

A Lasting Commitment to Silicon Valley's Nonprofit Sector

A Retrospective Assessment of the Sobrato Family Foundation's General Operating Support Grantmaking Program

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harder  co | community research

The
SOBRATO
Family Foundation

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Executive Summary

Background

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 partnered with Harder+Company to conduct the first systematic assessment of the impact of the Foundation's GOS investments on grantees and the broader Silicon Valley nonprofit sector, 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?

To answer these questions, Harder+Company reviewed and analyzed over ten years' worth of grant and organizational data, interviewed 40 individuals representing 17 GOS grantee organizations, and spoke with nine peer funders and local stakeholders.

Silicon Valley and the Sobrato Family Foundation

GOS is a key component of the Foundation's overall grantmaking strategy and demonstrates its dedication to supporting nonprofits in the Silicon Valley region (see map to right). This region's residents are highly diverse, comprising a mix of White (35 percent), Asian (33 percent), and Hispanic/Latino (26 percent), and over one-third of residents born abroad. While Silicon Valley is well-known as a hub of innovation and one of the wealthiest parts of the country, it also experiences economic and social inequities and a growing income gap. 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's Hispanic/Latino population is especially vulnerable.

Because Silicon Valley is diverse and decentralized, its nonprofits play a central role in addressing unmet needs related to health care, education, legal support, and other essential services. While the region's nonprofits' services are in high demand, they are minimally resourced, hindering collaboration and systemic change. Local nonprofits are pressed to keep up with the demand for services and often struggle to hire, retain, and provide supports for staff. The local funding landscape is also changing—many nonprofits are relying less on government funding, yet some foundations and philanthropists are turning their attention to other regions of the nation and abroad, and corporate funders are notoriously hard to access. In this challenging and dynamic context, Sobrato plays a vital role as a local funder that has demonstrated a lasting commitment to nonprofits in the region.

Silicon Valley Region



“When I started this work, [Sobrato was] one of the only organizations in Silicon Valley that did unrestricted general operating support grants. They have been willing to fund what other people won't.”

—GOS Grantee

The Foundation's regional approach to grantmaking reflects the Sobrato family's deep commitment to the Valley. While its grantmaking has evolved over the years, Sobrato's commitment to GOS, multi-year support, and working with a broad range of partners has remained consistent. Between 2004 and 2016, the Foundation awarded \$55 million in GOS grants across Silicon Valley. The Foundation's commitment to serving the most marginalized communities is directly built into its approach to GOS grantmaking, which requires that at least half of grantees' clients are economically challenged. GOS allows nonprofits to spend funds as they see fit, including to fulfill internal organizational needs. However, across the nation, GOS grants account for a relatively small proportion of overall giving. The Sobrato Family Foundation, which has been providing GOS grants since 2004, is considered a leader in this field by funders and grantees alike.

Key Findings: Impact on Grantees

Sobrato's GOS funds support a range of nonprofits in terms of age and size, with a focus on more well-established, small- to medium-sized agencies:

- Between 2004 and 2016, just under half (47 percent) of Sobrato's GOS grants went to organizations that had been established for 20 years or more. Some 12 percent of grants went to nonprofits that had been in existence for less than five years.
- Sobrato provides GOS funds to organizations of all sizes, with the majority of its grants going to agencies with less than 25 full-time employees.
- Nearly half of Sobrato's GOS grants (48 percent) have gone to organizations with total annual revenues between \$1 million and \$5 million, one-third (33 percent) went to agencies with annual revenues of \$5 million or more, and the remainder (19 percent) went to nonprofits with annual revenues of less than \$1 million.
- 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.

Grantees use GOS funds to cover a variety of organizational and programmatic expenses. The most commonly reported uses of GOS funds were 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. Smaller organizations were more likely to use GOS funds to expand services and pay rent, while larger organizations were more likely to invest GOS funds strategically in data/evaluation and training.

Overall, slightly less than half (46 percent) of grants went to program-related expenses (e.g., direct service staff, program coordinators/managers, participant stipends); about the same share (44 percent) went to non-programmatic expenses (e.g., Executive Directors, development, finance, and other administrative staff); and 11 percent addressed a mix of the two. About three-fourths of GOS grants supported programmatic and/or administrative salaries, as opposed to non-personnel expenses, such as paying rent or purchasing equipment.

Grantees provided positive feedback on the multi-year nature of Sobrato's GOS grants and its application and reporting process. They noted, by providing multi-year grants, the Foundation signals its understanding that nonprofits' work 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

"Paying nonprofits their full costs is how we prevent crises and interrupted services for communities and allow leadership to stay focused on mission and outcomes."

Source: Knowlton, C. Why Funding Overhead Is Not the Real Issue: The Case to Cover Full Costs. (2016). Nonprofit Quarterly.

One grantee shared that GOS enables them to build internal capacity and infrastructure by creating positions with a "higher level of sophistication."

reporting requirements were reasonable and far less time-consuming and complex than those of other funders.

Grantees greatly appreciate the resources that Sobrato provides, yet some organizations that grew rapidly in recent years noted that these grants did not scale up accordingly. 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. Most grantees felt that Sobrato's GOS funding was an appropriate level for the goals they seek to accomplish. However, some experienced exceptional budget increases during their tenure as grantees. These fast-growth organizations shared that grants from Sobrato and others have not increased enough to meet their current operating needs.

For many grantees, 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, in order to receive the second year of the two-year GOS grant, agencies 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 ability to achieve match goals. On average, half of grantees’ match grant donors are first-time givers to that organization, while the other half are a mix of current and lapsed donors. Grantees also rely on a mix of donor types. 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 any difficulties with the match, some felt that they lacked the communications skills to maximize the match’s benefits.

A number of grantees interact with the Foundation in other ways, including through other types of grants, 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. Specifically, grantees cited positive experiences with the Thriving Nonprofit Sector program’s financial management cohort and The Sobrato Impact Lab. A few 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 also 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 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.” A few grantees acknowledged some growing pains related to the Foundation’s staffing changes; for example, one longtime grantee commented on having fewer interactions with Foundation staff than in the past.

Key Findings: Perspectives on Impact

For more than a decade, Sobrato’s GOS funding has supported millions of individuals throughout Silicon Valley. Since 2004, the Foundation’s GOS grantees have served more than 6 million beneficiaries across the Valley. Through this program, the Foundation has supported a range of safety net and human

“I really feel like the thought partnership over the last few years has increased.”

—GOS Grantee

GOS Grants by Sector, 2004-2016	
Sector*	Total Dollars
 Human Services	\$17.7M
 Education	\$8.0M
 Housing & Shelter	\$7.0M
 Youth Development	\$4.7M
 Health Care	\$3.7M
 Food, Agriculture & Nutrition	\$3.7M
 Employment	\$3.4M

*Sectors are based on National Taxonomy of Exempt Entity (NTEE) headers.
Source: Sobrato applications and staff review database

service organizations. The largest share of grant dollars went to human service organizations, followed by education services, and housing and shelter services (see table on previous page).

Between 2004 and 2016, nearly two-thirds of all Sobrato's GOS grants, totaling approximately \$33.3 million, 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, as well as to organizations based and serving residents in high needs areas like East San Jose. A quarter of GOS grants, totaling approximately \$16.7 million, went 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 some grants were also made to organizations in remote areas of the county with access to fewer social services, including Pescadero and El Granada.

Sobrato's GOS grantmaking is unique and important to the Valley. Like grantees, peer funders and local stakeholders we spoke with characterized the Foundation's place-based GOS, along with its Thriving Nonprofit Sector and office space programs, 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. They have noticed that, in recent years, the Foundation began to invest more deliberately in a core group of organizations and better defined its grantmaking criteria.

Grantmakers agree that a GOS grant is an investment in an organization, its leadership, and its values. All of the funders and local stakeholders we spoke with believed that nonprofit leaders are best positioned to determine how to allocate GOS funds and invest in the development of their organizations. While funders acknowledge that unrestricted funds are spent on a variety of administrative and programmatic expenses, many believe that GOS grants, especially multi-year grants, have the potential to help organizations further build their capacity. In instances where investing in growth and development is not possible, they hope that providing GOS grants over time can sustain organizations and help them focus on service delivery, rather than fundraising.

While there were some commonalities around screening, selection, reporting, and other capacity and in-kind supports, GOS funders' specific practices varied greatly. While all foundations conducted assessments of organizations before making grants, some use well-defined processes and criteria that include comprehensive applications and assessments of organizations' financial health and capacity-building needs. Others conduct more subjective assessments that focus on organizations' long-term strategic growth and development. Most funders we spoke with provided multi-year grants, ranging from two to five years. Some funders do an annual grantee rating based on specific criteria, while others request a holistic report from grantees on what the GOS funds helped them accomplish.

Through GOS grants, funders can ensure the well-being and growth of the nonprofit sector. Not only can GOS funds help fill funding gaps, but providing unrestricted funding can promote candid conversations between nonprofits and funders about the real cost of managing projects and providing services. The onus of inviting these conversations, many interviewees shared, is on the funders. 📌

"If I think about the top funders in the local community, in terms of dollars, presence, longevity, signaling—Sobrato is really up there."

-Funder

Recommendations for the Sobrato Family 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.

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 program is a community-mainstay and a key initiative of the Foundation, which has been supporting organizations that serve economically disadvantaged clients throughout Silicon Valley for more than 20 years.

The Sobrato Family Foundation partnered with Harder+Company to conduct the first systematic assessment of the impact of the Foundation's GOS investments grantees and the broader Silicon Valley nonprofit sector. The following questions guided this work:

- **How does the Sobrato Family Foundation approach its GOS grantmaking?** Specifically, the Foundation wanted to learn more about how grantees and other local stakeholders perceive its approach, how it aligns with or differs from that of other funders, and how its GOS grantmaking has evolved over time.
- **Who is the Foundation reaching through its GOS grants?** Given the Foundation's goal of ensuring access to a range of services for those who are most in need, we sought to understand the breadth of funded programs and services by sector and region, and how GOS investments align with community needs.
- **What has the Sobrato Family Foundation achieved through GOS grantmaking?** We gathered information to better understand the unique value-add of Sobrato's GOS funding. This includes how grantees use GOS resources, their experiences with the GOS match challenge and Sobrato's additional supports (e.g., training, capacity building, thought leadership), and the Foundation's impact on the Silicon Valley community more broadly.
- **How does the local funding landscape support or hinder grantees' capacity to provide needed services?** We asked Silicon Valley stakeholders and grantees how they navigate the local funding landscape, what they see as the unique value-add of Sobrato's GOS model, and what the most prevalent organizational capacity needs are among local nonprofits.
- **What are the implications for the Foundation's grantmaking and field leadership moving forward?** In addition to developing our own recommendations driven by study findings, we asked grantees, local stakeholders, and peer funders what works well and what can be improved about the Foundation's approach and process.

To answer these questions, Harder+Company reviewed and analyzed over ten years' worth of grant and organizational data; interviewed 40 individuals representing a select group of GOS grantee organizations (n=17), and spoke with several peer funders and local stakeholders (n=9). See Appendix C for more detail about methods, including a complete list of interview participants.

Report Structure

While this report's primary focus is Sobrato's GOS grantmaking program, including its relationship with GOS grantees, we also explored questions related to GOS as a grantmaking mechanism more broadly. The remainder of this report is organized into the following four sections:

- **Background.** In this section we provide an overview of Silicon Valley and its nonprofit and funding landscape. We also track the history of the Sobrato Family Foundation's GOS program and contextualize it within the field of unrestricted support.
- **Impact on Grantees.** This section includes an in-depth discussion of grantees' reflections on their experiences as recipients of GOS funding, and begins with descriptive information about these organizations. We then share findings about how grantees use GOS funds, their perspectives on Sobrato's application and reporting process, grantees' ability to leverage these grants to raise additional funds, and their thoughts about the size of these grants. We also present grantees' perspectives on the Foundation over time along with other ways that Sobrato supports the local nonprofit sector outside of grant funding.
- **Perspectives on Impact.** This section discusses the broader impact of the Foundation's GOS grantmaking in Silicon Valley from the vantage point of peer funders and local stakeholders. It includes a description of the breadth of services Sobrato's GOS grants have supported and details about other funders' approaches to GOS grantmaking.
- **Recommendations.** The last section of this report provides recommendations for the Foundation to consider as it moves forward, as well as a summary of grantees' advice for local funders.

The report also includes five "**Spotlights**" on grantee organizations, providing additional insight into the value of GOS within the context of the unique characteristics and trajectories of each agency.

In addition, the **Appendices** provide definitions of key terms, additional grant data tables, and an overview of the report's methodology and data sources. 📄

Background

Since its inception, the Sobrato Family Foundation has dedicated its efforts to supporting Silicon Valley. It prioritizes empowering the most vulnerable in the region—specifically, low-income, underserved, and at-risk populations that experience linguistic, economic, and other barriers—so that Silicon Valley is a place of opportunity for all residents. To put these values into action, the Foundation “advances the Sobrato Family’s collective philanthropic interest by promoting access to high-quality education, career pathways, and essential human services”.¹ Providing General Operating Support (GOS) is a key component of the Foundation’s overall grantmaking strategy and demonstrates its dedication to supporting the nonprofit ecosystem that advances the Foundation’s values in the region. To fully understand and assess the impact of Sobrato’s GOS grantmaking, it is necessary to first understand the region in which grantees, and their clients, live and work.

This section begins with an overview of Silicon Valley and its nonprofit and funding landscape. We then drill down to examine the Sobrato Family Foundation’s presence in the Valley, with a focus on its GOS program contextualized within the field of unrestricted support.

About Silicon Valley

The Foundation distinguishes Silicon Valley as spanning three counties (see Silicon Valley Regional Map): all of Santa Clara and San Mateo Counties, as well as selected parts of Alameda County (Fremont, Newark, and Union City). Santa Clara and San Mateo Counties are fairly fragmented and collectively contain 35 towns and cities, 25 unincorporated areas, and 55 separate school districts.²

The region is highly diverse and inequities exist across demographic groups. Just over one-third of San Mateo and Santa Clara residents were born abroad (see Exhibit 1), a greater share than in California and the nation. Most community members identify as White, Asian, or Hispanic/Latino, with the first two groups each representing roughly one-third of the population (see Exhibit 2). While this diversity contributes to a vibrant and innovative community, economic and social inequities exist, particularly for the relatively large Hispanic/Latino population. The following paragraphs expand on these local realities.

Silicon Valley Regional Map



Exhibit 1. Foreign Born Population, 2015*

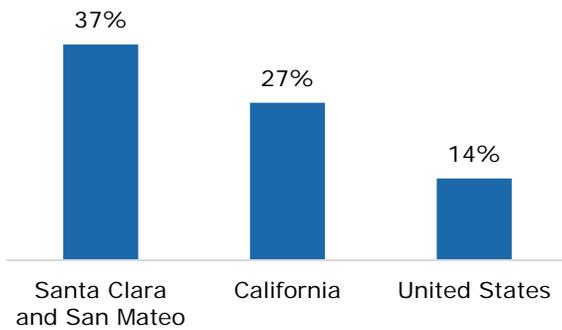
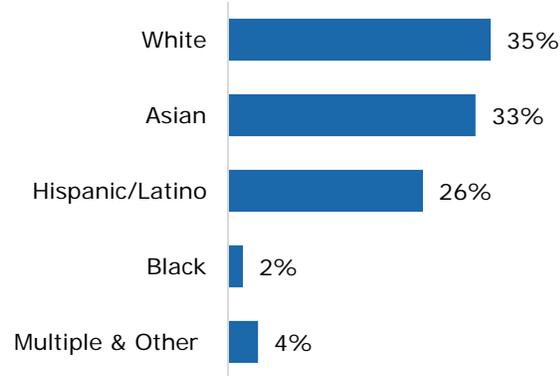


Exhibit 2. Race/Ethnicity of Population in San Mateo and Santa Clara Counties, 2015*



* "Foreign born" and "Race/Ethnicity" figures are based on Santa Clara and San Mateo Counties data only and are 2015 1-year estimates from the American Community Survey.
 Source: Massaro R. (2016, February). 2016 Silicon Valley Index. Joint Venture Silicon Valley.³

Silicon Valley is resource-rich, yet has high levels of need. Silicon Valley is a hub of innovation and one of the wealthiest regions in the country. Employment levels in the Valley have been rising in recent years. At the same time, almost one-third of the region's residents rely on some form of public or private assistance.⁴ This growing income gap has been aptly referred to as the "Prosperity Paradox".⁵ The key challenges that low-income and marginalized residents face include low wages that are not aligned with the high cost of living, a lack of affordable housing, and considerable gaps in educational attainment and job opportunities.

Silicon Valley's Hispanic/Latino population is especially vulnerable, with Hispanic/Latino residents in Silicon Valley having the lowest annual per capita income (see Exhibit 3), ranging from \$20,000 and \$30,000, less than half of the per capita income among White residents.⁶ They also have the lowest levels of educational attainment (see Exhibit 4), with only 18 percent of Hispanic/Latino residents having a bachelor's degree or higher.⁷ Educational attainment is well-documented as being highly correlated to earnings.

Exhibit 3. Annual Per Capita Income in San Mateo and Santa Clara Counties by Race/Ethnicity, 2016*

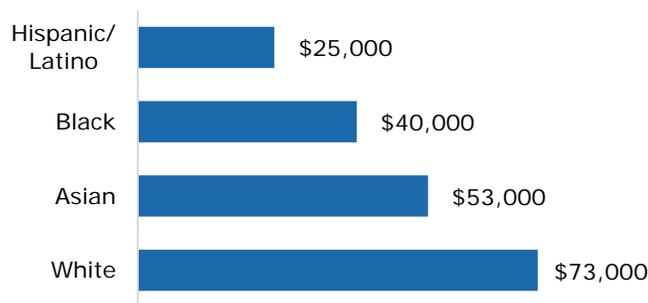
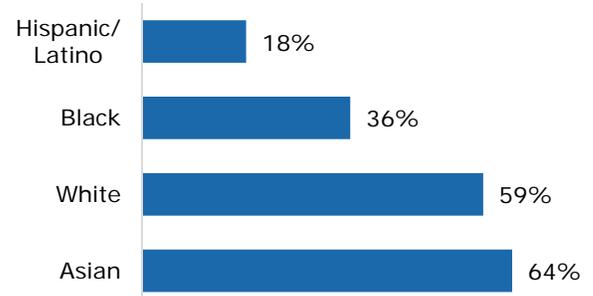


Exhibit 4. Percentage of Adults with a Bachelor's Degree or Higher in San Mateo and Santa Clara Counties by Race/Ethnicity, 2016*



*Figures for both "Annual Per Capita Income" (inflation adjusted) and "Educational Attainment" by Race/Ethnicity are based on Santa Clara and San Mateo Counties data only and are 2016 1-year estimates from the American Community Survey analyzed by the Silicon Valley Institute for Regional Studies.
 Source: Massaro R. (2017). 2017 Silicon Valley Index. Joint Venture Silicon Valley.⁸

The wealth gap is growing. Santa Clara and San Mateo Counties' middle class has decreased by approximately 11 percent since 1989; many middle class residents have either left the region or are now seeking public assistance.⁹ On the other end of the spectrum, 76,000 millionaires and billionaires live in Silicon Valley; and 12,550 of the region's households have more than \$5 million in investable assets.¹⁰ Wages are also highly stratified. In Santa Clara and San Mateo Counties, high-skill jobsⁱ (e.g., managers, engineers, physicians) provide median annual wages of \$118,310, more than four times the amount of lower-skill jobs (e.g., retail, personal care, cleaning), which have median annual wages of \$27,414—this gap is wider in these counties than in San Francisco, California, and the United States.¹¹

Silicon Valley is one of the nation's least affordable regions. It is well-known that the San Francisco Bay Area has a steep cost of living and some of the highest housing costs in the country. Silicon Valley home prices have increased consistently and reached a median sale price of \$880,000 in 2016—a price that fewer than 40 percent of first-time homebuyers can afford and more than double the median sale price in California as a whole.¹² Throughout the Valley, housing prices have seen considerable increases over the past 10 years; and in recent years, the median home price has risen above \$1 million in Campbell, Santa Clara, Sunnyvale, Belmont, Foster City, Redwood City, San Mateo, and Mountain View.¹³ While more affordable housing units have been approved for development in recent years than in the early 2000s, Silicon Valley only met 57 percent of its total Regional Housing Need Allocation (RHNAⁱⁱ) for 2007-2014 and reached only one-fourth of its goals for the lowest income housing brackets; in FY 2015-16, only seven percent of approved units were considered affordable for low-income residents.¹⁴ Moreover, housing availability has not kept pace with growing employment. In 2015, the region added 64,000 new jobs and only 5,000 new housing units.¹⁵ Rental rates also increased, outpacing growth in median household income.¹⁶ In 2016, the average gross rentⁱⁱⁱ in San Mateo and Santa Clara was roughly \$1,800 dollars a month, compared to the state and national averages at \$1,297 and \$949, respectively.¹⁷ For the same year in the metropolitan city of San Jose, despite a median annual income of almost \$100,000, renters can still expect to spend 40 percent of their monthly income on rent.¹⁸

Silicon Valley's cost of living is out of reach for many residents. The figures displayed in Exhibit 5 on the following page are based on the Massachusetts Institute of Technology's (MIT) Living Wage Calculator, which goes beyond the Federal Poverty Line (FPL) to provide a more accurate estimate of basic necessities that include childcare and health care as well as housing, food, and transportation. Childcare and health care not only draw from one's income, but are also determining factors in an individual's ability to work and to endure the potential hardships associated with aspects of everyday life. The Self-Sufficiency Standard,¹⁹ another tool that reflects more realistic cost of living estimates, indicates an even

ⁱ "Employment by Tier" data are from the U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW). Occupational segmentation into tiers has been adopted by the California Employment Development Department (EDD), and implemented over the last several years by BW Research for regional occupational analysis. Here, Silicon Valley refers to San Mateo and Santa Clara Counties.

ⁱⁱ The state of California requires that all local city and county governments adequately plan to meet the housing needs of everyone in their communities. The Department of Housing and Community Development establishes the amount of housing each local jurisdiction within a region must plan to accommodate, mandated through the housing-element law.

ⁱⁱⁱ The U.S. Census Data table for gross rent refers to the average for "all occupied units paying rent" and does not distinguish between types of units (e.g., number of rooms) for this figure.

sharper contrast to the FPL. While eight percent of San Mateo and Santa Clara Counties residents are below the FPL, 30 percent are subsisting below the Self-Sufficiency Standard.²⁰

Exhibit 5. MIT's Living Wage Calculation, 2015-2016*

Annual Living Wage Calculation by Region and Family Dynamic	One adult	Two adults and two children
Santa Clara County	\$35,254	\$88,075
San Mateo County	\$40,833	\$98,987
California	\$29,133	\$79,962

* Living wage data refer to required annual income before taxes and consider costs for food, child care, medical, housing, transportation, and "other" expenses. These figures reflect the most recently available data, between 2015 and 2016, for each category. Source: Living Wage Calculator, Massachusetts Institute of Technology.

Nonprofit and Funding Landscape

Nonprofits and local funders are pivotal actors in the local ecosystem. Residents who need assistance depend on them for health care, education, legal support, and other essential services not covered by public entities. Because Silicon Valley is diverse and decentralized, its nonprofits play a central role in addressing unmet needs related to health care, education, legal support, and other essential services. In order to fairly assess Sobrato's GOS grantmaking, it is important to contextualize grantees' experiences and insights within Silicon Valley's overall nonprofit and funding landscape.

The growing nonprofit sector in Silicon Valley is stretching resources thin.

Grantees and local stakeholders agreed that Silicon Valley's nonprofits services are in high demand, yet minimally resourced. Since 2007, the number of nonprofits in the region has increased by 28 percent to 9,725.²¹ While this growth signifies more support for Silicon Valley residents in need, nonprofits are increasingly competing for the same funding. This, some grantees shared, can hinder collaboration and systemic change.

Local nonprofits are pressed to keep up with the demand for services.

A survey conducted by Open Impact in San Mateo and Santa Clara counties found that more than half of 130 community-based organizations surveyed have a waitlist for services, and 80 percent have seen increased demand in the past five years.²² Local nonprofits also reported a noticeable increase in the number of formerly middle-class families accessing services such as free healthcare, food banks, and shelters.²³ While some nonprofits are meeting needs by serving more clients, others, particularly those in rural and isolated parts of Silicon Valley, are diversifying their services. "We are the only organization of its kind [in this town] so we offer all types of social [services]," one Sobrato grantee said. In response to client requests, this agency recently added Spanish language CPR trainings, DACA support, and a community health clinic.

Nonprofits struggle to hire, retain, and provide supports for staff.

Employment in Silicon Valley's nonprofit sector has decreased by 13 percent since 2007. This decrease has been influenced by housing costs and salaries that do not meet the local cost of living.²⁴ In grantee interviewees, workforce retention was identified as a recurring challenge for nonprofit organizations. One grantee from a quickly growing organization acknowledged that their staff is underpaid, and

expressed fear of losing valuable personnel. The grantee acknowledged that staff carry heavy workloads and need outlets to alleviate the emotional burden associated with providing support to clients in crisis, but they shared that financial constraints inhibited the organization from hiring more staff and providing additional supports. Another grantee spoke of the lasting impacts of the recession, sharing that the organization was still working to bring staff back to full-time employment after cutbacks and to provide raises on par with livable local wages. Other grantees said that their “team has been pretty stretched,” “support staff is tight,” they “need more administrative support as a result of recent growth,” and noted the difficulty of being able to afford specialized staff.

Shifts in Silicon Valley's funding landscape are creating challenges for local community-based organizations. In our interviews, many of Sobrato's GOS grantees reported decreases in their use of government funding, both as a result of the latest national administration change and as a strategic move, since managing these contracts is labor-intensive. They also observed that foundations and philanthropists are turning their attention to other regions of the nation and abroad. Meanwhile, corporate funders are notoriously hard to access and generally have closed application processes—without connections to an employee or board member, grantees find it challenging to build relationships with corporate givers. A survey of 130 community-based organizations found that 74 percent of respondents “don't have access to high-net-worth-donor networks, significantly hindering their outreach”.²⁵ One grantee we spoke with shared their perspective on how local funding streams have changed over time:

“I was very ambitious about working more with corporations, and they just don't get it yet...We haven't been able to make the deal successfully—and every organization that I talk to has a similar experience. We are relying more and more on families [and family foundations], not huge foundations but folks who live locally and understand the wealth gap in Silicon Valley.”

Grantees added that funders who prioritize local giving tend to invest in organizations with a track record of broad, scalable impact, and/or those that focus on “innovation.” As a result, organizations that provide safety net services, like food and shelter, are having a hard time maintaining funding and attracting new donors. Filling these funding gaps, many grantees explained, has been challenging.

Researchers have also noted that a growing share of donations from high net worth individuals is being held in donor-advised funds (DAFs) that are typically managed by commercial national charities and community foundations. While DAFs are the fastest-growing segment of philanthropy, these funds often do not end up being invested in local communities for a variety of reasons. In 2016, approximately 82 percent of DAF assets—more than \$36 billion—sat in accounts across the nation and were not awarded to nonprofits.²⁶ A recent article provided further insight on changes in the Silicon Valley Community Foundation's (SVCF) funding over the past decade, noting that half of SVCF's grants are directed outside of the San Francisco Bay Area—and of those that remain, many go to globally-focused institutions (e.g., Stanford University).²⁷ Multiple grantees referenced the Silicon Valley Community Foundation's changing role in the region as it has expanded its definition of “community” to include any place to which its donors feel an attachment. A few grantees commented on the challenge of communicating to potential donors through DAF advisors, sharing that DAFs are a “mystery” that they “have to figure out.” One grantee noted that funders are better positioned than grantees to communicate nonprofits' perspectives to DAF advisors, and another felt that community foundations should “dedicate a certain percentage to giving locally.”

“Our staff is underpaid and we're coming to a dangerous point because we'll start losing good people.”

—GOS Grantee

In this challenging context, grantees interviewed for this report emphasized the vital role of the Sobrato Family Foundation as a local funder that has demonstrated a lasting commitment to supporting nonprofits in the region. Sobrato's GOS has been a greatly valued and consistent feature of the Foundation's overall impact in the region. Before delving into the impact of its GOS grantmaking, we first present key aspects of the Foundation's history.

The Sobrato Family Foundation

The Sobrato family's roots in Silicon Valley go back to the early 1900s. Ann Sobrato (1915-2000) was passionate about civic engagement, inspiring a family tradition that continues to this day. John A. Sobrato carried on these values from his mother; with his wife Susan, they have shared their business success with the Valley, raising their three children—John Michael Sobrato, Lisa Sobrato Sonsini, and Sheri Sobrato Brisson—to engage deeply in community concerns. This multi-generational legacy of philanthropy was formalized in 1996 with the establishment of The Sobrato Family Foundation, a private family foundation committed to sustaining the philanthropic legacy of the family.

In 2011, Sobrato Philanthropies was established to more holistically represent the family's cumulative impact. It encompasses the Sobrato Family Foundation, Sobrato Foundation, the family's individual giving, and corporate gifts made by the Sobrato Development Companies. This commitment to supporting a strong and vibrant Silicon Valley is evident not only through the financial resources and complementary support that it provides to local nonprofits, but also through the family's dedicated personal involvement in the region through their presence on the Foundation's board, community service, and civic engagement.

Sobrato's regional approach to grantmaking reflects the family's deep commitment to the Valley. Over the years, the Foundation has expanded, adapted, and added new programs and initiatives to respond to local community challenges and barriers to opportunity. From 1996 to 2011, the Foundation was small and stable, and then began a period of significant growth, expanding its grantmaking programs and hiring new staff. Sobrato experienced notable staff turnover over the next several years, with some staff leaving and new staff bringing in fresh perspectives that influenced strategy. In 2011, after conducting a "look back" on its impact and taking stock of local community needs, the Foundation and its board identified education as a key area of interest. This materialized into the Foundation's first strategic grantmaking portfolio in 2014—the 21st Century Education program. This program focuses on improving educational outcomes for low-income and English Learner students in the Valley. The Foundation also identified workforce readiness, financial health, business development, and housing as key areas in need of investment, sparking a second strategic grantmaking program^{iv} called Pathways for Success. In addition to its strategic grantmaking, Sobrato also supports capacity-building through its Thriving Nonprofit Sector program as well as providing office space and conference facilities to local nonprofits.

Between 1996 and 2016, the Sobrato Foundation and Sobrato Family Foundation contributed more than \$169 million to 550 local agencies. Over half of these funds (\$96.2 million) were in the form of GOS and strategic program cash grants. The Foundation's 2017 portfolio included \$14 million in multi-year general operating and strategic program support, \$5.3 million in annual value of office space to 72 nonprofits, and free conference facilities to hundreds of Bay Area nonprofits at its three Sobrato Centers for Nonprofits in Redwood Shores, San Jose and Milpitas.

^{iv} General operating support grants are not awarded through the 21st Century Education and Pathways for Success grantmaking programs.

"Four generations of Sobratos have lived and worked in Silicon Valley, and know that while they've benefited greatly from the region's growth, too many residents have not had full access to opportunities or quality of life."

—Sobrato Philanthropies Overview

These programs support local organizations that are directly working to address disparities across sectors, including human services and education.

While its grantmaking has evolved over the years, Sobrato's commitment to GOS, multi-year support, and working with a broad range of partners has remained consistent. Sobrato's GOS program provides flexible support to hundreds of nonprofits that promote self-reliance and economic independence across the Valley. Between 2004 and 2016, the Foundation awarded \$55 million in GOS grants across Silicon Valley.²⁸ The Foundation's commitment to serving the most marginalized communities is directly built into its approach to GOS grantmaking, which requires that at least half of grantees' clients are economically challenged.^v

General Operating Support in the Field

GOS, or unrestricted funding,^{vi} allows nonprofits to spend funds as they see fit, including to fulfill internal organizational needs. Nonprofits' indirect costs—such as operating expenses, training and professional development, physical infrastructure, succession planning, working capital, reserves, and debt principal repayment—typically make up 20-40 percent of their overall budgets.^{29,30} Assessments of the impact of GOS tend to focus on organizations' achievements as a whole, as opposed to specific program or project outcomes.³¹

A survey of 5,451 nonprofits across the United States revealed that 19 percent of respondents consider "raising funds to cover full costs" as one of the greatest challenges they face in the nonprofit sector, following "offering competitive pay and/or retain[ing] staff" (25 percent), and "achieving long-term financial sustainability" (32 percent).³² While covering full costs is a principal concern of nonprofits, the disconnect between funding needs and what donors prefer to fund (e.g., specific programs, direct services, specific social objectives) has led to tensions between nonprofit leaders and philanthropists and a reluctance on the part of nonprofits to fully disclose detailed budgets that highlight operational costs.³³ Some stakeholders, such as the Nonprofit Finance Fund, are working to improve communication between nonprofits and funders around this issue to build awareness and transparency around full costs.^{34,35} GOS allows nonprofits to operate autonomously and use their expertise, experience, and deep awareness of the local context to identify where funds are most needed. Multi-year unrestricted funding allows grantees even more flexibility to plan ahead, by minimizing short-term financial strains so that funds can focus on organizational capacity, including infrastructure improvements, hiring specialized staff, and other operational costs integral to providing quality and responsive services.

While funders and nonprofits have acknowledged the importance of GOS for decades, GOS grants account for a relatively small proportion of overall giving. Since the 1980s, GOS has been central in dialogue among funders and nonprofits and has accounted for between approximately 16 and 25 percent of foundation grants.³⁶ After a drop in GOS grantmaking across the field in the early 2000s,³⁷ it steadily increased back to former levels, returning to 25 percent in 2016.³⁸ This latest surge in GOS has coincided with growing attention in the field through support from high-profile campaigns like the Full Cost Project. The Ford,

"Paying nonprofits their full costs is how we prevent crises and interrupted services for communities and allow leadership to stay focused on mission and outcomes."

Source: Knowlton, C. Why Funding Overhead Is Not the Real Issue: The Case to Cover Full Costs. (2016). Nonprofit Quarterly.

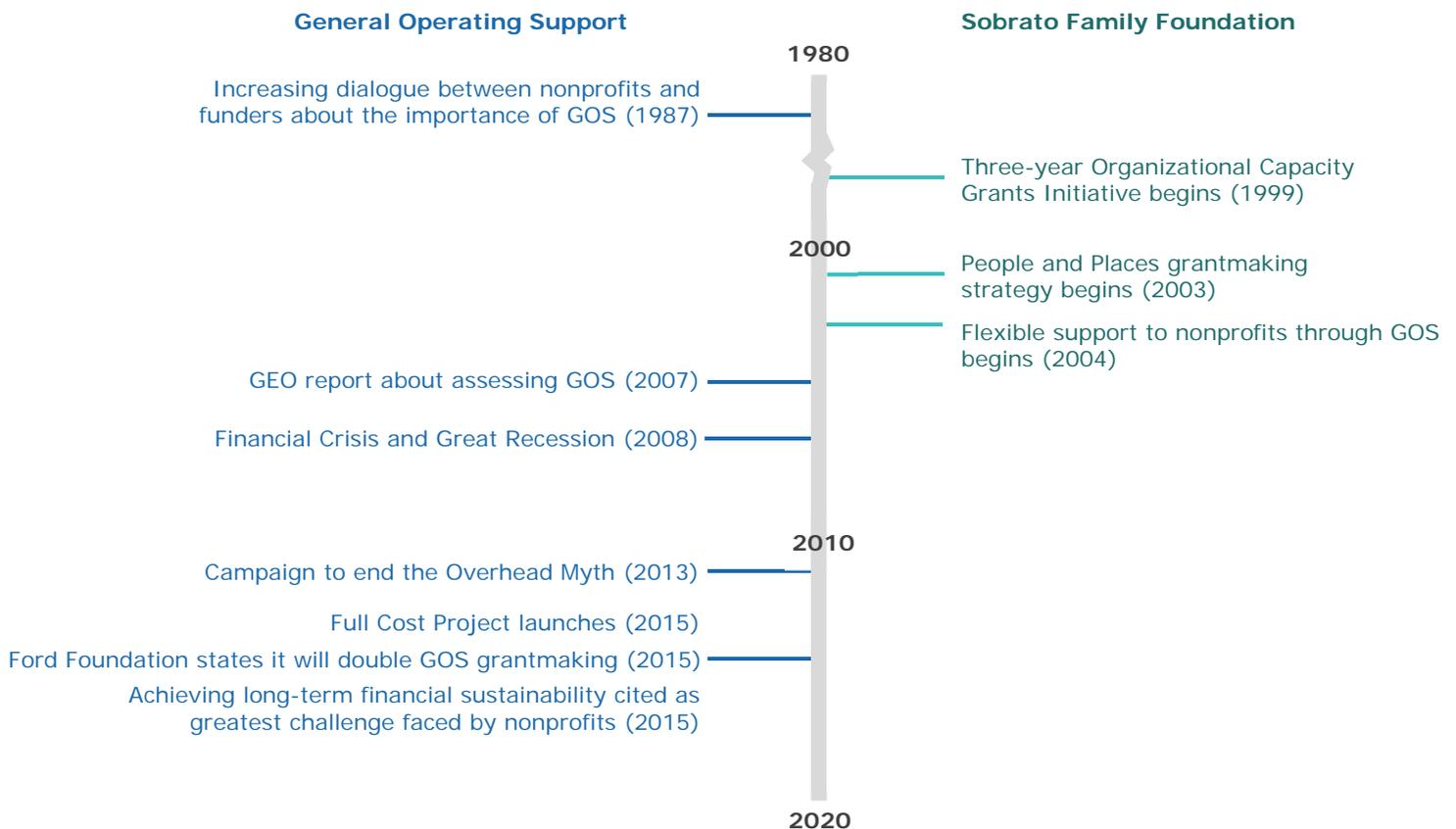
^v This eligibility criterion was adapted from a previous requirement that grantees serve a majority of economically, physically and/or emotionally challenged individuals in the region. Sobrato program staff noticed that some groups of beneficiaries were more or less economically disadvantaged than others, and therefore refined this criterion to ensure it was supporting the most marginalized populations with the greatest need.

^{vi} See Appendix A for key terms used across the field.

Irvine, Weingart,^{vii} and William and Flora Hewlett Foundations, along with Sobrato, have been featured in the Stanford Social Innovation Review, identified as thought leaders committed to GOS grantmaking and advocating for the importance of GOS.^{39,40} Time will tell if this renewed awareness will lead to continued increases in GOS across the field or level out at percentages similar to the past.

The Sobrato Family Foundation began providing GOS early in this trajectory, and is considered a leader in GOS by both funders and grantees. While the Foundation's approach to grantmaking has evolved over the years in response to local needs, its GOS grantmaking has stayed consistent. Sobrato's desire to support nonprofits that serve the most marginalized and underserved populations led to its identification of flexible funding as a key need of these organizations. Initially referred to as the People and Places grantmaking strategy almost two decades ago, the same values are built into the GOS grantmaking strategy, officially launched in 2005. This grantmaking strategy focuses on safety net services for low-income communities, key factors that have continued to guide the strategy over time. Exhibit 6 displays the momentum in the field around GOS from the early 1980s to the present day alongside key points in the Sobrato Family Foundation's leadership and involvement.

Exhibit 6. GOS over Time & Sobrato Family Foundation's Early Initiatives*



* The timeline of GOS across the field includes key milestones identified through a literature scan.^{41,42, 43, 44, 45, 46} The Sobrato Family Foundation timeline of key initiatives is intended to reflect the Foundation's commitment to GOS before it gained wider recognition across the field.⁴⁷

^{vii} In 2012, the Weingart Foundation commissioned an assessment of its core operating support grantmaking; grantees responded that offering GOS "demonstrates trust in nonprofits' ability to direct funds to where they are needed most."

GOS funders use a range of approaches to learn about and build relationships with grantees. Funders tend to spend more time and resources assessing applicants' organizational health and vision for GOS grants than for project-specific grants. One GOS funder described their process as such:

"[Assessing GOS applicants] did involve a more holistic review of an organization; we began to see our grants as investments in organizations rather than programs and services...We engage in a thorough due diligence practice with our grantees that pushes up on all of the aspects of what they do."

Before and during the grant, GOS funders have varying levels of involvement in grantees' decision-making processes about where and how to spend unrestricted funds. Some encourage grantees to focus on investments in organizational capacity, while others are indifferent about the extent to which unrestricted funds may support programmatic expenses. Reporting for GOS grants typically aims to promote learning and deepen the funder-grantee relationship, as opposed to focusing on monitoring, accountability, or measuring "impact." Consequently, foundations that offer GOS tend to fund organizations with which they are familiar and have trusting relationships. One funder mentioned that they do encourage grantees to set milestones for the grant to promote progress, while acknowledging that nonprofits work in dynamic and changing environments which may require them to shift priorities during the grant. The Sobrato Family Foundation's approach to GOS grantmaking is further described at the end of this section.

Beyond GOS grantmaking, grantees also value non-monetary supports that build their organizational capacity. Foundations that offer GOS funding often provide a larger constellation of supports to grantees. In addition to financial support, some also offer capacity building and technical assistance, ranging from hosting a convening to providing targeted trainings or coaching.⁴⁸ In some cases, foundations encourage grantees to use funds to build organizational capacity, or directly tie coaching and technical assistance to the grant process. Other funders offer organizational capacity support as a separate program that responds to grantees' emergent needs. Literature on this topic holds that foundations can increase the impact of their investments by convening grantees, helping build networks, providing technical assistance, promoting leadership development, and supporting organizational assessments.^{49,50} The Sobrato Family Foundation offers a variety of supports that complement its GOS grantmaking, including office space, capacity-building cohorts, and networking opportunities. Program officers also aim to regularly stay in touch with grantees and respond to emerging needs, as much as possible. The next section of this report hones in on the direct and indirect impact of Sobrato's GOS grantmaking impacts on its grantees. 🏠

"We come from a perspective of really trusting our grantees to know how to best serve the community and what the highest needs are of the communities they serve."

-Funder

The Sobrato Family Foundation's Approach to GOS Grantmaking

- **Eligibility:** To be eligible for a GOS grant, a nonprofit must 1) have raised a minimum of \$300,000 in private cash contributions from local donors in the prior year; 2) primarily serve clients in Silicon Valley; 3) report at least half of its clients as economically challenged; and 4) align with eligible program areas (screened by NTEE codes such as: health, education, and human services). These requirements are directly tied to the Foundation's commitment to community, place-based grantmaking, and empowering the most vulnerable populations.
- **Application:** In the application, organizations provide information about the current state of their operations, capacity, and external factors impacting work; program effectiveness; and beneficiaries that are economically disadvantaged, as well as the regional distribution of clients and programs. Applicants are also required to share selected information from their most recent legal, financial, and operational documents.
- **Staff Review:** Foundation staff review each application and accompanying materials, and run a five-year fiscal trend analysis for each applicant (using IRS Form 990 data). Where applicable, they also assess prior grant performance via outcomes reports.
- **Site Visits:** Staff often conduct site visits during the application assessment process to build relationships with grantees and provide opportunities for open communication and collaboration.
- **Grant Award:** The recommended grant amount is informed by a pre-determined formula,^{viii} which includes a funding cap, and ultimately decided on by staff and board assessment. Organizations are assessed on several criteria, including program effectiveness, fiscal stability, and organizational leadership. In addition to this evaluation, the final grant award also takes into account private cash contributions, the percent of clients being served within Silicon Valley, and, for Sobrato Nonprofit Center tenants, the value of the applicants' office space. The Foundation typically awards GOS grants in the range of one to eight percent of total private cash contributions (more on this in the *Impact on Grantees* section and *Appendix B*). Grants are awarded with a match challenge (see the *Impact on Grantees* section for further discussion of the match); the second year of the grant is contingent on grantees' successfully raising new, increased, or lapsed funds from private donors (i.e. foundations, individuals, and corporations) that match the first year grant amount.
- **Reporting:** Grantees document the use of funding and related organizational changes through a standard outcomes report at the end of Year 1 (midpoint) and Year 2 (grant close). Questions are designed to gather insights on specific use of funds, organizational capacity improvements, fundraising outcomes, identified needs, beneficiary experiences, and other areas relevant to the organization's mission and daily work. The donor report, submitted at the close of Year 1, gathers information about the match challenge, including donor categories (individual, corporate, or foundation); types (first-time, current, or lapsed); and the amount and percent leveraged through the match. Key findings from selected outcomes reports are presented in the *Impact on Grantees* section.

^{viii} The pre-determined formula used to assess grant awards is not publicly shared, though some grantees are aware that a formula does exist. The Foundation has adjusted the formula over the years to place greater weight on different components in order to fit within adjustments to the overall grantmaking strategy. The formula is a guiding tool that informs the grant award which is ultimately decided by staff and board assessment.

Impact on Grantees

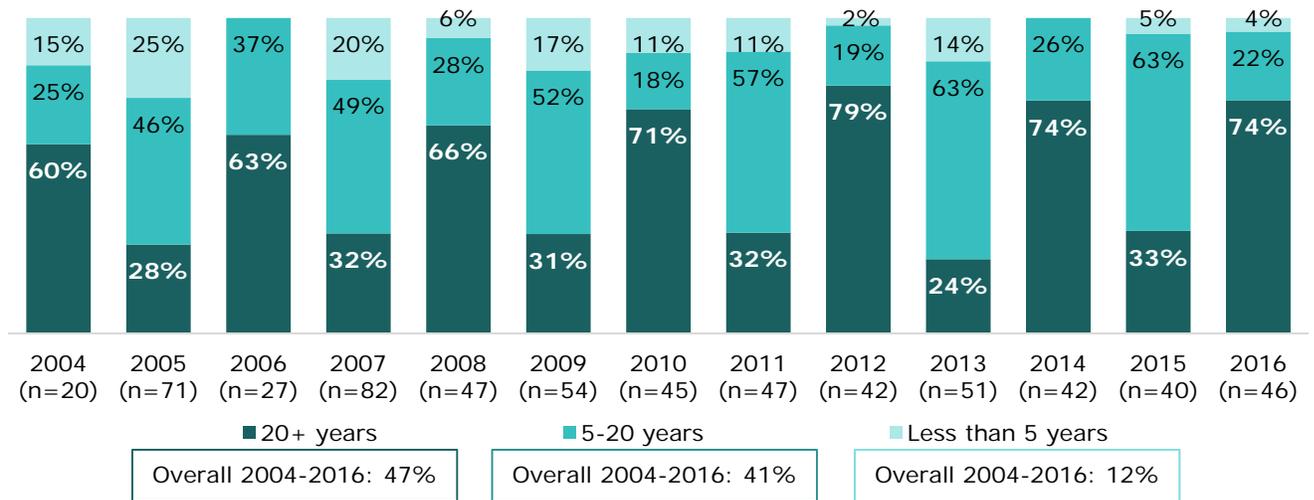
This section focuses on Sobrato's GOS grantees and their experiences as recipients of these funds. We provide background information about this group of grantees as a whole and discuss the different ways that grantees put GOS funding to use within their organizations. We then present grantees' reflections on the Foundation's application and reporting requirements, their experiences raising additional funds through the Foundation's unique match challenge, and how they feel about the amount of their GOS grants. This section closes with grantees' perspectives on the Foundation over time and a description of other ways that Sobrato supports the local nonprofit sector outside of grant funding.

About Sobrato's GOS Grantees

For over a decade, the Sobrato Family Foundation has been collecting rich information about its GOS grantees through its application, monitoring, and reporting processes. The key organizational and financial characteristics presented below help us better understand the pool of GOS grantees and identify changes over time.^{ix} See Appendix B for additional data tables.

Organization age. Between 2004 and 2016, Sobrato's GOS grants went to a mix of newer and more established nonprofits throughout Silicon Valley (see Exhibit 7). Across all years, just under half of Sobrato's GOS grants (47 percent) went to organizations that had been established for 20 years or more, while 12 percent over this time period went to nonprofits that had been in existence for less than five years.

Exhibit 7. Median Organization Age at Time of Grant Decision, by Year (n=614 grants)

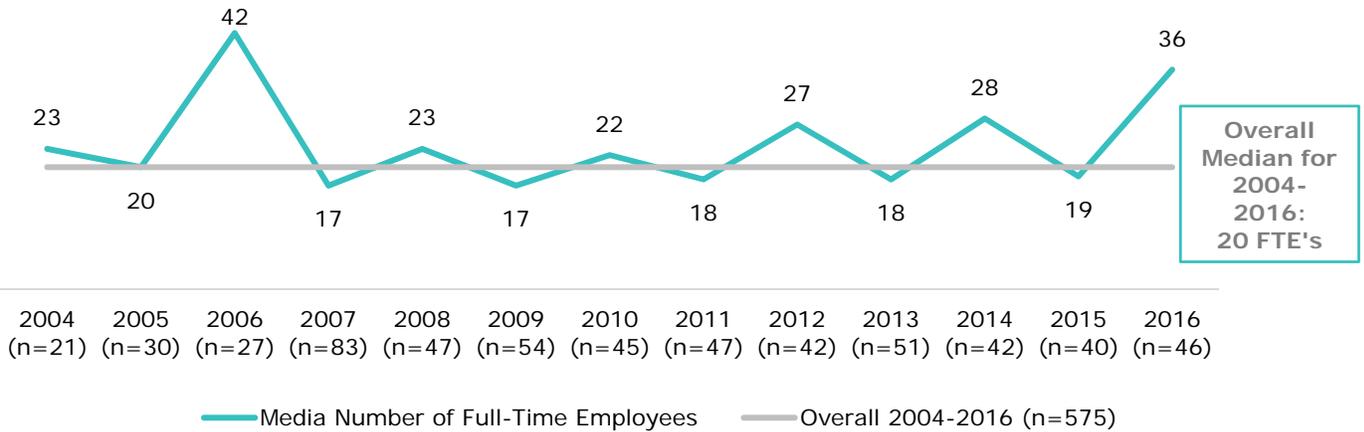


Source: Sobrato applications and staff review database

^{ix} Over the course of two years, Sobrato awards two-year GOS grants to four distinct cohorts, or grant cycles (two per year). Each grant cycle focuses on specific sectors (e.g., human services, education). Because each cohort is eligible for its next two-year grant every other year, trends over time often look different for even- and odd-numbered years.

Full-time employees. Sobrato provides GOS funds to organizations of all sizes, with the majority of its grants (59 percent) going to agencies with less than 25 full-time employees (FTEs). Overall, for grants awarded between 2004 and 2016, the median number of FTEs is 20.

Exhibit 8. Median Number of Full-Time Employees, by Year



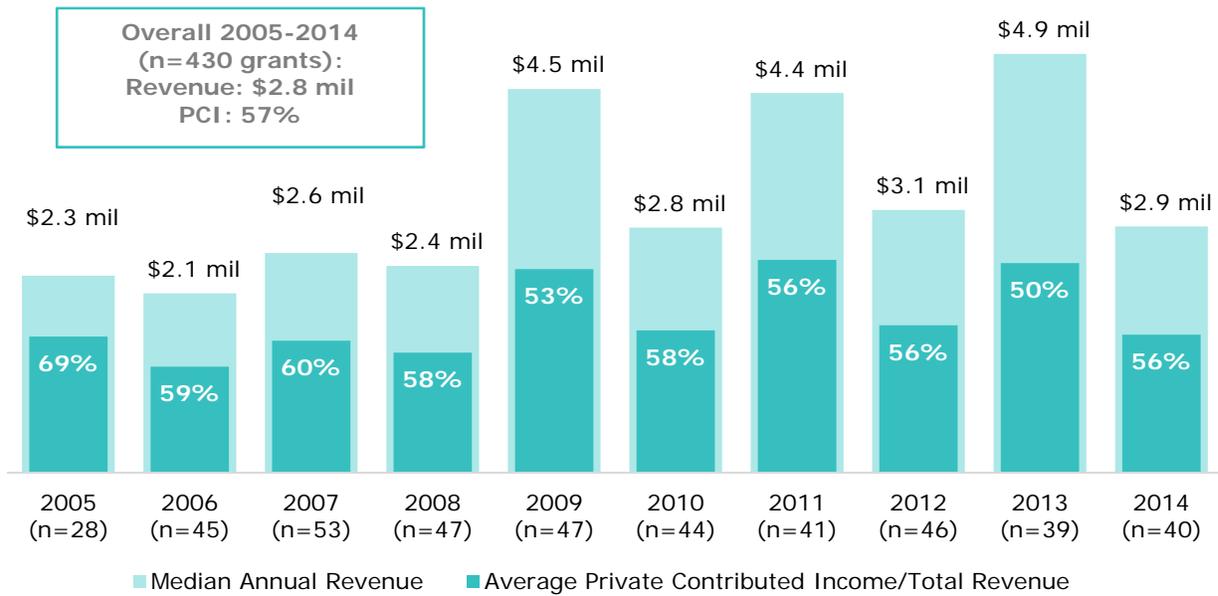
Source: Sobrato applications and staff review database

Annual revenue. The median annual revenue for GOS grantees between 2005 and 2014 was \$2.8 million (see Exhibit 9 on following page). Nearly half of these grants (48 percent) went to organizations with total annual revenues between \$1 million and \$5 million. One-third of these grants (33 percent) went to agencies with annual revenues of \$5 million or more, and the remaining grants (19 percent) went to smaller nonprofits with annual revenues of less than \$1 million.

Private contributed income. Private contributed income is a core component of Sobrato's GOS grant eligibility criteria and a key element in the formula that Sobrato uses to determine the size of a grant.^x Private contributed income includes funding from foundations, corporations, and individual donors. For grants awarded between 2005 and 2014, private contributed income represented over half (57 percent) of total revenues, with some variation by year (see Exhibit 9 on the following page).

^x Private contributed income does not appear to be widely used by other funders to determine eligibility or grant size.

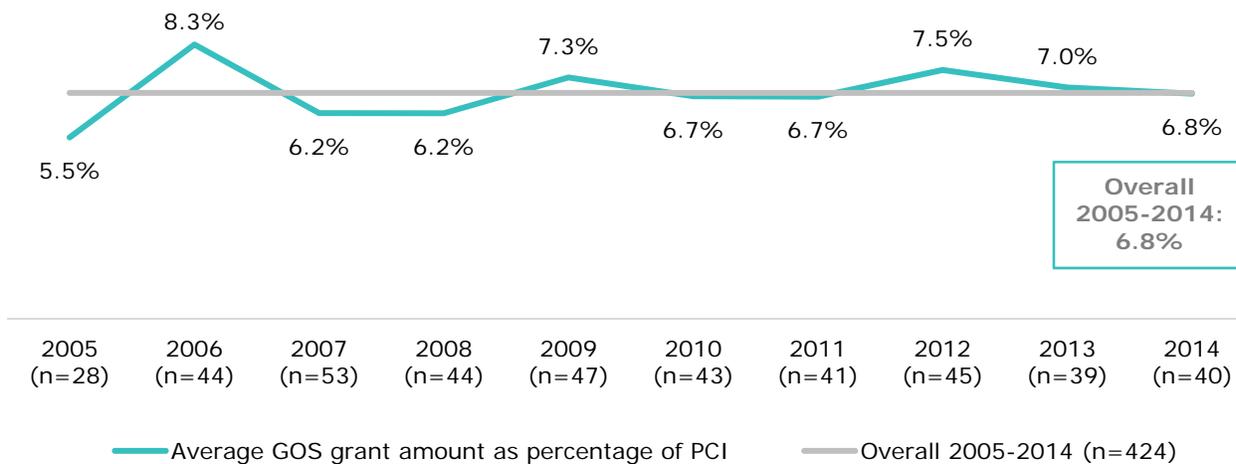
Exhibit 9. Median Annual Revenue and Average Private Contributed Income (PCI) as a Percentage of Total Revenue, by Year



Source: Sobrato 990 and fiscal data

Between 2005 and 2014, Sobrato's GOS grants amounted to an average of 7 percent of grantees' total private contributed income. The recommended size of the grant^{xi} is determined by the Foundation's formula, which is based on private contributed income and adjusted according to a number of other factors.

Exhibit 10. Average Sobrato GOS Grant Amount as Percentage of Private Contributed Income (PCI), by Year



Source: Sobrato 990 and fiscal data

^{xi} The Foundation's board and staff determine the final grant amount as part of the grant approval process.

Types of expenses. In line with standard nonprofit spending patterns, Sobrato's GOS grantees direct an average of 81 percent of total expenses toward programming, with the remainder going toward management/general and fundraising.

Exhibit 11. Distribution of Expenses, by Year (n=430 grants)



Source: Sobrato 990 and fiscal data

The organizational information above demonstrates that Sobrato's GOS funds support a range of nonprofits in terms of age and size, with a focus on more well-established, small- to medium-sized agencies. Slightly over half of grantees' total revenues tend to be private contributed income, of which Sobrato's GOS grants represent a relatively small but valuable share. Grantees direct about 80 percent of expenses toward programming, with the rest going to administrative functions, including management and fundraising. The next section discusses how these organizations choose to spend their Sobrato GOS grants.

How Grantees Use GOS Funds

Agencies direct GOS grants from Sobrato to both program-related and non-programmatic expenses, often in the form of personnel salaries. We analyzed a random sample of grant outcomes reports^{xii} to learn how grantees use Sobrato's GOS funding. Our analysis^{xiii} found:

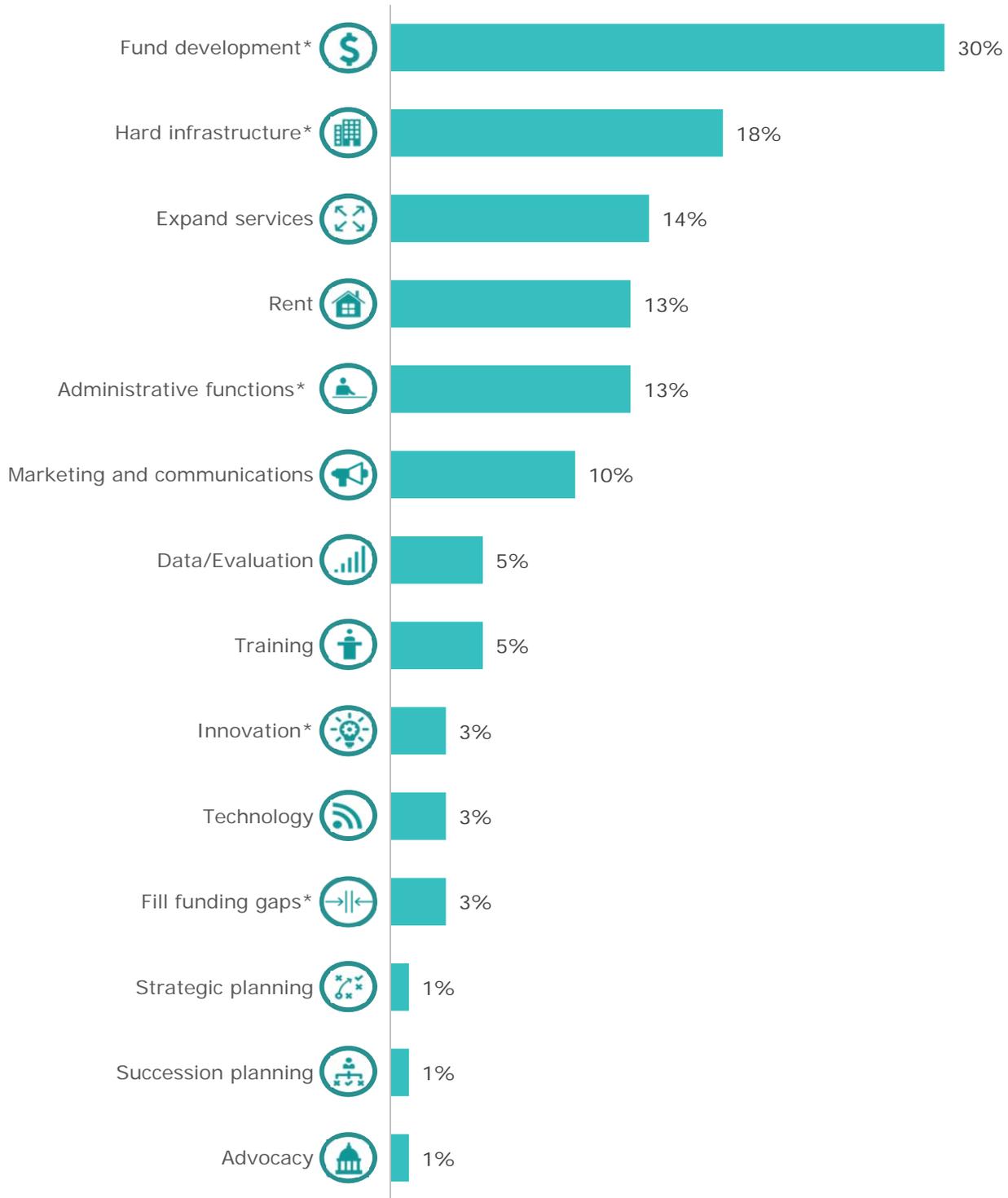
- 46 percent of grants went to program-related expenses (e.g., direct service staff, program coordinators/managers, participant stipends);
- 44 percent went to non-programmatic expenses (e.g., Executive Directors, development, finance, and other administrative staff); and
- 11 percent addressed a mix of the two.

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.⁵¹ Many nonprofits in Silicon Valley and elsewhere struggle to offer living wages that are on par with the rising cost of living. Grantees stressed the importance of compensation to effectively recruit and retain staff at all levels—leaders and managers, service providers, development staff, and administrative operations. 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.” Exhibit 12 on the following page shows how often grantees reported spending GOS funds in a range of areas.

^{xii} All GOS grantees document the use of funding and related organizational changes through a standard outcomes report at the end of Year 1 (midpoint) and Year 2 (grant close). See “The Sobrato Family Foundation’s Approach to GOS Grantmaking” in the *Background* section for more information.

^{xiii} Analysis is based on 133 outcomes reports that clearly indicated the programmatic or non-programmatic nature of GOS grant use.

Exhibit 12. Most Commonly Reported Uses of GOS Funding (n=175)



* Indicates most commonly-reported uses among interview participants.

Source: random sample of Outcomes Reports for grants awarded between 2008 and 2014

In interviews with selected GOS grantees, the following categories rose to the top:



Fund development. For most nonprofit organizations, fundraising and grant writing are essential—and often under-resourced—functions. Many of Sobrato's GOS grantees use these funds to hire and train fund development staff. One agency's CEO recalled the process and positive results of creating those positions:

"We never had a development director, partially because our former CEO kind of was our development person...Then we used general operating money to hire our first really professional development director and then pay for another development coordinator...and we made a wedge into finally getting better grants."

One grantee shared that GOS enables them to build internal capacity and infrastructure by creating positions with a "higher level of sophistication." For example, this person shared, "We were really needing to strengthen our development work, and hire and move from a Development Director position to a Chief Development Officer."



Hard infrastructure. Some grantees spend GOS funds on capital and materials that are often underfunded by programmatic grants, including expenses for facilities, utilities, equipment, and databases. One health services organization shared that, when funds were insufficient to support operations at a new health center, GOS was "very critical" for keeping utilities running. Another agency that operates a food pantry described using GOS grants for walk-in refrigeration and forklifts to more efficiently deliver services. Another organization used GOS funds to improve its headquarters facilities—including HVAC improvements and computer and hardware updates because "a lot of our things were just failing"—and purchased Salesforce to help them more effectively "tell the story" about program impact. A different agency that also used GOS funds to enhance its data capabilities explained:

"In the last couple years, we've been heavily investing in integrating all of our data management systems into one Salesforce network...because we have the general operating support to be able to make it happen. So as we move towards becoming a member organization, all of our members are in one database, which is huge for us."



Administrative functions. Nonprofits often dedicate some or all of their GOS funds to operational activities that support programming, such as human resources and finance, including creating new part- or full-time positions, or filling positions with more experienced and qualified candidates. Nonprofits often prioritize spending on programming over administrative functions, and many find they need to build out the latter after a period of programmatic growth. As one organization shared:

"We almost over-invested in programs over the years and underinvested in infrastructure, and as we ended up having more success and our reputation grew and we got more money to do services over time, we didn't at the same time grow our infrastructure, accordingly. And so this kind of tanked us because suddenly you have like fifty government contracts and one middle level finance person."

Another grantee noted, "We hired 16 to 17 new people, so we have to have more HR capacity to be able to post those positions, screen them...all

"[GOS] allows [my organization] to have people like me, [a Chief Development Officer.] It allows me to have a staff because nobody pays for that."

—GOS Grantee

that kind of stuff. So that's been really critical, as far as [GOS] funding helped us bring on an HR director." Some grantees reported that using GOS to cover administrative functions helps when it comes to messaging fundraising efforts. One grantee explained that, while individual donors typically want 100 percent of their donations to go directly to services, administrative staff are essential for service delivery.



Innovation. In some cases, grantees take advantage of GOS funds to test new approaches to their work. One organization commented that GOS "allows us to do innovative programs that nobody else is paying for and that we want to be able to do." Another agreed that GOS "really does allow us to be innovative," and explained, "We're constantly having our ear to the ground... finding out new information... [and GOS] allows us to revise things in real time because we have funding, not like, 'Oh now we gotta get a grant to go do this.'" For another grantee, GOS funds allow them to leverage some of Silicon Valley's unique expertise that can fuel innovation:

"We have engineers and creators and designers that other communities don't have, and federal grants and state grants don't allow for [tapping into] that [resource]. So support from organizations like Sobrato and doing things like general operating [grants] are just so critical for allowing that innovation and that flexibility."



Filling gaps in program funding. Some grantees use GOS to bridge the difference between what programmatic grants cover and the full cost of providing those services. One grantee remarked, "Government support doesn't pay for the entire cost of operating a program, and often there are significant limits on the amount of overhead that you can use that funding for." Having GOS support enables some agencies to "say yes" to government funding contracts that often exclude overhead or administrative costs. In other instances, grantees also use GOS funds to "fill holes" and support cash flow when other funding sources fall through or drop off. One person explained:

"[County] contracts always have a thing that says, 'If the availability of funds changes, your contract ends immediately.' Historically some of those contracts were cut back significantly or they were ended, and the government can be a fickle partner to work with...That doesn't happen all the time, but when it does happen, [GOS] is really crucial."

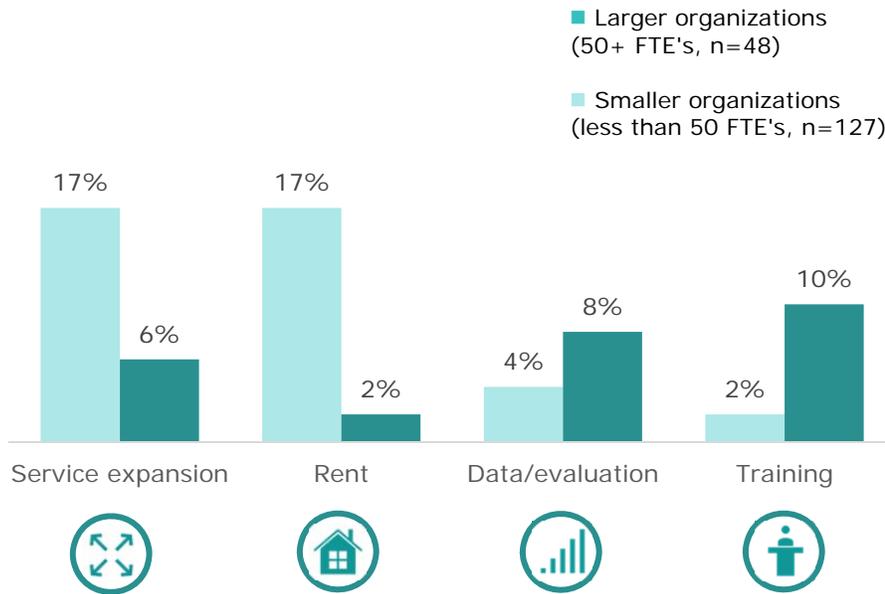
In some cases, grantees use GOS funds for programmatic expenses in the short term, with the goal of securing additional support down the road. One person reflected, "Most of our unrestricted dollars are going to underfunded programs where there's potential to bring in more dollars." Another shared that GOS "has really allowed us to design programs and go out and get the funding for it, as opposed to getting the funding for programs that we then design."

Most of the trends in how grantees use GOS were similar regardless of organizational size, with some notable exceptions (see Exhibit 13). Smaller organizations are much more likely to use GOS funds to expand services and pay rent, while larger organizations were more likely to invest GOS funds strategically in data/evaluation and training.

"We were able to say that 100% of fundraising for our annual appeal would go to program funds because we were able to take operating funds, like [those from] Sobrato, to cover all of our administrative costs."

—GOS Grantee

Exhibit 13. Uses of GOS Funding that Vary by Organization Size



Source: random sample of Outcomes Reports, grants awarded 2008-2014

Grantees noted that Sobrato's multi-year grants indicate the Foundation's understanding that nonprofits' work takes time and requires sustained funding. Several grantees shared that they highly valued this type of support because it allowed them to focus more on their programmatic work and capacity building, rather than applying for new grants. In the words of one grantee:

"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."

Grantee Spotlight: SOMOS Mayfair



SOMOS Mayfair (SOMOS), located in East San Jose's Mayfair neighborhood, works to support children, organize families, and connect neighbors to uplift the dreams, power, and leadership of community and address systemic inequities. In the words of Executive Director Camille Llanes-Fontanilla, Mayfair has been "a landing pad for immigrants from across the globe for generations, and has contributed to the innovation and vibrancy of [Silicon] Valley." SOMOS' core programs include preparing children to succeed in school through a newly-opened Family Resource Center and other partnerships, empowering parents and residents through *promotor* leadership development, and supporting community engagement and organizing. Since its founding in 1997, SOMOS has developed a reputation for deep and authentic grassroots leadership. Llanes-Fontanilla explained the importance of this commitment to the Mayfair community, noting that, "Organizations come into our community because there's grant funding to come in, but they're not here for the long haul...We're a reputable organization that has stood with community for twenty years, and they trust us because of that."

SOMOS secured its first Sobrato GOS grant in 2013 and has received two additional GOS grants since then (see below). It has also received two grants as part of Sobrato's 21st Century Education initiative.

Grant Decision Year	Grant Amount	Org. Budget	Full-time Employees	Full-time Volunteers	Total Beneficiaries
2013	\$55,350	\$1.2 million	12	75	550
2015	\$112,750	\$1.4 million	15	130	847
2017	\$159,900	\$2.3 million	15	<i>not avail.</i>	1,100

SOMOS' Director of Fund Development, Jessica Paz-Cedillos, characterized receiving unrestricted funds to build capacity and infrastructure as "amazing," adding that Sobrato is one of the few foundations that provides GOS. Kathy Ericksen, Director of Finance, values Sobrato's understanding of "the local landscape and what they're funding" and its emphasis on communicating regularly with other funders in the region. She also noted Sobrato's "presence and reputation" in Silicon Valley.

After the economic recession—during which its primary focus was on sustaining existing programs and services—SOMOS turned its attention to two key areas: 1) ensuring that all staff receive a living wage; and 2) updating infrastructure, including technology (e.g., purchasing Salesforce), hardware (e.g., acquiring new computers and printers), and facilities improvements (e.g., painting) to support the organization's fast growth. According to Llanes-Fontanilla, GOS from Sobrato and others provided critical support for those activities. She noted, "I don't think we would be able to [pay living wages to all of our employees] without GOS, [and] Salesforce was all paid for by GOS grants."



Over the past few years, SOMOS has grown substantially, increasing its budget and the number of full-time and temporary employees. During this time, SOMOS' focus has been on expanding programs while continuing to build the fundraising and administrative capacity needed to support its growth. Paz-Cedillos explained, "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." Llanes-Fontanilla reflected, "Being able to grow the capacity of our organization has been the single most important thing that has come out of GOS."

Sobrato staff noted that SOMOS made large strides in recent years in securing new individual donors and increasing the amount of money given by existing donors. Current funders often help connect SOMOS with new supporters, and Sobrato has been key in this respect. "In the last three, four years," according to Llanes-Fontanilla, "we have done phenomenally well with word-of-mouth and the cross-sharing of information between funders." She added that, in order to build inroads with other key local funders, "[we initially had] to secure one key funder—which in this case was Sobrato—and then over time be able to demonstrate our impact." In addition to fundraising, Paz-Cedillos highlighted the organization's need for contracts management to keep up with new funders' requirements (including government contracts), as well as inter-agency partnerships, such as the one that SOMOS manages for its Family Resource Center.

Given the current political and economic climate, SOMOS' work to support Mayfair's students and families is more crucial than ever. Paz-Cedillos commented that "the need has increased, especially with what's happening around housing and gentrification." As SOMOS continues to expand, GOS will provide critical resources to bolster its organizational capacity. Regarding the essential role of that GOS plays in supporting organizational infrastructure, Paz-Cedillos reflected that Sobrato is "one of the few funders that get it, and they just need to keep pushing, talking about it, and making it a priority."



[Photos top to bottom, courtesy of SOMOS Mayfair: SOMOS staff 2017, EMPUJE Promotoras]

Application and Reporting Requirements^{xiv}

Several grantees mentioned that the questions in the application encouraged them to think strategically rather than simply providing data. In particular, these individuals valued the opportunity the application gives them to reflect on their organizational capacity and impact. One commented,

"Everything is short and sweet and concise, but it really makes you think, and ask questions that make you reflect on 'What are our biggest issues? What are we facing moving forward?' [It's a] different proposal that makes me think and reflect and I learn from it, and I can't say that about many of other applications."

One person added that the "concise" nature of the application also makes it more challenging, explaining, "Sometimes it's harder to come up with 200 words than it is to be able to write ten pages."

"People like to be associated with the name, and say, 'Oh, Sobrato's giving, I can give. Okay, I can't give at the same level, but I'm associated with that.'"

—GOS Grantee

^{xiv} For an overview of the application and reporting process, refer to "The Sobrato Family Foundation's Approach to GOS Grantmaking" in the *Background* section.

Some grantees shared that Sobrato's GOS reporting requirements were reasonable and far less time-consuming and complex than those of other funders. This signals to grantees that the Foundation trusts that they were managing their GOS awards appropriately. One grantee explained, "The application and the reporting processes just don't require a ton of staff support, which is a real gift." Similarly, others characterized Sobrato's reporting requirements as "not onerous," "not cumbersome," and "a good balance." One grantee noted that, as the funding landscape has shifted to more restricted funding, there has also been "a general trend...to greater reporting...It's feeling like people are starting to copy the government, which from my perspective is not a good thing."

Leveraging Grants for Additional Fundraising

In addition to putting Sobrato's GOS dollars to use, agencies also leverage these grants for additional development activities, primarily through the match challenge, which is described in detail below.

Receiving Sobrato funding signals a "seal of approval" to other funders and donors. Grantees spoke highly of Sobrato's reputation in the community, noting that it is known for funding high-impact organizations with a solid track record of success. One person shared, "When I tell other foundations, 'We receive funding from Sobrato,' or they see Sobrato's name on our building, it's immediately recognizable. I think that's helped us leverage additional funding." Others agreed that the Sobrato name lends credibility to their agencies and makes funders feel more comfortable adding their own support. Another grantee commented, "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."

Many grantees appreciate the extra push from Sobrato's match challenge to ramp up fundraising efforts. The Foundation seeks to help sustain and/or build nonprofits' institutional capacity by offering challenge grants in the first year of a multi-year grant period. This match challenge stipulates that, in order to receive the second year of the two-year GOS grant, agencies must raise new or increased funds from non-governmental sources in the first year (see sidebar for more details on the match challenge). Many grantees characterized the match as "strategic and thoughtful," "game-changing," and "incredibly effective," while a few felt that "it didn't really change anything because we were always going to be trying to raise as much money as we can." One person said, "It's forced us to come up with different ways of trying to reach out to our donors because we have that leverage," and recounted that the match provided a helpful talking point when calling donors to thank them and ask them to increase giving over the prior year. According to outcomes reports, 70 percent of grants leveraged the challenge to secure additional donations beyond the required amount, and one-fourth of grants brought in 150 percent or more of the required amount.

More on Sobrato's Match Challenge

- All grantees receive the first year of GOS funds up front and must match those dollars through new or increased funds (including lapsed donors) from non-governmental sources (i.e., individuals, corporations, and foundations).
- Funds raised may be for general operating support, program, or capital needs.
- After raising the required funds in the first year, Sobrato releases the second installment of the grant award in year two.
- This process means that repeat grantees can rely on Sobrato's match every other year.
- As opposed to standard one-time matches that are anonymous and/or driven by individuals, Sobrato encourages grantees to use its name when raising match funds.

Exhibit 14. Grant Leverage (n=175)

100%

of grants secured the required amount of funding

70%

of grants secured funding beyond the required amount

25%

of grants secured 150% or more of the required amount

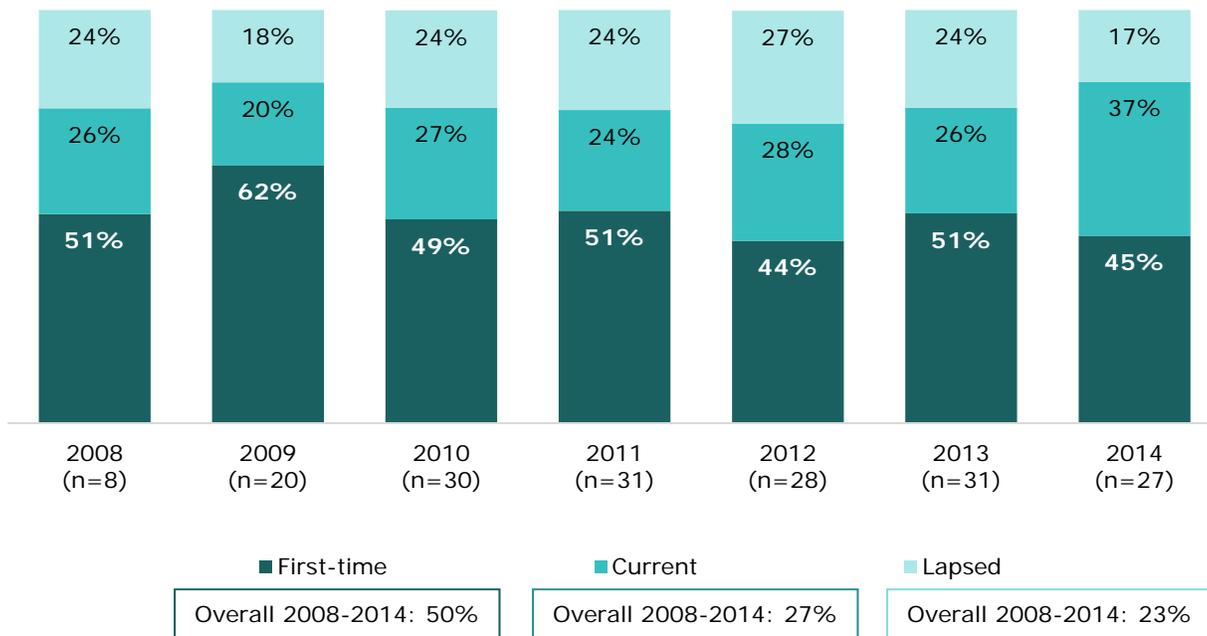
Source: random sample of Outcomes Reports, grants awarded 2008-2014

Using Sobrato's name in the community greatly increases grantees' ability to achieve match goals. This is another manifestation of the Sobrato name serving as a seal of approval and providing added credibility. One grantee commented that the match is "a way to be able to advertise that we get money from this respected family in our community." Another person added, "If you tell [donors that] there's a challenge, the Sobratos are making it, people take the name of the Sobratos seriously. They know that they are serious investors and it's helped us to engage many new donors." Many grantees include the Sobrato name as part of their larger fundraising campaigns. One long-time grantee noted that the match has "been part of our DNA for the last decade or so," adding that since it typically coincides with the fiscal year, the match is "a great way to kick off the new year" and "everyone's motivated, everyone wants to give." Another grantee shared examples of how their organization has publicized the Sobrato match:

"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."

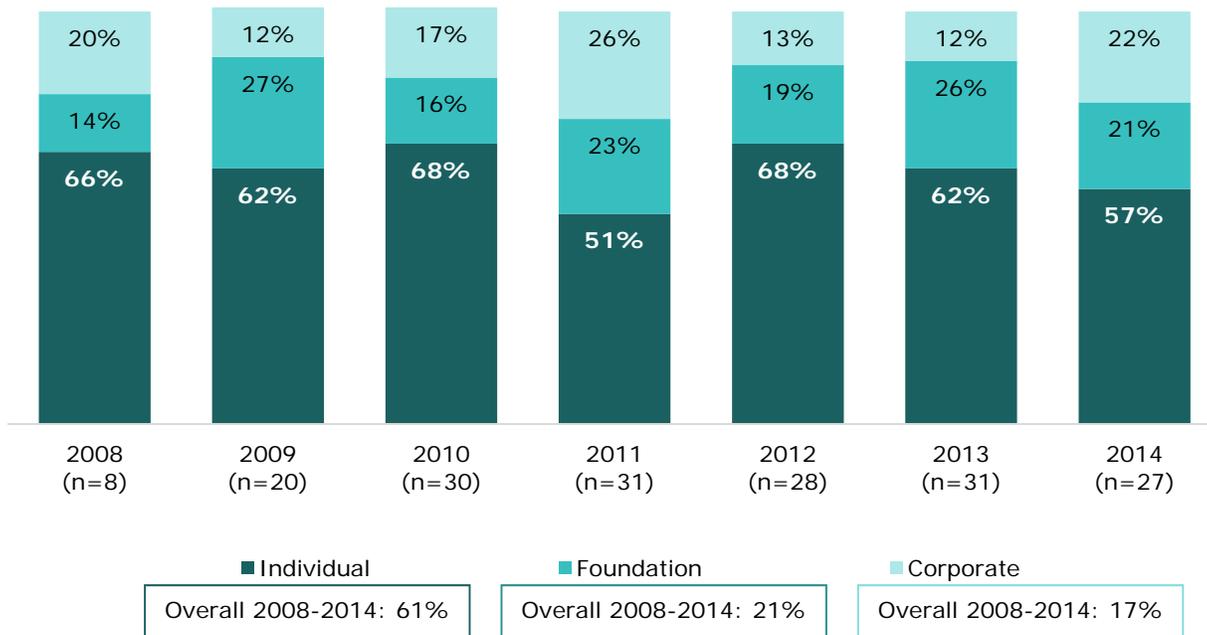
The match challenge helps grantees engage new donors. According to grant outcomes reports, on average, half of a grantee's match grant donors are giving to that organization for the first time; the other half are a mix of current and lapsed donors (see Exhibit 15). Grantees also rely on a mix of donor types; on average, almost two-thirds of match donors for a given agency are individuals, with the remainder split between foundation and corporate donors (see Exhibit 16).

Exhibit 15. Status of Match Challenge Donors (n=175 grants)



Source: random sample of Outcomes Reports, grants awarded 2008-2014

Exhibit 16. Type of Match Challenge Donors (n=175 grants)



Source: random sample of Outcomes Reports, grants awarded 2008-2014

The match provides a sense of urgency that motivates new donors and encourages current donors to increase their giving. One agency that has consistently expanded its donor base called the match challenge “a nice kick in the pants” that was unlike anything they previously had. For another organization, the challenge served as an “extra nudge to help bring new prospective donors into the pool” and replace those that dropped off. One of the grantees that relies more on current donors increasing their giving shared that, in those cases, “People will kick in that extra \$50 or whatever. And the good news about that is that the donors usually don’t go back after the match is over. That becomes their new level in which they give to you, which is awesome.”

While few grantees reported experiencing any challenges with the match, some felt that they lack the communications skills to maximize the match’s benefits. One person recalled that the first time their organization received a GOS grant it took some time to understand how to best publicize and promote the match. Another grantee that was “in between communications people” at the time added that it would have been helpful for Sobrato to provide ideas or guidance about effective ways to leverage the match. One of the smaller grantee agencies mentioned that it can be hard to manage the logistics of multiple matches, each with their own processes and requirements, but felt that, ultimately, “it’s a good challenge to have.” Finally, one person acknowledged, “I could see the size of the grant we could get from the family being really limited by [the match] if we weren’t confident that we could raise that individual giving by that much given the climate that we’re in.”

Grant Size

Grantees greatly appreciate the resources that Sobrato provides, yet some organizations that grew rapidly in recent years noted that these grants did not scale up accordingly. Most interview participants felt their grants are at an appropriate level for the goals they seek to accomplish. These grantees characterized the GOS grants as “adequate,” “significant,” or “generous.” Some also referenced the match challenge, adding that the size of their grant was aligned with their capacity to raise those additional funds. For some of the smaller organizations, these grants are among the largest they receive. A few agencies experienced exceptional budget increases during their tenure as grantees; one grew from \$2.5 million to \$10 million and another from \$800,000 to \$5.2 million.^{xv} These fast-growth grantees said that the Sobrato funding “doesn't quite scale” to their current general operating needs. According to these grantees, some other foundations have been more responsive to their organizations’ growth. One longtime grantee shared that, while Sobrato was one of its largest funders eight to ten years ago, it no longer is, as others have ramped up their giving more substantially.

“One of the challenges of the organization as we've grown is the rate of the grants growing with us has not kept up.”

—GOS Grantee

^{xv} See the *Grantee Spotlight on Fast-Growth Organizations* on the following pages for more about GOS grantees that experienced rapid growth.

Grantee Spotlight: Fast-Growth Organizations

Some of Sobrato's GOS grantees have grown substantially in a relatively short period of time for a number of different reasons. This spotlight presents perspectives on GOS from the following "fast-growth" agencies:



Organization	Years of GOS Grants	Annual Revenue & Full-Time Employees (FTEs), per application	
		First Available	Most Recent
Boys & Girls Clubs of the Peninsula (BGCP)	2005, '07, '11, '13, '15, '17	\$3.7 million (2005) 52 FTEs (2005)	\$8.7 million (2017) 60 FTEs (2017)
Community Legal Services of East Palo Alto (CLSEPA)	2010, '12, '14, '16	\$0.6 million (2010) 8 FTEs (2010)	\$5.3 million (2017) 30 FTEs (2016)
Opportunity Fund (OF)	2006, '08, '11, '15, '17	\$2.2 million (2008) 17 FTEs (2006)	\$16 million (2017) 92 FTEs (2017)
Silicon Valley Children's Fund (SV Children's Fund)	2005, '09, '11, '13, '15, '17	\$0.9 million (2005) 2 FTEs (2005)	\$3.1 million (2017) 34 FTEs (2017)

All of these organizations secured their first Sobrato GOS grants between 2005 and 2007, and have received a total of four to six GOS grants. They represent a range of sectors—youth development, legal services, financial support, and education—and are located across Santa Clara and San Mateo counties (in San Jose, Menlo Park, and East Palo Alto). All of these agencies' boards have been highly engaged with fundraising.

GOS funding. As their revenues and fundraising needs have grown dramatically in recent years, these grantees continue to appreciate Sobrato's unique role as a high-profile funder that provides GOS funding. Elise Cutini, CEO of SV Children's Fund, explained, "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." Even for these relatively large organizations, sizeable unrestricted grants can be hard to come by. Two of the four organizations shared that a significant source of additional unrestricted funds they receive are through smaller grants, individual donations, or corporate giving. Becky Pinger, CLSEPA's Development Director, noted that its GOS from all sources is not keeping pace with the growth in restricted funding for its programmatic growth.



Grant amount. Across all four organizations, interview participants agreed that Sobrato's GOS grants continue to be significant for their organizations. As one grantee explained in a 2016 outcomes report, "This grant is one of our sole sources of general operating funds that can be invested in organization-wide needs." These grantees also noted that, while the grants have grown, they are not keeping pace with their organizational needs. One grantee remarked, "We've grown in size at least six times...the actual size of the grant itself hasn't grown that big,

[but] it's definitely grown as well." Another noted, "If we're going to be a [multi-]million dollar agency, it doesn't quite scale for the general operating needs that we have."



Leveraging networks. These organizations rely on staff and board networks to enhance their fundraising capacity and reach. Recognizing the continued importance of relationships as they grow, grantees especially value Sobrato's willingness to serve as a partner and convener. BGCP's Vice President of Development, Sean Mendy, described Sobrato as "funders who are actually interested in truly being partners" and "pushing things forward," and CLSEPA's Executive Director Phil Hwang observed that Sobrato "has watched the trajectory of [grantee] organizations." These agencies found Sobrato's

support with helping them build networks to be particularly valuable. Priya Mistry, SV Children's Fund's Director of Community Initiatives, characterized Sobrato as "very active" in helping connect them with new opportunities, and added, "If we ever needed advice, or if we needed some feedback... they're responsive in supporting us as a thought partner and providing a different and important lens." OF's Chief Development Officer, Gwyneth Galbraith, sees Sobrato as a leader in "funding, convening, getting conversations going, building a network, and really trying to build a collaborative approach."

Moving forward. BGCP's Mendy reflected, "General operating support has been critical to our evolution—and without the general operating support, the evolution doesn't happen." As they grow, these agencies will need to continue building their organizational capacity. According to Eric Weaver, OF's Founder, their most pressing capacity issues include fundraising, as well as ongoing technology enhancements to streamline communications, stating that "We're growing and our need is growing." The others also recognized a range of organizational capacity needs, with data and evaluation rising to the top among all three. SV Children's Fund's Cutini shared that, in addition to rebranding and communications, SV Children's Fund is focused on "using data and becoming a data-driven learning organization." Mendy from BGCP would like evaluation to inform program design, and noted, "I want our impact and evaluation team to design a data plan that informs our program team's practice." CLSEPA recently worked with another foundation to prioritize its organizational capacity needs, which included finance, information technology, office space, board development, communications and branding, and evaluation. Regarding the latter, Hwang described CLSEPA's desire to look at "how we measure success...and how effective we've been year to year, beyond just outputs of x number of people got served." He added, "We're trying to get at everything we can and there's just not enough dollars or support to actually do [it all]." Moving forward, unrestricted funding will be crucial for sustaining and enhancing these growing capacity needs.



[Photos top to bottom: bean bag reading (BGCP), Peoria Housing Vigil (CLSEPA), Mexico Bakery (OF), graduates (SV Children's Fund)]

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 grantees were unclear about what variables the formula includes and how the calculations are made. One shared, "I think they've tried to break down to me the formula that they use when it comes to the grant." For some, the complexity of the formula makes it hard to understand. One longtime grantee explained, "I'm still not quite clear, after all these years of funding, on the algorithms that they use in their GOS calculation to determine how much money an agency will receive." Another shared, "I just don't understand it, but it seems very complicated and there's all these crazy formulas, and I don't

"It's helped—appropriate and generous. I guess we have kind of bumped up against the maximum, or have we?"

—GOS Grantee

know if the size of our general operating grant is reduced by the value of our rent [at a Sobrato Nonprofit Center]." Grantees added that Sobrato's approach to its funding formula is unlike what they experience with other funders.

Grantees' Perspectives on Sobrato Over Time

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 to offer non-programmatic support to local nonprofits. One person recalled:

"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."

Another person added that Sobrato was one of the first funders to ensure that its program officers are available to answer grantees' questions and foster relationships with them.

Grantees appreciate Sobrato's understanding of the local nonprofit sector and its growing leadership in the field. One commented 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." This person added that Sobrato's engagement with the nonprofit community has "blossomed" under the leadership of Rick Williams, the Foundation's current CEO. Another grantee shared this sentiment, noting:

"I think with Rick being at the helm, having him come from the nonprofit sector—he truly understands the needs of the sector. And over the last three years, making sure that he continuously champions general operating support is huge for the sector."

This same person also reflected that, as Sobrato has grown its infrastructure and hired staff with sector-specific expertise, it has improved its ability to "understand the lens from which grantees operate, and how to give us more support beyond the dollars."

Sobrato's grantees observed that the Foundation has become more "formalized" and "mature." They continue to value the Foundation's steadfast commitment to their organizations and the region, while a few acknowledged some growing pains. Several noted that, as the Foundation has grown over the years, it continues to provide unwavering support to nonprofits that serve those most in need. One person shared:

"Sobrato certainly has [grown] and taken on a lot of initiatives...and yet they've held on to being committed to supporting some of those core programs that are meeting a need in the community. I so greatly respect and appreciate Sobrato for maintaining that commitment...I think it's just wonderful that they've stayed with that philosophy."

Another grantee who has worked with the Foundation for over a decade shared that, as Sobrato has hired more staff and is "doing more now publicly," it managed to preserve a culture of being "very sensible" and "very supportive." This person valued that staff "take you under their wing, once you are a part of them." On the

"I really feel like the thought partnership over the last few years has increased."

—GOS Grantee

other hand, a few grantees acknowledged some growing pains related to the Foundation's staffing changes. One longtime grantee shared, "We used to have many more interactions with the foundation, but as they've grown—there's still a few people we know there—but we haven't had a site visit in quite a while."

Additional Sobrato Family Foundation Support

Although this study focuses on agencies' experiences with Sobrato's GOS grants, a number of grantees interact with the Foundation in other ways, including through other types of grants, nonprofit office space, and capacity-building initiatives. This section summarizes what GOS grantees shared about additional supports they have received from the Sobrato Family Foundation over the years.

A number of GOS grantees benefit from Sobrato's other formal and informal supports outside of its GOS funding. Many said 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. Specifically, grantees cited positive experiences with the Thriving Nonprofit Sector program—especially the financial management forum—and The Sobrato Impact Lab. They described these nonprofit capacity-building activities as "relevant," "high-quality," and "exceptional." Regarding the nonprofit financial management series, one grantee shared:

"Content-wise, validation-wise, they're great, and obviously for networking because you're in a room with other people and you can learn and talk and connect after. And a couple of them I've even brought board members to and that's been helpful."

In addition to providing a forum for grantees to network with one another, some grantees recalled instances in which the Foundation connected them with other donors and supporters. For example, one grantee described how Sobrato's support of a collaborative helped it secure additional funding, and explained, "[Another local foundation] wanted to see who are the other funders in the game and they specifically came in because we got that funding from the Sobrato Foundation."

A few 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. Several grantees spoke highly of Rick Williams' guidance and advice in particular. One person said:

"He is somebody I could pick up the phone and be very vulnerable and authentic with... [He is] super well-respected within the nonprofit community, and seen as the leader that really gets it and understands it."

Other grantees shared similar experiences about their interactions with Sobrato staff. One recalled that Foundation staff helped their organization during a leadership transition and added, "They ask challenging questions and push you in a way that isn't work or writing—it's just deep thinking." 🇺🇸

"[Sobrato] provides a lot of really great technical assistance and they also do a lot of great research advancing the sector as a whole...their expertise and their support has been critical."

—GOS Grantee

Grantee Spotlight: Friends for Youth



Founded in 1979, Friends for Youth (FFY) is a nationally recognized organization that supports at-risk youth through mentoring services in Redwood City, San Mateo County. FFY supports over 200 youth each year through one-on-one and group mentoring programs and has provided training and technical assistance through its Mentoring Institute. Chief Operating Officer, Karen Wilmer, referred to the organization as “small but mighty,” with less than ten full-time employees and recent annual expenses of \$585,000. Its programs depend on a network of roughly 200 adult volunteers who provide quality mentorship and support.



FFY has received seven consecutive Sobrato GOS grants, starting in 2005. Prior to that, FFY received targeted grants from the Foundation to support program expansion, volunteer recruitment, and salary and benefits for key staff. Chief Executive Officer Becky Cooper spoke of the importance of a lasting commitment to GOS, and remarked, “You see changes, growth, and [new] initiatives, but Sobrato has held on to supporting core programs. And so many times that does not happen.”

Grant Decision Year	Grant Amount	Org. Budget	Full-time Employees	Full-time Volunteers	Total Beneficiaries
2005	\$30,000	\$719,000	-----not available-----		
2007	\$51,250	\$1,033,000	6	150	110
2009	\$57,400	\$1,024,000	5	200	131
2011	\$30,750	\$585,000	8	200	217
2013	\$32,800	\$502,000	5	250	200
2015	\$28,700	\$567,000	4	225	183
2017	\$43,050	\$594,000	5	N/A ^{xvi}	282

“[FFY’s] services are provided by mentors who need to be trained, screened and overseen [by staff],” explained Cooper. As such, FFY has dedicated most of its general operating support dollars to staff salaries and benefits. The organization has used GOS funds to help fund new positions, including marketing and outreach staff in 2007 and program staff in 2011 and 2013. In 2009, shortly after the economic recession, FFY used GOS funds to restore staffing levels so they could “maximize services, focus on quality, set future goals, and collaborate effectively.” In addition to supporting staff salaries and benefits, FFY used Sobrato’s GOS match requirement to build its fundraising capacity. Between 2009 and 2013, FFY increased their leverage of the match challenge—raising more than the challenge goal—from 11 percent to 65 percent, largely through first-time and individual donors. Cooper remarked that the match is a “great incentive” and well-received by prospective donors. While Wilmer agreed that the match is appealing, especially for individual donors, she added that recently “there is so much competition for funding it has made it not as impactful”, acknowledging that “it is partially on us to [better] communicate to our donors”, though a new marketing approach from Sobrato could also be helpful. Reflecting on the value of GOS overall, Cooper emphasized that “GOS enables us to do the whole thing, and look at sustainability as well as programs.”

^{xvi} Sobrato no longer documents the number of full-time volunteers at an organization.

Both Cooper and Wilmer shared that new challenges are emerging for Silicon Valley's youth, including increased depression, high levels of stress in response to the current discourse on immigration among Hispanic youth, and increased isolation because of technology. They hold that, although the experiences of Silicon Valley's youth change over time, mentoring is a consistent need across generations.

[Photos top to bottom, courtesy of Friends for Youth: mentor and young man doing yard work, "Connect" group photo.]



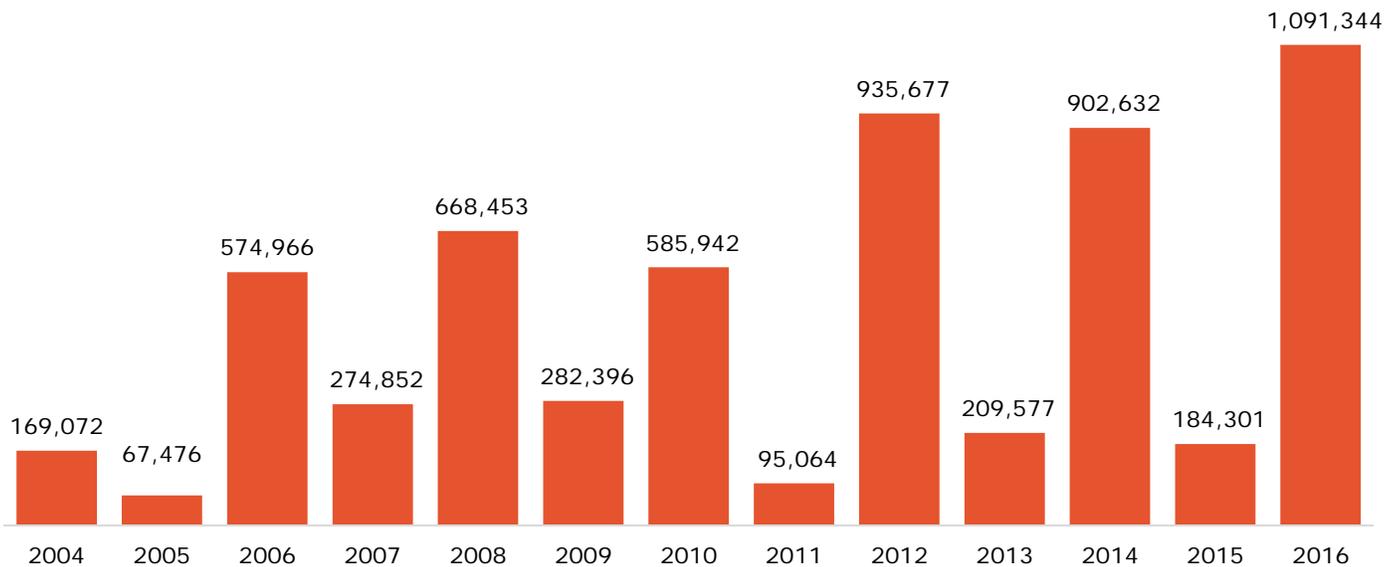
Perspectives on Impact

This section discusses the broader impact of the Sobrato Family Foundation's GOS grantmaking in Silicon Valley, as well as the breadth of services it has supported. We then discuss the Foundation's peers' and other local stakeholders' perceptions of the Foundation, as well as other funders' approaches to GOS grantmaking.

Sobrato Family Foundation in Silicon Valley

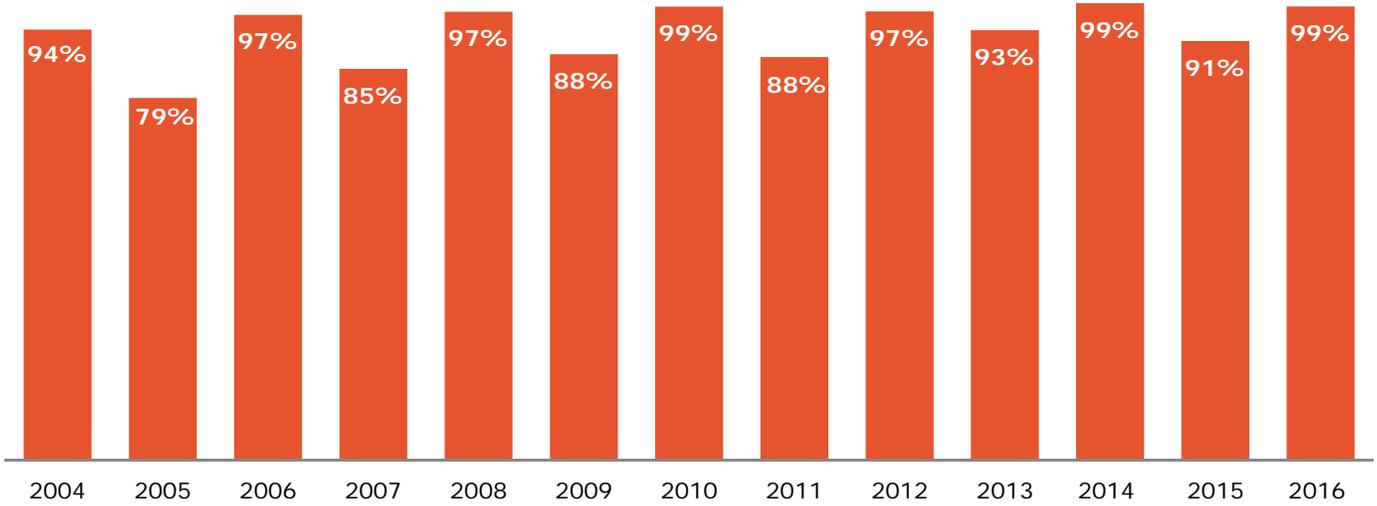
The impact of the Sobrato Family Foundation's GOS extends across Silicon Valley. Since 2004, the Foundation's GOS grantees have served more than 6 million beneficiaries across the Valley. Some 81 percent of direct beneficiaries reside in Santa Clara and San Mateo Counties, 12 percent reside in either Santa Cruz or San Francisco Counties, and six percent reside in Alameda County. As mentioned previously, the Sobrato family and the Foundation are particularly dedicated to empowering the most vulnerable in the region—low-income and underserved populations that experience economic, and other barriers—and require that grantee organizations serve clients who experience these challenges (see Exhibits 17 and 18).

Exhibit 17. Total Direct Beneficiaries by Application Year*



* Each year's count represents the total direct beneficiaries for organizations receiving grants in that calendar year. For information on Sobrato's GOS grant cycles see notes on Exhibit 7.
Source: Sobrato applications and staff review database

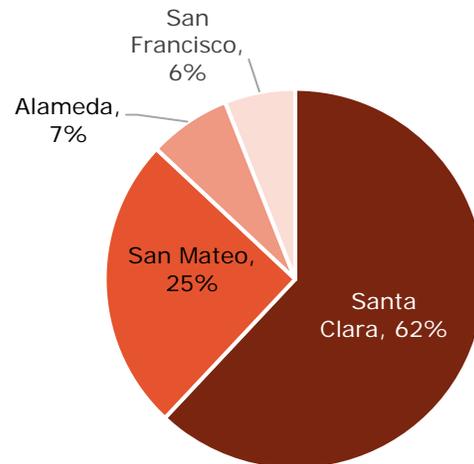
Exhibit 18. Percentage of Beneficiaries Who Are Challenged by Application Year^{xvii}



Source: Sobrato applications and staff review database

Between 2004 and 2016, nearly two-thirds (62 percent) of all Sobrato's GOS grants, totaling approximately \$33.3 million, 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, as well as to organizations based and serving residents in high needs areas like East San Jose. A quarter of GOS grants totaling approximately \$16.7 million went to organizations headquartered in San Mateo County. The majority (77 percent) of those went to organizations based in Redwood City, San Mateo, and East Palo Alto; and some grants were also made to organizations in remote areas of the county with access to fewer social services, including Pescadero and El Granada. Exhibits 18 and 19 show the number of grants and grant dollars by county. For grants by city, see Appendix B.

Exhibit 19. Percentage of GOS Grants by County, 2004-2016*



*This chart is based on where the funded organization is headquartered. It might not represent where the organization provides services. Source: Sobrato applications and staff review database

^{xvii} "Challenged" refers to the grant eligibility criteria which states that "applicant organizations must have programs that support economically, emotionally and/or physically challenged Silicon Valley clients (referring to the economic, emotional, and/or physical needs of clients). In 2014, Sobrato changed this criterion to deepen its focus on economically challenged clients.

Exhibit 20. GOS Grant Dollars by County, 2004-2016
(Total = \$55M)



Source: *Sobrato applications and staff review database*

Through its GOS program, the Foundation has supported a range of safety net and human service organizations. Between 2004 and 2016, Sobrato made 616 GOS grants and invested over \$55M in Silicon Valley's safety net. The largest proportion of grants went to human service organizations, followed by education services and youth development services. Some 32 percent of all dollars (over \$17 million) have been invested in human services, while, on average, grants to housing and shelter organizations were the largest. Exhibit 20 shows the grants, total dollar amounts, and average grant size awarded by sector.

Exhibit 21. GOS Grants by Sector, 2004-2016

Sector*	Selected Services	Number of Grants (Percent)	Total Dollars	Average Grant Amount
 Human Services	Emergency assistance, family & child services, hospice, senior & special needs services	171 (28%)	\$17,731,375	\$103,692
 Education	Adult education, student & educational services, parent & teacher group support, special education	107 (17%)	\$8,005,200	\$74,815
 Youth Development	Youth development, mentor, and community service programs	66 (11%)	\$4,651,450	\$70,477
 Housing & Shelter	Housing development, management & construction, low income & subsidized rental housing, temporary housing, homeless shelters	59 (10%)	\$6,994,380	\$118,549
 Health Care	Patient & family support, nursing support, rehabilitative care, ambulatory & primary care, community clinics	42 (7%)	\$3,700,125	\$88,098
 Employment	Employment preparation & procurement, job training, vocational rehabilitation	37 (6%)	\$3,352,000	\$90,600
 Food, Agriculture & Nutrition	Food banks & pantries, food programs, soup kitchens	36 (6%)	\$3,684,750	\$102,354

*Sectors are based on National Taxonomy of Exempt Entity (NTEE) headers, and the table above includes those that account for 5% or more of total grants. Services provided are based on NTEE titles.

Source: Sobrato applications and staff review database

Grantee Spotlight: Safety Net Organizations

Promoting access to essential and safety net services for Silicon Valley residents is core to the Sobrato Family Foundation's mission. Through its GOS program, the Foundation funds several organizations that provide high-demand basic services including nutritious meals; legal assistance; children, youth, and family development; and refugee services. This spotlight synthesizes perspectives on Silicon Valley communities in need, navigating the funding landscape, and use of GOS grants from the following safety net organizations:



Organization	Years of GOS Grants	Beneficiaries in Silicon Valley*	Region Served	Key Services/Programs
Catholic Charities of Santa Clara County	2006,'08,'10,'12,'14,'16	54,000	Santa Clara County	Behavioral Health; Children, Youth & Family Development; Economic Development; Disaster Relief & Recovery; Refugee Foster Care; Advocacy & Community Engagement
Puente De La Costa Sur	2010, '12,'14,'16	1,500	San Mateo County South Coast	Community Health and Wellness; Economic Security; Youth Leadership; Behavioral Health; Education, Advocacy and Community; Services for Children Ages 0-5
Sacred Heart Community Service	2006,'08,'10,'12,'14,'16	65,000	Santa Clara County	Food & Clothing; Family & Children; Housing; Financial Strength; Social Justice
Second Harvest Food Bank of Santa Clara and San Mateo Counties	2006,'08,'10,'12,'14,'16	257,000	Santa Clara and San Mateo Counties	Food Bank; Food Connection; Nutrition Education; CalFresh Outreach

**Based on most recent information provided in GOS grant report*



The Great Recession and essential services. The 2008 Recession was a pivotal time for safety net organizations, as for many nonprofits, both because it affected their funding sources and highlighted the importance of essential services in times of crisis. During the Great Recession, safety net organizations saw a significant increase in demand for their goods and services. "When the Great Recession started, we were serving around 165,000 people a month. That number jumped to just about 200,000 by 2009," said Kathryn Jackson, former CEO of Second Harvest. During this time, people with higher levels of income and education started to need basic services. "[During the Recession] we served middle-income Americans, people who had college degrees. We were surprised to see those types of clients," said Catholic Charities board member Khanh Russo. Although demand for some types of services decreased as the economy recovered, the Great Recession had a lasting impact on essential services organizations and the communities they serve.

Serving those who have been left behind. All four organizations noted 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, these 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 Jackson. That, however, has not been the case for Second Harvest, whose food bank now serves

around 50,000 more clients a month than it did in 2009. Organizations also noted that since the Great Recession their beneficiaries have increasingly requested housing assistance. "Housing has been a problem for a long time," said Rita Mancera, Puente's Executive Director. "Rents are going up and [only] people with more resources are buying [properties that have gone on the market]. It's almost impossible [for most residents] to buy." Safety net grantees also noted that in recent years the demand for immigration and refugee services has dramatically increased. Recent changes related to Deferred Action for Childhood Arrivals (DACA) and national conversations around immigration have prompted safety net organizations to provide more immigration education and legal services. "Currently, [we are] responding to the need for immigration information, [and] to be an advocate and really work alongside the community," said Lina Mira, Program Director at Puente. Gregory Kepferle, Catholic Charities' CEO, echoed this sentiment, and shared, "The fear within the immigrant community right now has made our work much more needed, especially legal services for immigrants."

Navigating a changing funding landscape. Since the end of the recession, safety net organizations, like many Bay Area nonprofits, have shifted their funding strategies, relying less on government grants in favor of private philanthropy. "During the Recession, there was an infusion of federal funds that allowed us to step up our efforts to help increasing numbers families living in poverty, especially as local government funding dried up. Subsequently, we have diversified our funding portfolio," said Lydia Guel, Community Development Director at Sacred Heart. Second Harvest described a similar shift. Around 2009, the organization made a strategic pivot away from local and state federal funding to focus on foundation and corporate funding. "It seemed like a somewhat risky thing to do at the time," said Second Harvest's Jackson, "but now it seems like a smart thing to have done because government funding has become more rigid and difficult to receive." While diversifying funding sources across foundation, corporate, and individual donors has been beneficial in many ways, for some there is still a need for GOS funding—a need that has been amplified by increasing inequality and economic challenges. "We've seen a shift from unrestricted general operating support to more specific project-based or issue-based or population-based support. And, with a desire to show more outcomes or impact," said Kepferle of Catholic Charities. He went on to share that Sobrato is one of the last foundations that provides Catholic Charities with much-needed unrestricted support.



GOS funding. Like many other Sobrato GOS grantees, safety net organizations use GOS funds to cover administrative costs and gaps in the full cost of program delivery, especially delivery of basic services. "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," said Poncho Guevera, Executive Director of Sacred Heart, adding, "knowing that we have been able to count on general operating support has been key to give us the flexibility we need to weather the ups and downs." Safety net organizations also use GOS funds to build their infrastructure and staff

capacity, creating data management systems and funding new staff positions. When possible, safety net organizations use GOS grants to help fund new and innovative programs. "We use [GOS funds] to try new things," said Russo from Catholic Charities, explaining that GOS funds allow Catholic Charities to take risks that other grants do not allow. Second Harvest shared that GOS funds have allowed them to think creatively about expanding school breakfast and summer feeding programs at schools and Sacred Heart used funds to build an urban garden.

Safety Net Organizations in Silicon Valley. Although the Valley has largely recovered from the Recession, income inequality is on the rise. As such, safety net organizations are more important than ever, serving more individuals each year and expanding the breadth of their services to address emergent needs related to housing and immigration. Despite demand, the Valley's focus on innovation and disruption makes it difficult to make the case, and secure funding, for basic services.

[Photos top to bottom: Food Pantry volunteers (Sacred Heart), Thanksgiving dinner at Charity Housing (Catholic Charities), Produce Mobile (Second Harvest)]

Local Stakeholders' and Peers' Perceptions of Sobrato

During interviews, local stakeholders and other funders shared their perceptions of the Sobrato Family Foundation's role in Silicon Valley and about the value of GOS funding in general. Funders also shared their approaches to GOS grantmaking and reporting. While our interviews focused on Sobrato's GOS program, funders and local stakeholders also spoke to their knowledge of Sobrato's grantmaking more broadly.

Peers see Sobrato as an "anchor" in Silicon Valley's funding landscape.

Like grantees, peer funders and local stakeholders we spoke with characterized the Foundation's place-based GOS, along with its Thriving Nonprofit Sector and office space programs, as unique and particularly valuable assets in Silicon Valley.

"They're such a critical piece of the local funding puzzle," one peer funder said.

Another local stakeholder described the Foundation as an "anchor funder" in the Valley with a "major presence and platform."

While several funders and local stakeholders commented on the importance of Sobrato's GOS funding to Silicon Valley organizations, they viewed the Foundation's role in and impact on the community as more holistic. They noted that, in addition to GOS funding, the Foundation's office space grants are particularly important because real estate in Silicon Valley is so expensive. In one local stakeholder's words, "Sobrato's work to create space for nonprofits is remarkable. It's a model that [all funders] should look at." This support, paired with GOS funding, provides stability to nonprofit organizations and helps ensure that they are able to focus on providing services, rather than raising dollars to cover rent and other hard-to-fund expenses.

Peers observe that the Foundation's grantmaking has become more intentional in recent years.

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. They have noticed that, in recent years, the Foundation began to invest more deliberately in a core group of organizations and better defined its grantmaking criteria. "[Now it seems] there's a lot of thought and understanding around why [Sobrato] supports a particular cluster [of grantees]. They can share the reasoning behind their investments," one peer funder commented. This funder went on to note that while there may always have been a strong rationale behind how Sobrato selected its GOS cohorts, that rationale has been better communicated in the past five years. Peer funders and local stakeholders also acknowledged that the Foundation's thought leadership and collaboration have helped advance their own thinking and work and contributed to the advancement of the nonprofit sector. One local stakeholder specifically called out the Foundation's CEO for his leadership important role in the sector stating, "Rick Williams is quite a lead in our world. He's a man we all look to. He's the one you call when you don't know what to do to ask 'Can you help me with this?'"

Perspectives on GOS Funding

Funders and local stakeholders believe that a "hands off" approach to GOS grantmaking is necessary and effective.

All of the funders and local stakeholders we spoke with believed that nonprofit leaders are best positioned to determine how to allocate GOS funds and invest in the development of their organizations. From their perspective, nonprofit leaders are the experts; they have the knowledge and insights to determine where GOS funds are best put to use.

"If I think about the top funders in the local community, in terms of dollars, presence, longevity, signaling— Sobrato is really up there."

-Funder

"We believe in the organizations that we fund, that they are the experts in their area. They know...how to deploy resources."

-Funder

"We are far from the experts in any of the areas of work [that we fund]," one funder shared. "We should step back and let [our grantees] do their work and let their priorities be guided by their experience and expertise." Another funder noted that GOS is an effective way to provide funding because it puts decision-making power in the hands of the most informed agents. This funder noted, "[We think it's effective to] let someone from the organization that really understands the inflow of money and where the needs are make the financial decisions." Other funders echoed these sentiments, sharing that grantee organizations' needs are dynamic. They must have flexible funds on hand to appropriately resource pressing and emerging needs when they arise. When possible, funders and local stakeholders believe organizations should invest in capacity building and strategic planning. To encourage nonprofits to do this, some funders have targeted conversations with grantees about their organizational needs or separate grantmaking initiatives dedicated specifically to organizational effectiveness.

A GOS grant is an investment in an organization, its leadership, and its values. Funders described their own approaches to GOS grantmaking as holistic. They stressed that they invest in organizations with solid values, leadership, and potential to improve their communities over a long period of time. "We want to invest in strong leaders that are working with organizations to help [address] needs of the local community. Our hope is that, as grant makers, we're selecting the correct leaders and the correct organizations," said one funder. A few funders and stakeholders compared nonprofit organizations to the private sector, sharing that for-profit entities have the freedom to invest resources where they see fit to build and support the development of a strong organization. In the words of one funder:

"[Our founders] ran a company where part of the philosophy was to hire great people, give them the infrastructure and support they needed to do their jobs well...and encourage collaboration where it made sense. We have the same philosophy with our grantees where we try to find organizations and leaders that we have confidence in. We think it works best when you give them funding to do their work...in a way that they best see fit, rather than trying to control them in ways that aren't fully informed by the opportunities and constraints that they're living with every day."

While funders acknowledge that unrestricted funds are spent on a variety of administrative and programmatic expenses, many believe that GOS grants, especially multi-year grants, have the potential to help organizations further build their capacity. In instances where investing in growth and development is not possible, they hope that providing GOS grants over time can sustain organizations and help them focus on service delivery, rather than fundraising. In one local stakeholder's words, "GOS is investing in an organization for many years so they can spend time improving outcomes and services and less time just raising money."

Funders' approaches to GOS grantmaking vary. While there were some commonalities around screening, selection, reporting (see sidebar), and other capacity and in-kind supports, specific practices varied greatly. While all foundations conducted assessments of organizations before making grants, some use well-defined processes and criteria that include comprehensive applications and assessments of organizations' financial health and capacity-building needs. Others conduct more subjective assessments that focus on organizations' long-term strategic growth and development. Most funders we spoke with provided multi-year grants, ranging from two to five years. Only one of the foundations we spoke with specified how they determine grant size, sharing that they typically provide grants

"GOS ideally allows organizations to do more of what they do best, better."

-Local Stakeholder

Approaches to GOS Grantmaking

While funders' approaches to GOS grantmaking vary widely, most foundations that offer GOS do the following:

Comprehensive pre-award assessment. Most funders we spoke with spend considerable time building relationships with and observing and assessing potential grantees.

Grantee report/post-award assessment. Most funders require grantees to submit a report sharing how funds were used. These reports generally do not require details about how dollars were specifically spent, but focus instead on what GOS dollars enabled the organization to do. Some foundations gather this information through conversations instead of written reports.

that are between five and 25 percent of a grantee's budget. For early stage grantees, this foundation typically provides proportionately larger grants (25 to 50 percent of a grantee's budget).

Reporting requirements also vary from foundation to foundation. Some funders do an annual grantee rating based on specific criteria, while others request a holistic report from grantees on what the GOS funds helped them accomplish. One of the foundations we spoke with does not require its grantees to complete any reports or conduct any assessments after a grant is rewarded. Instead, the foundation has an annual check-in conversation with its grantees.

The true cost of operating a nonprofit is often underestimated, and GOS funds can help cover funding gaps. Local stakeholders and some funders acknowledged that estimates about overhead costs built into government and project grants cover only a portion of the real costs. "The traditional model that a 15 percent indirect rate should cover all [operating costs] is quite obviously an insufficient number, and I think a lot of funders are waking up to that," one local stakeholder said. Not only can GOS funds help fill funding gaps, but providing unrestricted funding can promote conversations between nonprofits and funders about the real cost of managing projects and providing services. The onus of inviting these conversations, interviewees shared, is on the funders. "I think this idea of creating the conditions for candor and discussions [between funders and grantees] about what is truly needed on ground is a ball largely in the court of the funder...because of the direction the money is going," one local stakeholder said. She continued stating that, "I think the degree that funders are really willing to sit down and be frank around what's needed is a huge service. That would be a huge cultural shift." 🇺🇸

"Offering GOS sets the stage for nonprofits to share real funding needs and goals, rather than pitching to funders' agenda."

-Local Stakeholder

Grantee Spotlight: St. Joseph's Family Center



St. Joseph's Family Center's (St. Joseph's) mission is to alleviate hunger and homelessness in South Santa Clara County by providing food, housing and employment related services, and advocating for system changes to improve the quality of life for the most vulnerable people in the community. The organization's roots go back to the 1960's when a group of women from St. Mary Parish in Gilroy began securing food and clothing for parish community families in need. Recognizing that local families outside the parish also needed support, the organization formalized in 1981. Marge Albaugh, a long-time leader of the women's group, became St. Joseph's first Executive Director and remained in the position until her retirement in 2001.

St. Joseph's provides a range of essentials services, including food and nutrition, emergency rental and utility assistance, assistance, homeless outreach, permanent housing programs, and employment services to residents of San Martin and Gilroy. The need for these services in South County is high—Gilroy has the greatest share of homeless and unhoused individuals and of families participating in the Federal Food Assistance Program (CalFresh) per capita in Santa Clara County. Unemployment rates in Gilroy and San Martin are also considerably higher than the county-wide average. The services we provide are a bridge for extremely low income families who add a lot of value and importance to our community but simply are not making a sustainable wage," said Executive Director, David Cox. While St. Joseph's services have remained consistent, the organization has grown considerably over the past two decades. Between 2000 and 2017, its annual budget grew from just over \$1 million to \$8 million. The number of families served has also grown significantly. "When I first started here [in 2001], we were serving 20 to 30 families a day through our food programs; that number has swelled to about 150," said Cox. Throughout this period of significant growth St. Joseph's staff has remained small. Cox characterizes this as an asset, sharing that its size makes the organization nimble and able to respond to community needs quickly. It has also encouraged the organization to partner with local and Santa Clara County nonprofits and government agencies, including the County Office of Supportive Housing.

St. Joseph's has been a GOS grantee since 2006. Below is a summary of key grant and organization elements during the period the organization has worked with the Foundation.

Grant Decision Year	Grant Amount	Org. Budget	Full-time Employees	Full-time Volunteers	Total Beneficiaries
2006	\$20,00	\$2.1 million	7	100	4,200
2008	\$51,250	\$2.2 million	6	300	6,293
2010	\$36,900	\$4.4 million	8	300	3,400
2012	\$51,250	\$5.0 million	9	330	7,203
2014	\$55,350	\$7.2 million	8	400	7,601
2016	\$57,400	\$8.3 million	10	400	7,750

GOS grants from Sobrato have played a key role in supporting St. Joseph's mission, providing needed flexibility to respond to community needs. "A lot of the funding that's out there has a box that either the clients or the agency needs to fit into. [Sobrato's] general operating support is crucial for our organization to keep everything going." The organization has used GOS funds to pay staff salaries and benefits and to invest in equipment, like forklifts and refrigeration systems, to sustain and expand its programs and meet the growing need in its community. St. Joseph's is one of the few year-round basic service providers in South County; being able to apply funds to meet immediate housing, nutrition, and employment needs, and to invest in infrastructure to provide services, has been essential to the community.

Historically, St. Joseph's has had a fairly passive approach to fundraising. The organization relies on government funding earmarked for the region, strong relationships with a handful of foundations, and loyal

donors for continued support. However, in recent years, St. Joseph's has focused more attention on building relationships with new donors, especially younger generations. "Part of what we are seeing and starting to get worried about is that donors we've had for the better part of two decades will not be there forever," Cox said. "We are concerned about connecting with the next generations, hoping to instill the same values, exposure and financial stewardship that their parents have had." The organization has worked with a consulting group to develop a more proactive fundraising plan and created a Director of Community Engagement position on its staff. Sobrato's match challenge has been a great asset in supporting the organization's fundraising efforts. "We've consistently been able to expand the donor base. I would say it's certainly tied to what the Sobrato Family Foundation has challenged us to do," said Cox. He went on to share that "[the match challenge] was a nice kick in the pants a few years ago when this first came out because it was unlike anything that we had done before. The newness, the freshness, for us was invigorating." Cox now characterizes the match challenge as "part of the organization's DNA," and a great way to continuing cultivating new donors and securing more funds.

As the largest safety net provider in south Santa Clara County, St. Joseph's is positioned to serve as an advocate for the communities it serves, both locally and in countywide efforts. "I always say we're a small fish in a small pond, but we need to support other agencies with the burden of implementing system changes," said Cox. While the organization recognizes that its participation in broader efforts is important, it has not been easy. St. Joseph's small staff is primarily focused on service delivery, and taking on additional responsibilities or making time to attend meetings that are often held in cities 30 or more miles away, is challenging. "Sometimes we live behind the garlic curtain^{xviii}," said Cox. "Still, for our well-being as well as wanting to demonstrate how important these countywide issues are, we need to be present and proactive."

¹Applied Survey Research. (2017). Santa Clara County 2017 Homeless Census & Survey Comprehensive Report.

Providing Services in Geographically Isolated Regions of Silicon Valley

Together, Santa Clara and San Mateo Counties span more than 2,000 miles. While much of this vast region's population is concentrated in urban centers like San Jose and Redwood City, need is high in towns and unincorporated areas on the outskirts. Gilroy and San Martin in South Santa Clara County have the highest homelessness rates per capita in the county. Between 2015 and 2017 the number of homeless people in Morgan Hill increased by 379 percent.¹ San Mateo's South Coast is a rural and geographically isolated community. Its unincorporated areas have limited access to public transportation and other infrastructure issues.

In towns where need is high and resources are limited, social service providers act as a one-stop-shop, offering supports ranging from healthcare to food assistance to childcare. While community members might be eligible for services in more central locations, connecting to those services is often burdensome. For example, a grantee serving San Mateo's South Coast noted that although many community members have health insurance, clinics that accept that insurance are far away. Nonprofits in these areas also tend to introduce new programs and services in response to community demand. In the past year immigration legal services have often been requested.

Nonprofits on the outskirts of the Valley appreciate when funders like Sobrato visit their communities to get a sense of their constituents' specific needs and challenges. In the words of one program director, "A visit in a community, speaking with individuals who are from that community, brings things [to life]. That's very beneficial."

^{xviii} Gilroy is widely known as the "Garlic Capital of the World" and produces a significant proportion of garlic for the U.S.

Recommendations

This study describes the Sobrato Family Foundation's approach to GOS grantmaking, including who these grants reach, how they are being used, and their impact on grantees and the community at large. Based on interviews with grantees, peer funders, and other local stakeholders; our review of internal grant data and reports; and the research team's experiences and insights while conducting this study, we offer the following recommendations for the Foundation.

- 1. Continue building lasting relationships with GOS grantees through multi-year grants and reflect on the inherent limitations of this model.** Several funders, stakeholders, and grantees praised Sobrato for its multi-year commitment to organizations as a way to foster stability and enable them to direct resources that would otherwise be spent on grant writing elsewhere. Although Sobrato's GOS funding is open to new eligible organizations, some interview participants questioned whether the Foundation's tendency to fund many of the same agencies over time limits the resources available to new, promising organizations. Regarding the local funding landscape more broadly, both grantees and other local stakeholders shared that there are fewer opportunities to apply for new grants than in the past. For example, some grantees noted that guidelines for corporate giving have shifted toward grants that are initiated through company connections. Interview participants also mentioned that private foundations' grantmaking seems to be increasingly exclusive, and one local stakeholder observed that the number of open RFPs has decreased as of late and more grants are becoming "invitation-only." As a result, this individual shared, some promising organizations have been unable to raise money as effectively because they have not had an opportunity to build relationships that can lead to new funding. This local stakeholder, as well as some grantees, suggested that Sobrato and other funders revisit their accessibility to new grantees. (See recommendation 4 for more on this.)
- 2. Reassess the GOS funding formula, including how it is communicated to applicants and grantees.** Many grantees do not understand the Foundation's funding formula for GOS grants and expressed a general sense that it is overly complex. Intentional or not, this complexity signals a lack of transparency to potential and current grantees. It prevents applicants from knowing what level of funding they are eligible for when they apply, and what, if anything, they can do to increase the size of their GOS grant. To promote a clearer understanding of its process and more realistic expectations among grantees, the Foundation should consider simplifying its funding formula and provide more information about the formula in application materials.
- 3. Further explore benefits and challenges associated with the match challenge.** Foundation staff expressed concerns about how accurately grantee outcomes reports reflect the true impact of the match challenge. In some cases, grantees appear to only report new funds raised up to, but not beyond, the challenge amount. In other cases, they may report funds that were raised without the explicit use of promotional materials that mention Sobrato's support. Additionally, grantee interviews revealed that most organizations do not closely track or distinguish funds raised from lapsed versus first-time donors. If the Foundation is interested in more

accurately quantifying the impact of the match challenge, it will need to conduct additional research and/or put more accurate tracking mechanisms into place. Sobrato may also choose to more closely examine the frequency and nature of grantees' challenges with maximizing the match, including a lack of fundraising experience, tools, and capacity.

- 4. Reflect on the experiences of fast-growth organizations that have reached the maximum amount for GOS grants.** While these organizations appreciate the Foundation's contribution of unrestricted funding, Sobrato's GOS grants have become an ever-shrinking portion of their overall revenue as they have grown. The Foundation should reflect on the extent to which it feels the need to increase giving to meet the growing needs of these larger organizations, if at all. Depending on where it stands on this question, Sobrato staff and board may wish to consider (1) the possibility of raising the cap for these organizations under certain circumstances, (2) whether nonprofits that exceed a certain amount of private contributed income should be ineligible for GOS funding in order to free up resources for new grantees with smaller budgets, and/or (3) establishing a separate "growth fund" for organizations that are eligible for grants that exceed the cap.
- 5. Consider updating GOS data management procedures to ensure quality, consistency, and efficiency for data analysis.** The Foundation has collected GOS grant data for over a decade and updated from paper reports to a digital database several years ago. Moving forward, it should consider developing more consistent protocols to improve quality and efficiency for data analysis. Protocols could include: 1) establishing an internal quality assurance process, 2) following up with grantees to clarify responses when unclear or inconsistent to the question asked, and 3) building in "close-out" conversations with grantees to tie up any loose ends in terms of reporting. Staff may also consider aggregating outcomes reports into a single database—as they do for other data sets—to be able to: 1) link to other data available for organizations, and 2) quickly access outcomes data for analysis. There are also several hard copy reports that could be scanned and transferred to complete the current digital database. If transferring outcomes reports into a larger database is not feasible, implementing standard naming conventions would allow staff to pull data more easily and quickly. Strengthening the quality and consistency of data will also help streamline future efforts to conduct additional analyses and make additional data and/or findings publicly available.
- 6. Advocate for local giving and unrestricted support.** Philanthropies like the Sobrato Family Foundation are uniquely positioned to influence peer funders and other key influencers. For example, a 2016 study on how grantees perceive one Silicon Valley foundation's communications uncovered "widespread support for the Foundation to use its voice and profile more publicly and directly."⁵² Similarly, we found that grantees, local stakeholders, and funders all recognize Sobrato as a leader in Silicon Valley's philanthropic landscape and nonprofit sector. Stakeholders observed that fewer funders and local donors seem to be offering unrestricted grants, instead putting their dollars toward efforts that are "disruptive" or "innovative" and show direct, measurable impact. Local stakeholders and funders also suggested that the Foundation use its voice in philanthropic circles to advocate for funding safety net services and felt that, as a place-based funder and high profile family, Sobrato should continue to make the case for local funding and unrestricted support to other donors and influencers in Silicon Valley, including philanthropic

Grantees' Advice to Funders

Grantees shared the following recommendations for funders that want to support Silicon Valley's nonprofits:

- Provide opportunities for nonprofits to engage in training, technical assistance, and network building.
- Get to know the organizations, recognize the expertise they bring, and approach the funder-grantee relationship as a true partnership.
- Get to know and understand the communities that local nonprofits serve.
- Give multi-year unrestricted funding to promote stability and flexibility.
- Establish a clear mission and be open to different ways of measuring and documenting impact.
- Support organizations that address communities' most critical needs.

institutions, local corporations (including tech companies), and high net worth individuals. Many of Sobrato's GOS grantees are eager for the Foundation to share what it is learning with local funders—including corporations and high net worth individuals—to inform them about the value and benefits of local and unrestricted funding and encourage them to support organizations in similar ways. 🏠

Appendix A: Key Terms

GOS has been discussed across the field for decades. While the essence of GOS is that funds are used—as its name implies—to support general operations, different stakeholders apply different terms when engaging in discourse about this type of support. The following table defines some of the most commonly-used terms.

Key Term	Definition
Indirect costs / Overhead	All costs that do not go directly to programming. These include rent, utilities, administrative and development staff, training and technical assistance, succession planning, etc. Some articles use the term overhead instead of indirect costs.
Operating expenses	The sum of programmatic and indirect/overhead expenses.
Full costs	The most inclusive term describing organizational expenses, full costs refer to the sum of day-to-day operating expenses, working capital, reserves, fixed asset additions, debt principal repayment, etc. This term gained traction following the Full Cost Project, a joint initiative of three regional California grantmaker associations and the Nonprofit Finance Fund launched in 2015 (formerly named the “Real Cost Project”).
General Operating Support (GOS) / Unrestricted support / Core Operating Support	Financial contributions to an organization that can be used for any purpose it chooses, though commonly used to support stability and enhance or sustain non-programmatic needs. Some articles define general operating, core, or unrestricted support as inclusive of non-monetary contributions as well. (See Impact in the Community section for information on how funders differ in terms of directing grant use.)
Sobrato Family Foundation’s GOS	Unrestricted, two-year grants for Silicon Valley nonprofits serving those most in need.

Appendix B: Additional Data Tables

Note: For all tables below, percentages may not add to 100 percent due to rounding.

Exhibit B1. Organization Age at Time of Grant Decision (Categorized), by Year

	2004 (n=20)	2005 (n=71)	2006 (n=27)	2007 (n=82)	2008 (n=47)	2009 (n=54)	2010 (n=45)	2011 (n=47)	2012 (n=42)	2013 (n=51)	2014 (n=42)	2015 (n=40)	2016 (n=46)	Overall (n=614)
Less than 5 years	15%	25%	0%	20%	6%	17%	11%	11%	2%	14%	0%	5%	4%	12%
5-20 years	25%	46%	37%	49%	28%	52%	18%	57%	19%	63%	26%	63%	22%	41%
20+ years	60%	28%	63%	32%	66%	31%	71%	32%	79%	24%	74%	33%	74%	47%

Source: Sobrato applications and staff review database

Exhibit B2. Number of Full-Time Employees (Categorized), by Year

	2004 (n=21)	2005 (n=30)	2006 (n=27)	2007 (n=83)	2008 (n=47)	2009 (n=54)	2010 (n=45)	2011 (n=47)	2012 (n=42)	2013 (n=51)	2014 (n=42)	2015 (n=40)	2016 (n=46)	Overall (n=616)
Less than 25	57%	60%	44%	64%	55%	61%	56%	60%	48%	61%	48%	60%	41%	59%
25 to 49	10%	17%	7%	18%	15%	22%	11%	15%	14%	16%	14%	15%	15%	14%
50 to 99	5%	13%	33%	11%	9%	7%	16%	13%	17%	10%	14%	10%	17%	12%
100 to 199	14%	7%	15%	6%	19%	6%	13%	11%	14%	8%	17%	15%	15%	11%
200+	14%	3%		1%	2%	4%	4%	2%	7%	6%	7%		11%	4%

Source: Sobrato applications and staff review database

Exhibit B3. Total Annual Revenue (Categorized), by Year

	2005 (n=28)	2006 (n=45)	2007 (n=53)	2008 (n=47)	2009 (n=47)	2010 (n=44)	2011 (n=41)	2012 (n=46)	2013 (n=39)	2014 (n=40)	Overall (n=430)
Less than \$1 million	25%	27%	25%	21%	17%	23%	17%	15%	10%	5%	19%
\$1 million to \$4,999,999	43%	49%	40%	60%	36%	52%	46%	50%	41%	65%	48%
\$5 million or more	32%	24%	36%	19%	47%	25%	37%	35%	49%	30%	33%

Source: Sobrato 990 and fiscal data

Exhibit B3. Amount and Percentage of Grant Dollars by Headquarters Location, Overall, and by Year (n=616 grants)

City	Total Dollars, 2004-2016	Percentage of Total Dollars, 2004-2016	2004 \$990k	2005 \$3.3M	2006 \$1.4M	2007 \$6M	2008 \$4.5M	2009 \$4.5M	2010 \$4.1M	2011 \$4.4M	2012 \$5M	2013 \$5.9M	2014 \$5.1M	2015 \$4.6M	2016 \$5.3M
San Jose	19,379,180	35%	47%	42%	45%	32%	42%	37%	42%	27%	44%	22%	37%	25%	37%
Menlo Park	5,053,250	9%		12%		10%		14%		20%		23%		25%	
Palo Alto	4,607,500	8%	7%	4%	12%	4%	11%	8%	10%	12%	8%	9%	8%	9%	8%
San Mateo	4,309,300	8%		3%	17%	3%	9%	3%	14%	2%	15%	3%	14%	5%	13%
East Palo Alto	3,510,775	6%		7%		7%	2%	4%	7%	10%	9%	7%	8%	2%	9%
Redwood City	2,940,150	5%	8%	5%	4%	5%	4%	7%	6%	6%	4%	5%	7%	5%	5%
Milpitas	2,852,225	5%	12%	4%	1%	11%	6%	6%	3%	4%	2%	3%	3%	10%	3%
San Francisco	2,130,500	4%		7%		7%		7%		6%		11%		5%	
Sunnyvale	2,093,950	4%		4%	4%	6%	8%		5%		6%		7%		7%
Santa Clara	1,909,750	3%	12%	1%	4%	4%	6%	2%	1%	5%	1%	5%	1%	7%	1%
Oakland	1,423,150	3%		3%	1%	3%		5%		3%		8%	2%	1%	3%
Mountain View	1,369,750	2%		3%	4%	1%	3%	1%	3%	2%	4%	1%	5%	1%	4%
Fremont	1,320,000	2%	3%	2%		3%	3%	3%	3%	2%	2%	2%	2%	3%	2%
San Carlos	469,450	1%					2%	1%	2%	1%	2%		2%		2%
Gilroy	302,150	1%	3%		1%		1%		1%		1%		1%		1%
Pescadero	299,300	1%									1%		1%		3%
Cupertino	257,550	< 1%			2%		1%		1%		1%		1%		1%
Campbell	224,250	< 1%	5%									1%		2%	
Union City	174,250	< 1%				1%	1%		1%						1%
Morgan Hill	153,800	< 1%		1%	4%	1%		1%							
Los Altos	76,250	< 1%			1%		1%								
Berkeley	69,700	< 1%												2%	
Hayward	61,500	< 1%						1%		1%					
El Granada	59,450	< 1%													1%
San Leandro	51,250	< 1%				1%									
Saratoga	50,000	< 1%		2%											
Santa Cruz	20,000	< 1%	2%												
South San Francisco	10,000	< 1%													
Total	\$55,178,380														

Source: Sobrato 990 and fiscal data

Appendix C: Methods & Sources

This study used a mixed methods approach, drawing on several qualitative and quantitative data sources as described below.

Literature scan

The research team conducted a brief literature scan that synthesizes current ideas and practices related to the local context in Silicon Valley; general operating support; and other approaches to building nonprofit capacity and organizational capacity, including assessment tools. This scan was conducted in early 2017, and we shared high-level findings with program staff during the April launch meeting. Findings informed subsequent data collection activities, as well as our approach to analysis and reporting. (See literature scan document for complete list of sources.)

Internal grant data and document review

As a first step, we conducted a broad inventory of the Foundation's internal grant data and documents from the following internal data sources:

- Grant applications and staff review database (616 grants across 187 organizations for grant decisions made June 2004 through December 2016)
- Fiscal data (1,790 entries across 194 organizations, for fiscal years 2001 through 2015)
- Outcomes reports (357 individual reports spanning 16 grant cycles, from 2007 through 2015)

The inventory helped us understand important dimensions of grantee information, grant goals, and outcomes, including the availability of indicators across organizations and over time. Next, we conducted a focused, in-depth review of selected indicators to deepen our understanding of grantees' organizational characteristics and grant outcomes.

For the outcomes reports, we built a database of 175 randomly-selected reports from across all grant cycles. We drew on the Year 1 donor reports to analyze data about the match challenge and the Year 2 outcomes reports as a source of information for grant use. We analyzed responses to the following open-ended questions:

- Per your Grant Agreement, for what specific PEOPLE (specific employee salary support, professional development, succession planning, etc.) or PLACE (rent/utilities, building rehabilitation, etc.) expense did your agency direct or allocate the Foundation's grant funding? (Insert a verb followed by the specifics of what general operating expense was covered - i.e., hired a new PR Manager OR subsidized our office space rent.)
- How did the Foundation's grant help further your agency's mission and/or tie into the accomplishments of your agency during the grant period? How may it impact your agency's future?

We also gathered additional information from the Foundation through documents and conversations with staff to help us understand Sobrato's grantmaking practices and communications with grantees.

Grantee interviews

We conducted interviews with 40 people across 17 grantee organizations. We worked with Foundation staff to identify organizations with diverse characteristics, focusing on sector, geographic location, length of engagement with the Foundation, and a mix of stable and fast-growth agencies. During these interviews, we solicited information about the local funding landscape, experiences with the Sobrato Family Foundation, perspectives on GOS and organizational capacity, and suggestions for how to make these supports stronger and more effective. Interview participants are as follows:

Boys and Girls Club of the Peninsula

Peter Fortenbaugh, Executive Director
Sean Mendy, Vice President of Development

Catholic Charities of Santa Clara County

Gregory Kepferle, Chief Executive Officer
Susan Lucas Taylor, Chief Development Officer
Khanh Russo, Board President

Community Legal Services of East Palo Alto

Phil Hwang, Executive Director
Rebecca Pinger, Development Director

Community Overcoming Relationship Abuse (CORA)

Cori Manthorne, Director of Programs
Lynn Engel, Director of Development and Communications
Joy Dickinson, Development Consultant

Foundation for a College Education

B. Michael McFarland, Director of Development

Fresh Lifelines for Youth, Inc. (FLY)

Christa Gannon, Founder and Chief Executive Officer
Lisa Breen Strickland, Chief Development Officer
Katie Sandoval Clark, Director of Grants Management

Friends for Youth

Karen Wilmer, Chief Executive Officer
Becky Cooper, Emeritus Chief Executive Officer

JobTrain, Inc.

Steven Schmidbauer, Chief Operating Officer
Susan Boiko, Director of Development and Marketing
Lois Marshall-Ward, Senior Development Officer

Law Foundation of Silicon Valley

Alison Brunner, Chief Executive Officer
Kate Levin, Director of Development

Opportunity Fund

Eric Weaver, Founder
Gwyneth Galbraith, Chief Development Officer

Puente De La Costa Sur

Rita Mancera, Executive Director
Lina Mira, Program Director

Sacred Heart Community Service

Poncho Guevara, Executive Director
Lydia Guel, Director of Community Development

Second Harvest Food Bank of Santa Clara and San Mateo Counties

Kathryn Jackson, former Chief Executive Officer
Cat Cvengros, Vice President of Development and Marketing
Tarryl Jackson, Grants Coordinator
Marc Baker, Grant Writer

Silicon Valley Children's Fund

Elise Cutini, Chief Executive Officer
Priya Mistry, Director of Community Initiatives
Marie-Christine Busque, Director of High School Pathways

Somos Mayfair, Inc.

Camille Llanes-Fontanilla, Executive Director
Kathy Ericksen, Director of Finance
Jessica Paz-Cedillos, Director of Fund Development

South County Community Health Center (Ravenswood)

Luisa Buada, Chief Executive Officer
Jessica Chiu, Development, Planning and Evaluation Director

St. Joseph's Family Center

David Cox, Executive Director

Funder and local stakeholder interviews

We also conducted interviews with funders and local stakeholders to gather information about what they think about assessing the need for GOS/unrestricted support, putting it to use, and measuring its effectiveness; as well as their ideas about how to strengthen local nonprofits' organizational capacity. Interview participants were:

Applied Materials Foundation

Siobhan Kenney, Executive Director
Julie Lata, Program Manager, Global Community Affairs

David and Lucile Packard Foundation

Irene Wong, Director of Local Grantmaking
Miguel Salinas, Program Officer, Local Grantmaking

Northern California Grantmakers

Ellen La Pointe, President and Chief Executive Officer

Peery Foundation

Jessamyn Shams-Lau, Executive Director

Silicon Valley Council of Nonprofits

Patricia Gardner, Chief Executive Officer

Stanford Center on Philanthropy and Civil Society

Woody Powell, Faculty Co-Director

Sunlight Giving

Carolyn Sakata, Managing Director

Cheryl Chang, Program Officer

Weingart Foundation

Joyce Ybarra, Director of Learning

William and Flora Hewlett Foundation

Fay Twersky, Director, Effective Philanthropy Group

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