	\$3,352,000
 Food, Agriculture & Nutrition	Food banks & pantries, food programs, soup kitchens	36 (6%)	\$3,684,750

Sobrato GOS Grantee Organization Characteristics (Annual Revenue, 2004-2016)



par with the rising cost of living. One interview participant from an organization that pays “livable wages” to all of its employees noted, “I don’t think we would be able to do that without the GOS that we get.”

Grantees appreciate Sobrato’s multi-year GOS grants.

Grantees noted that by providing multi-year grants, the Foundation signals its understanding that the work of nonprofits takes time and requires sustained funding. Several grantees also mentioned that the questions in Sobrato’s application encouraged them to think strategically rather than simply providing data and shared that Sobrato’s GOS reporting requirements were reasonable and far less time-consuming and

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Multi-year funding is nirvana. It takes so much time to do a good complete grant, and then you have to wonder if you’re going to get it again next year. It’s so beneficial when you’re not going through the same process every year.

GOS Grantee

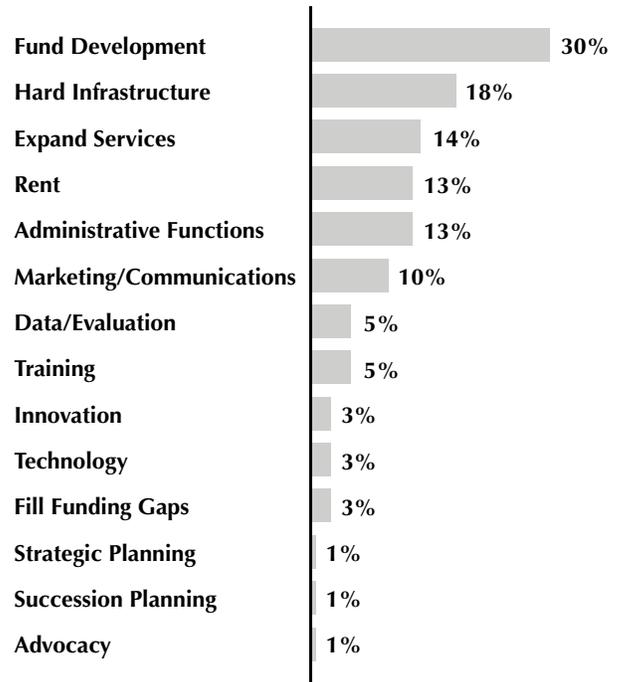
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complex than other funders.

Some organizations that have grown rapidly in recent years noted that Sobrato GOS grants did not scale up accordingly. As these organizations have grown, the SFF grant amounts have generally grown as well, but the increased operating support needs of these grantees have often outpaced the Sobrato GOS grants. Additionally, many grantees are unclear about how the Foundation determines the size of their grants—while they have a general sense that Sobrato uses a formula to inform and guide grant amounts, many were unclear about what variables the formula includes and how the calculations are made.

Receiving Sobrato funding signals a “seal of approval” to other funders and donors. The Foundation seeks to help sustain and/or build nonprofits’ institutional capacity by offering a match challenge which stipulates that grantees must raise new or increased funds from non-governmental sources in the first year. Many grantees appreciate this extra push to ramp up fundraising efforts, adding that using Sobrato’s name in the community increases their

Most Commonly Reported Uses of GOS Funding



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We are actually in an expansion mode; we’ve even added a new program. Up to a year ago we were focused on capacity; now we’re at a point where we’re adding new things. Being able to grow the capacity of our organization has been the single most important thing that has come out of GOS.

Camille Llanes-Fontanilla, Executive Director Somos Mayfair

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This grant is one of our sole sources of general operating funds that can be invested in organization-wide needs.

GOS Grantee

ability to achieve match goals.

In addition to putting Sobrato’s GOS dollars to use, agencies also leverage these grants for additional development activities, primarily through the match challenge. Sobrato GOS grants are contingent in the second year on grantees’ successfully raising new, increased, or lapsed funds from private donors that match the first year grant amount from Sobrato.

“People like to be associated with the name, and say, ‘Oh, Sobrato is giving, I can give. Okay, I can’t give at the same level, but I’m associated with that.’”

GOS Grantee

The match challenge helps grantees engage new donors. On average, half of grantees’ matching donors are first-time givers to that organization, while the other half are a mix of current and lapsed donors. On average, almost two-thirds of match donors for a given agency are individuals, with the remainder split between foundation and corporate donors. While few grantees reported experiencing difficulties with the

Sobrato Match Challenge Grant Leverage (n=175 grants)

100%

secured the required amount of funding

70%

secured funding beyond the required amount

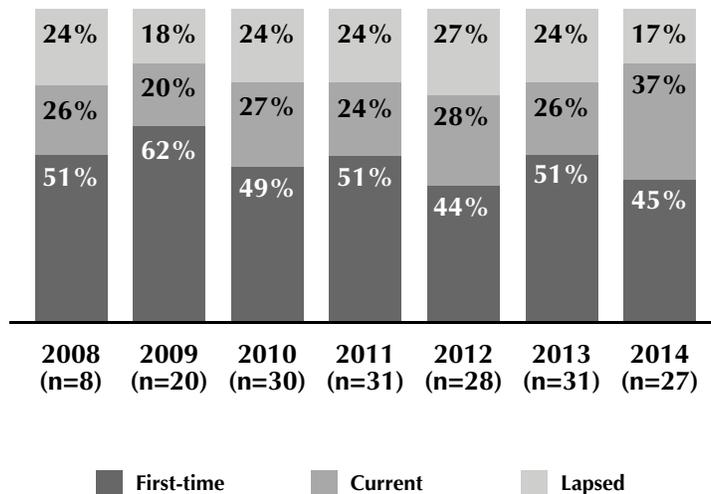
25%

secured 150% or more of the required amount

Match Challenge Donors (n=175 grants)

“Everybody knows the Sobrato Family even if they don’t necessarily know the Foundation...Every time we get one of those grants, we blast it. We put it on our website, in our annual appeal letter, on signage at our gala event...We would Photoshop it onto the bottom of pictures that we would use to post on Instagram and Facebook.”

GOS Grantee



match, some felt that they lacked the communications skills to maximize the match’s benefits.

Many GOS grantees interact with the Foundation in multiple ways, including through other grant types, nonprofit office space, and capacity-building initiatives. Several grantees agreed that the training, technical assistance, and capacity building work that Sobrato supports has been extremely valuable for their organizations and the sector as a whole. Grantees also described Sobrato as a helpful “thought partner” and “advisor.” Because of its broad grant portfolio, Sobrato is widely recognized as having its

finger on the pulse of trends in the local nonprofit sector.

Nonprofits that have longer relationships with the Foundation noted that its approach has been unique since the beginning.

Some mentioned that Sobrato was one of the first foundations to offer non-programmatic support to local nonprofits. Grantees appreciate Sobrato’s understanding of the local nonprofit sector and its growing leadership in the field. One grantee observed that Sobrato has been taking a more “active role” building local nonprofits’ capacity by “providing tools, techniques, and services via conferences, panels, and speakers [on]...how to bring the entire world of nonprofits they fund up to, collectively, another level of sophistication.”

Sobrato’s GOS grantmaking is unique and important to the Valley and peers see Sobrato as an “anchor” in Silicon Valley’s funding landscape.

“They’re such a critical piece of the local funding puzzle.”

Funder

characterized the Foundation’s place-based GOS, along with its Thriving Nonprofit Sector and Sobrato Centers for Nonprofits Program, as unique and particularly valuable assets in Silicon Valley. When asked about the Sobrato Family Foundation’s role in Silicon Valley, nearly all the funders and local stakeholders acknowledged that the Foundation has built on its strong tradition of local grantmaking by becoming increasingly focused and deliberate.



When I started this work, they were one of the only organizations in Silicon Valley that did unrestricted general operating support grants. They have a reputation for being the first ones to really take risks when it comes to what nonprofits need the most, and that’s where they have a unique value-add. They have been willing to fund what other people won’t.

GOS Grantee



People look to [Sobrato] as a bellwether, and how they go will set the standard of what is acceptable, what is cutting edge, what to aspire to with philanthropy.

GOS Grantee



Report Recommendations for the Foundation

- Continue building lasting relationships with GOS grantees through multi-year grants and reflect on the inherent limitations of this model.
- Reassess the GOS funding formula, including how it is communicated to applicants and grantees.
- Further explore benefits and challenges associated with the match challenge.
- Reflect on the experiences of fast-growth organizations that have reached the maximum amount for GOS grants.
- Consider updating GOS data management procedures to ensure quality, consistency, and efficiency for data analysis.
- Advocate for local giving and unrestricted support.