Reexamining Capacity Building

Learnings from the Kenneth Rainin Foundation's Impact Grant Program

TDC

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Introduction

The Kenneth Rainin Foundation engaged TDC, a nonprofit management consulting and research firm, beginning in 2018 to facilitate a sequential evaluation of the now-complete five-year Impact Grant Program. The Impact Grant Program ("the Program") began in 2012 and was launched to provide multi-year capacity-building support to small and mid-sized (<$2M annual operating budget) dance, theater and multidisciplinary arts organizations with the goals of:

- Creating optimal conditions for art to be made;
- Strengthening individual theater, dance and multidisciplinary organizations; and
- Strengthening the performing arts ecosystem in the Bay Area.

The Program was based on the assumption that if smaller arts nonprofits improve their organizational performance, they will more effectively achieve their missions.

Capacity building is a nuanced field, and there are a multitude of ways to approach it. At the same time, the Impact Grant Program followed a structure that many funders in the nonprofit field have adopted. This structure included: (1) three years of full funding followed by two years of tapered funding, (2) a grantee-articulated theory of change and (3) a funding level determined by annual operating budget size. While this typical approach to capacity building has benefits, as shown by the Program and many initiatives before it, a deeper look highlights challenges grantees faced, dampening potential organizational outcomes.

Organizations experienced different gradations of success during the Program and were well supported by the Kenneth Rainin Foundation. When we define success as whether grantees achieved their original goals set in their theories of change, only a quarter of the organizations were successful. The organizations who did not achieve their original goals (16/21 organizations or ~76%):

- Did not have the *necessary conditions* (see Figure 1) in place to achieve their desired goals, and/or
- Set too many goals or established goals that were too ambitious, given their scale.

This finding raises the question: How can funders best support grantees in setting and achieving their capacity-building goals?

The Kenneth Rainin Foundation successfully created open, transparent and trusting relationships with their grantees before and during the Program. Organizations were thus trusted to define goals and pivot as needed, creating a genuine sense of gratitude and closeness that has benefited the sector overall. At the same time, despite the Foundation not holding growth as a goal for the Program, the grantee-articulated goals tended to focus on growing development, marketing and earned revenue instead of stabilizing the existing program and administration. These tended to be the goals that were unachievable. It is not surprising that growth was such a focus, given the tremendous pressure on nonprofits from the ecosystem to use growth as the most significant success metric. Further, these goals were frequently based on ***misconceptions about organizational growth*** (see Figure 1) that are rampant in the nonprofit sector, especially among small organizations.

The organizations who struggled to achieve their goals for any of the above reasons ended up shifting and downsizing their goals and/or backtracking to create the conditions to achieve them. Of the 16 organizations that could not achieve the goals they initially set, nine succeeded in achieving new goals and seven continued to struggle, ultimately ending the Program in worse financial and/or organizational health. While learning from failures and pivoting is not a bad thing, it was frustrating for grantees who noted, "We didn't know what we didn't know [when we set the goals]."

On the other hand, the organizations that were successful against their original goals (five organizations) had goals of the right scale given their organizational size and had the necessary conditions related to the goals they set. In other words, they were organizationally ready to pursue their goals.

Because of both how grantee successes were achieved and how grantees experienced challenges over the course of the Program, TDC hypothesizes the following about structuring capacity-building programs for small and mid-sized arts organizations: **Capacity building will best serve organizations if it includes a funded, in-depth diagnostic and goal-setting period followed by tailored funding extending beyond five years.**

The diagnostic and goal-setting period is critical to ensure that (1) the organization contends with whether the goals should be about stabilization or growth, (2) the organization sets achievable goals based on a data-verified understanding of its organizational current state and (3) the organization and funder confront misconceptions about organizational growth that could be unintentionally baked into a goal. Indicating that this could be helpful, we saw two successful organizations during the Program that had undergone planning or data collection efforts before the Program's onset. These organizations could use data and a shared understanding of their current states to set achievable goals grounded in the context of their organizational skills and capacity.

Additionally, a longer funding timeline is important because:

1. It takes significant time for small organizations to stabilize and/or grow. Because the organizations are small, one small challenge can elongate timelines substantially. For example, if a new hire leaves after a short period of time because it is not a fit for whatever reason, this could delay things significantly.
2. If an organization's goal includes experimentation, it takes a long time to do that work and learn from it, especially in small organizations with limited staff and board capacity.
3. If an organization's goal is to sustain current program levels or backfill capacity to decrease sweat equity (unpaid labor that supports the organization), ongoing funding is required and unlikely to be replaced by other funders.

In conclusion, given the Program's outcomes, TDC posits that capacity building should vary depending on the needs of each organization based on a funded year of data gathering and goal setting. Based on the findings, the funding could be ongoing or temporary, general operating or project-based support, or primarily about sustaining current operations or backfilling to decrease sweat equity. The key is to meet organizations where they are, tailoring the support and creating trusting, open relationships with clearly defined and shared objectives.

Figure 1: Key Findings

Necessary conditions for capacity building (more detail pg. 9)

- Clarity of mission and direction shared by staff and board leadership.
- An indication of the potential for an individual donor base from which a donor pipeline could be created.
- A clear definition of new and existing staff positions, including desired performance outcomes, required skills, level of authority and appropriate pay.
- Financial and development systems that are easy to use and support new efforts.
- An understanding of earned revenue potential and ceiling given the organization's market, mission and capacity.
- Succession planning for key leadership positions (especially relevant for founder-led organizations).
- A board with willingness and skills to assist as needed in capacity building or a clear theory of how to grow the skills of the board.
- An understanding of organizational risks and potential mitigation strategies, specifically related to the balance sheet, facilities and staffing.
- An understanding of how programmatic economic accessibility and grassroots fundraising align with revenue strategies and net income results.

Figure 2: Key Findings

Misconceptions about organizational growth (more detail pg. 13*)*

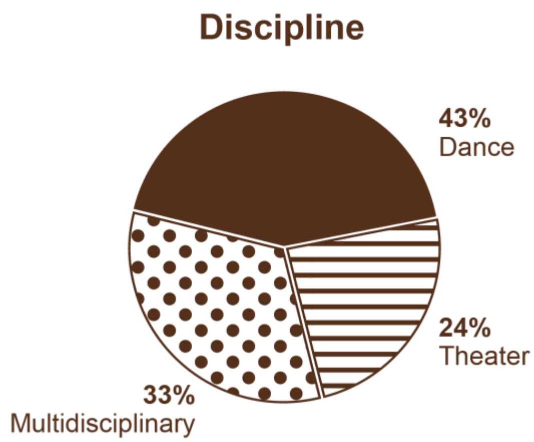
- Increased contributed revenue, especially from foundations, will lead to increased operating stability.
- Undertaking a first-time capital campaign will build ongoing fundraising support for operations.
- Traditional donor cultivation efforts fit all organizations.
- Board growth can happen quickly.
- Growing the board increases individual giving.
- Redefining the founder or artistic leader role will increase administrative capacity.
- Executive transitions will be successful.
- Hiring early-career or mid-career employees in development or marketing can reshape these efforts/departments.

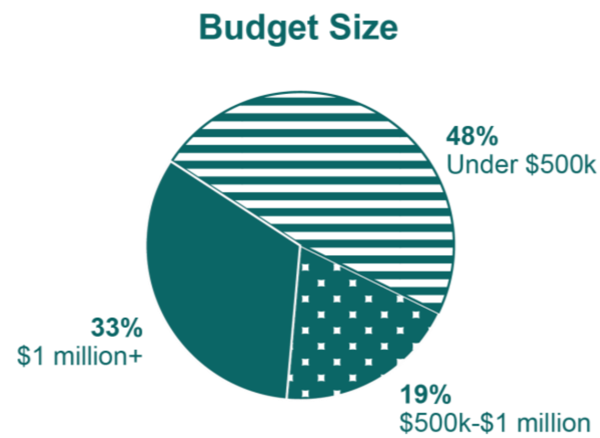
Program Details

Grantee Characteristics

A total of 21 organizations participated in the Impact Grant Program. For the purposes of this report, the organizations will remain confidential.

The 21 grantee organizations had the following characteristics:





Other important characteristics include:

- 67% (14) of the organizations were led by a founder(s) at one point during the Program.
- 33% (7) of the organizations have an explicit mission focus on either an identity group (identity groups named fall under the categories of race, sexuality, gender identity and ability) or a specific neighborhood smaller than a town or city.

Impact Of COVID-19 Pandemic And Racial Justice Uprisings

In March 2020, over three-quarters of the way through the Program (the third cohort had just completed their five-year funding cycle), COVID-19 hit the United States. While the pandemic was profoundly disruptive, TDC found that it did not change the evaluation findings as outlined above. Instead, the pandemic deepened some systemic issues and challenges organizations faced concerning capacity building, such as foundation dependence, strained staff and board capacity and earned revenue ceilings.

Alongside the pandemic, grantees experienced the racial justice uprisings of 2020, which led to deep discussions about racial justice and equity in the arts and culture sector. TDC observed that many of the organizations in the Program, due to their small and community-based nature, were already engaged in these conversations and work before this reckoning. At the same time, TDC observed that the last two cohorts in the Program made changes quicker than they may have before 2020 because of the urgency of the conversation and the benefit of more free time during the shutdown. These changes included shifts in ticket pricing, changes to community development efforts and structural changes to center the artistic and community voice.

Methodology

To conduct the evaluations, TDC reviewed grantee documents, including grant applications, logic models and capacity-building proposals; interim and final grant reports; audits and internal financials; and Cultural Data Project reports. TDC then interviewed each grantee's staff and board leadership as schedules allowed.

The following research questions guided the evaluations:

1. Were the organizations able to achieve their capacity-building goals? Why or why not?
2. Were the right conditions in place for the organizations to build their desired capacities before joining the Program?
3. Was the scale of the desired capacity building right?
4. How did organizations shift and adapt their goals over time?

Impact Grant Program Outcomes

Grantee organizations set one to four capacity-building goals at the beginning of the Program. Examples of goals included:

- Increase visibility both locally and nationally
- Improve staff capacity and professionalize staff salaries, roles and responsibilities
- Increase contributed income and diversify income stream
- Generate more earned income

Many grantees set goals that responded directly to small organizations' systemic challenges. Specifically, there is interplay between grantee goals and the following systemic headwinds:

- Pervasive sweat equity or reliance on unpaid and/or underpaid labor
- Capacity concerns, including one staff member doing multiple jobs
- Frequent staff turnover driven by an inability to provide a living wage (especially prevalent in big cities with a high cost of living)
- Minimal funding for marketing and a struggle to increase visibility
- Difficulty scaling the administrative function of the organization given the project-based, variable nature and scale of programs inherent to small organizations
- Trouble recruiting board members who can provide financial support, lead development efforts and have a strong connection to the organization's mission

Overall, most grantee goals (approximately 70%) were related to growth in some way and primarily focused on growing development, marketing and earned revenue.

Organizations experienced different gradations of success over the course of the Program. When we define success as whether grantees achieved the original goals set in their theories of change, the outcome is as follows:

- Five (24%) were successful in achieving their capacity-building goals;
- Nine (43%) were not successful in achieving their capacity-building goals, but in recognizing the failure, pivoted to achieve other forms of success; and
- Seven (33%) were unsuccessful in achieving their capacity-building goals and are in worse financial and/or operational health than at the Program's start.

What Drove The Outcomes?

The organizations that successfully achieved their goals set goals grounded in the organization's current state and were ready to pursue them. Some of these successful organizations undertook strategic planning efforts before the program. While a full strategic plan is unnecessary, the shared, data-based understanding of an organization's current state was very helpful in setting goals. As one organization noted, "Our application to Rainin coincided with the strategic plan, which benefited us immensely."

In other words, organizations who were successful had the following:

- Necessary conditions in place to achieve their desired goals (pg. 5),
- Appropriately scaled goals given the organizational current state (pg. 13) and
- A clear understanding of misconceptions about growth in the nonprofit sector such that the misconceptions did not impact organizational goals (pg. 5).

Necessary Conditions For Capacity Building

The capacity-building goals articulated by the Program's grantees generally required specific organizational conditions related to each goal to be in place prior to their pursuit. The organizations with these conditions had better outcomes, whereas those without struggled to achieve their goals. These organizations either did not fully understand the importance of the conditions, did not identify their absence or did not develop strategies to address their absence. Some organizations identified the absence of the conditions during the Program after experiencing setbacks. These organizations could pivot and/or double back to work on creating the conditions.

These experiences emphasize the importance of having a clear, accurate and shared understanding among the board and staff of the current organizational state against the following conditions for capacity building to develop achievable and impactful capacity-building goals, strategies and outcomes.

Clarity of mission and direction shared by staff and board leadership.

A shared understanding of mission and future direction among board and staff leadership was critical for grantees pursuing nearly any capacity-building goal. A shared understanding was galvanizing for organizations and drove positive outcomes. Without it, capacity-building goals represented few viewpoints and did not progress because of limited stakeholder buy-in. This was particularly challenging for some of the grantees, especially founder-led grantees, because of executive turnover. In these cases, a leader would leave the organization and the board and/or remaining staff would not have a clear sense of why they were pursuing the goals.

An indication of the potential for an individual donor base from which a donor pipeline could be created.

Grantees with a previous indication of the potential for an individual donor base from which a donor pipeline could be created were successful with their capacity-building goals related to individual contributed revenue. Individual giving is built on relationships created with potential donors by staff and board leadership over time. Thus, grantees who hired a development staff member during the Program without a cultivated base of relationships could not produce relationships within the grant timeline. This was especially true for smaller organizations that could only financially support a development professional whose function is to support existing relationships or support an administrative leader in cultivation instead of conducting the cultivation themselves.

As one organization said, “We were unable to grow individual contributed revenue like we had hoped. We don’t have any history of cultivating donors, which became a glaring weakness as we tried to raise money. We skipped steps.” Another organization noted, “Maintaining a healthy pipeline of individual donors is something we struggle with. It feels like we’re always behind, saying internally that we have to cultivate these individuals more quickly than is comfortable because we need to make an ask.”

A clear definition of new and existing staff positions, including desired performance outcomes, required skills, level of authority and appropriate pay.

Organizations in the Program undertaking nearly any capacity-building goal struggled without a clear definition of desired, new and existing staff positions and the level of expertise needed for each position. It was difficult for these organizations to hire and retain staff with the right talent and to divide responsibilities without over-relying on sweat equity. Especially important in larger cities such as San Francisco, this includes understanding the cost of living and how it will impact salaries and salary growth.

Without these clear definitions, organizations experienced frequent turnover, and it was difficult, if not impossible, for grantees to achieve their capacity-building goals. As one organization said, “The multiple staffing shifts and departures as we experimented with staff positions caused the company setbacks, as it took time to get each staff member up to speed. We needed a clearer idea of who needs to be in the office, what they need to be doing and how they can move things forward from the start.” Another organization reflected on its successes and noted, “Strong staff retention and clear definitions around what roles should shift where is what made our growth successful.”

Financial and development systems that are easy to use and support new efforts.

Many capacity-building goals, especially for small organizations, require having or developing fundraising and financial systems for clear data management and reporting. Further, the systems needed to be easy to use because of strained capacity and the high staff turnover that many small organizations experience.

Small organizations in the Program struggled with knowing which systems to develop. As one organization said, "Our prior system had been papers in a closet, so it was really hard to know what systems to invest in that would help us and be usable."

An understanding of earned revenue potential and ceiling given the organization's market, mission and capacity.

For capacity-building goals related to earned revenue, whether ticket sales or food sales, organizations were better positioned when they understood their offering's potential and ceiling given the existing market, how the offering fit in with the organization's mission and how the offering would affect staff capacity.

Earned revenue sources exist in a market: sometimes that market is saturated, and sometimes it has opportunity. Knowing the market means knowing what other organizations offer the services, what demand exists and what potential customers can pay. Understanding the demand and price potential is critical because it allows an organization to make realistic projections. Further, even if a market exists, earned revenue does not continuously grow yearly unless the organization consistently offers more, expands to new markets, or increases prices. Thus, understanding what the potential ceiling is for the offering is critical.

An example is the decision to increase the number of yearly productions fueled by artistic ambition without determining if the target market has the capacity or desire to consume more. We saw this with several organizations that desired growth in earned income combined with the deep-seated desire to expand their artistic offerings. They had not estimated the appetite of their market or spent sufficient dollars to market to that target. A good indicator of market appetite would have been consistently selling out current offerings.

Finally, growing an earned income source takes significant time and energy. This is a challenge for organizations with already limited staff capacity, especially small ones, and requires serious consideration when setting earned revenue capacity-building goals.

An understanding of how programmatic economic accessibility and grassroots fundraising align with revenue strategies and net income results.

Grantees struggled with integrating programmatic economic accessibility and grassroots fundraising with maintaining financial stability. Unquestionably, the move to a more equitable approach to ticket pricing, artist support and fundraising can be very positive and mission-centric for organizations. However, without a clear understanding of how the organization will financially support those shifts, budget gaps are created that further drive foundation dependence.

One leader noted, “We’re trying to find ways to make coming to theater more accessible. But we are also trying to pay our staff more, and that is really tricky. I think a lot about how to create programs that are an opportunity for everyone to participate where community members who cannot afford higher ticket prices do not feel like it is a handout and community members who can pay for the higher price point do. We don’t have it down yet and need more funds to support the exploration because it has not worked out financially yet.”

Succession planning for key leadership positions (especially relevant for founder-led organizations).

Organizations that did not have succession plans before undertaking capacity building and experienced turnover in leadership positions struggled to pursue their goals. Turnovers without succession planning took significant time because the organization had to triage responsibilities, determine next steps, conduct a hiring process, onboard new staff and stabilize. These organizations also struggled with the far-reaching effects of executive transitions. For example, one organization reflected, “There was a sudden change of donors with the leadership transition. We learned that they were there for the leader, not the organization. Half of the organization’s board left; it was hard for us to cope.”

A board with willingness and skills to assist as needed in capacity building or a clear theory of how to grow the board’s skills.

A board’s role differs at different stages of an organization’s life cycle. For very small or newly formed organizations, the board’s role is to provide support for such things as marketing and financial management. When undertaking capacity building, a significant time commitment, successful organizations in the Program had boards with the skills and willingness to assist in fundraising, marketing and making financial decisions. These boards served as an interim backstop to accomplishing the work. However, this dynamic implies that as an organization grows and increases its staff capacity, the board must be willing to step back from being involved in its management and take on a more traditional, strategic role.

An understanding of organizational risks and potential mitigation strategies, specifically related to the balance sheet, facilities and staffing.

Before undertaking capacity building, successful organizations understood the potential risks ahead and articulated mitigation strategies. Organizations with unforeseen risks related to the balance sheet, facilities and staffing struggled to pursue their capacity-building goals. For example, one organization did not foresee a rent increase for its facility. This shifted the organization's focus during the Program, and it was ultimately unable to achieve its capacity-building goals. Had this risk been identified during the formulation of the capacity-building goals, the organization would have articulated different goals.

Number And Ambition Of Goals

Next, successful grantees set their capacity-building goals in the context of their limited scale and staff capacity, a characteristic of small and mid-sized nonprofit arts organizations. Further, successful organizations frequently sequenced their capacity-building goals, focusing only on one at a time.

Committing to goals that were too numerous or too lofty left organizations overwhelmed with capacity building, and it frequently caused financial or operational instability by:

- Deepening burnout, sometimes leading to turnover
- Putting financial resources toward unachievable goals
- Taking time away from the cultivation of donors

As one organization noted, "We had an assumption that we had to do everything. In reflection, I think that it is possible we would have been better off really focusing on a few things with a more significant impact. It's an easy trap to fall into, especially when you're in a scarcity mindset."

Misconceptions About Organizational Growth

Most organizations that successfully achieved their goals set goals that focused on stabilizing their current states rather than growing. While the Rainin Foundation did not emphasize growth as the goal, many grantees entered the Program with the misconception that capacity building implies growth. This is understandable given the immense pressure on nonprofits from the sector as a whole to hold growth as the primary success metric. These organizations struggled because growth is not sustainable without addressing many small organizations' sweat equity and pay equity issues.

Further, grantees also had misconceptions about how organizational growth occurs. Specifically, grantees entered the Program with misconceptions about three organizational growth areas:

1. Contributed revenue
2. Board
3. Staff

Contributed Revenue Misconceptions

1. *Increased foundation giving will lead to increased operating stability.*

   Most grants received by organizations from foundations over the course of the Program were for specific projects or capital investments. Growing these dollars to support organizational growth without growing unrestricted support for operations is not sustainable. As one organization noted, "We've become very good at getting big foundation grants, which has increased our reliance on temporarily restricted funds and made growth difficult to sustain."

2. *Undertaking a first-time capital campaign will build ongoing fundraising support for operations.*

   This strategy is only possible if the campaign is based on individual giving rather than foundation support and if the campaign emphasizes the importance of individual giving on an ongoing basis. One organization noted, "There was a foundation-heavy quality to the growth we experienced during our capital campaign. And we didn't have a great solution for replacing project foundation grants. The individual giving just didn't grow in the way we thought it would during our campaign. It feels like we're moving from foundation grant to foundation grant."

3. *Traditional donor cultivation efforts fit all organizations.*

   Many organizations, especially organizations with a mission emphasis on an identity group or a specific geography, spoke with us about how they live and breathe social justice and community organizing. This creates an inherent tension between fundraising and mission. Organizations spoke with us about not wanting to spend time going after large individual donors for fear of what message it would send to the organization's base of small, local donors. This phenomenon leads us to ask how small social justice organizations should find donors truly aligned with their missions. These findings imply that social justice organizations cannot go fishing for any large donor; donors must be deeply mission-aligned, which may call for new types of donor cultivation. One organization noted, “There are real social justice implications of pursuing individual giving. We never want to send a message to our $2 donors that we don’t honor or love them. We are still working to figure out what this means.”

Board Misconceptions

4. *Board growth can happen quickly.*

   Some organizations in the cohort had capacity-building goals that included doubling or sometimes tripling the size of their boards. While some succeeded, it resulted in board members who were not as close to the organization’s mission or as willing to participate in its work as the leadership had hoped. Further, the time it took to recruit and onboard board members was significant, and some of these organizations had new board members leave quickly.

   Board recruitment takes time, and for quality board members to be onboarded, significant time needs to be invested to ensure they understand the organization and their roles/responsibilities.

5. *Growing the board increases individual giving.*

   Board growth can have many goals, including giving. However, board growth does not always result in increased individual giving. For increased giving to occur, board members’ responsibilities must be clearly defined and include financial support. Identifying new board members must also include assessing a candidate’s ability to provide financial support. Lastly, potential board members must be deeply connected to an organization’s mission to make it a philanthropic priority and encourage others to give. As one organization that successfully met its board goals noted, “The investment in board development has been incredibly impactful. We have created term limits, board expectations and systems of communications, and a clear process for selecting new board directors… [Now,] it is a board that more accurately reflects the work we present on our stage and a board that has the professional skills to help us move forward.”

Staff Misconceptions

6. *Shifting the founder or artistic leader role will increase administrative capacity.*

   Organizations in the Program who were looking to grow administrative capacity frequently had the assumption that there were only two ways to do so:

   a. Make the founder or artistic leader role more administrative and hire additional administrative support
   b. Split the artistic and executive tasks into two positions

   While these are options, there are additional paths depending on each organization's unique situation. The assumption that these were the only options led to some participants in the Program deciding by default to make the founder or artistic leader role more administrative because the organization did not have the funds to support two full-time leadership positions. However, founders/ artistic leaders struggled with this shift. One leader noted, "But with founder-driven organizations, we are artists. None of us wanted to be an administrator. We didn't go to school for this...I didn't realize until it was too late that I didn't like this new role."

7. *Executive transitions will be successful.*

   Many organizations in the Program experienced executive transitions, some of which were unsuccessful. These organizations struggled to determine what was next after difficult executive transitions and did not have contingency plans. On the other hand, organizations that successfully navigated executive transitions tended to work closely with successors before finalizing the transition. Some even employed a business model solution for how to pay for the position both throughout the transition and in the long run. These experiences suggest that when funding small organizations that are going through founder leadership transitions, there should be a multi-step process that dives into organizational values and culture, is explicit to all parties and honestly examines the compensation required to achieve the new structure and proposes a way to fund it. It is also critical for organizations to understand that executive transitions take time and ongoing investment, acknowledge the risk inherent in any executive transition and discuss mitigation strategies, especially when the past leader had a long tenure.

Conclusion

Although many grantees (76%) could not accomplish the goals they set at the onset of the Program, the Rainin Foundation and the Program's grantees all achieved gradients of success. For example, one organization successfully conducted a capital campaign, but this campaign also skewed its operations and ultimately created financial challenges due to a dip in annual non-capital campaign funding. Another organization successfully achieved many of its strategies, but TDC had reservations about whether its strategy to hire a third co-director was a financially viable choice. Ultimately, where ambitious goals were set without the conditions for success, progress was delayed, outcomes were diminished and grantees grew frustrated.

It is important to understand that the conditions for success are sometimes achievable by individual organizations but that many challenges or barriers Program participants face are systemic. The following systemic issues most affect the ability to grow:

- Sweat Equity is demanded by business models that don't work and are tacitly supported by the sector, whether it be the board, donors, funders or staff. This is reinforced by historical attitudes that artists' lives are sacrificial.
- Major donor support is not always present in a community or is at odds with social justice values. For whom this is true, replacing capacity-building money or significant general operating funds from foundations at a program's end is very difficult.
- Small organizations often cannot scale functions such as marketing or development. Each function requires technical expertise that requires salary and budgets beyond their means. An effective marketing spend will rarely justify the potential sales. An effective major gifts development leader can't raise enough for an organization without a substantial community pipeline to justify their salary (which often needs to be more than the directors').

Another important theme that arose in this evaluation is that **small organizations rooted in identity (race, gender, ethnicity) were constrained by almost all the systemic issues**. While the sample size (seven organizations) was too small to make sweeping conclusions, it did cause us to reflect on how the sector will support the growth of these organizations that are not equitably represented in the more well-established and resourced arts and cultural world.

So, using our understanding of conditions for success and acknowledging several barriers to growth raises the question: **How could things have been different at the program's onset to increase success and effectiveness?**

Given the outcomes of the Program and TDC's experience in the nonprofit field, TDC would suggest the following:

- Before undertaking capacity building, **organizations should undergo a current state analysis**. Given the organization's hypothesis around goals, this current state analysis could range from general to specific. For example, if the organization is interested in development, the current state could focus on the strength of the existing donor pipeline. This process allows all stakeholders to understand where the organization currently stands and facilitates a conversation about where the organization could realistically go over five to ten years. In its ideal form, the current state analysis would be based on a funded year of data gathering and goal setting.

- Even with a current state analysis, change in small arts organizations takes time. These organizations have limited capacity and resources. Experimentation, learning and shifting take significant tangible and intangible resources. Further, if one small challenge arises (for example, a new hire leaving after a short period), it can set small organizations back. Given this, **small organizations' capacity-building programs should extend beyond five years**. TDC would posit that these programs should be eight to ten years to allow sufficient time to build the capacity. Saying eight to ten years here is not meant to anchor the field on this timeline but instead to illustrate that we posit it should be longer than the traditional five-year approach. Funders should refer to the current state conducted at the program's onset to determine how long a capacity-building effort should last. At the same time, funders of these programs should have a realistic view of what happens when their money is gone and have transparent conversations with grantees about the potential for longer-term support.

- The purpose of **capacity building should continue reframed as it was in the Program, not implicitly to necessitate growth**. The organizations that took time to stabilize before looking to grow were more successful, and Kenneth Rainin Foundation's support of that focus was invaluable to reframing the conversation about what capacity building can be. Emphasizing the importance of stabilization before growth through data can be accomplished through messaging and a current state process as outlined above.

TDC would like to reflect on the purpose of capacity-building programs as they relate to small organizations. Some small arts organizations, especially project-based and founder-run ones, do not need to grow. They do impactful community work and programming on the scale at which they currently exist. If foundations want to support these organizations, ongoing unrestricted general operating support may be more effective than capacity-building programs. Operating support could result in these organizations feeling less pressure to grow and formalize administration, even if these pressures are applied from the sector. Instead, under a general operating support model, organizations can use the funds to pay existing salaries and fund existing programs. Even with the current state period, capacity building may not always be the most effective way to support these small organizations.

Our final reflection is that capacity-building programs working with organizations focusing on identity should carefully consider if they want to catalyze significant growth and scale to get more equitable distribution in the larger sector. This type of program would offer more significant dollars over a longer time.

In conclusion, the Kenneth Rainin Foundation's Impact Grant Program had many successes. It unquestionably helped organizations navigate murky waters and allowed for organizational experimentation. However, successes could have been amplified if grantees had gained a deeper understanding of the organization's current state and a realistic understanding of what was possible at the program's onset. This would have facilitated the creation of more realistic, grounded goals that set organizations up for additional success. We hope these findings help inform funders designing capacity-building programs and nonprofit leaders applying to capacity-building programs.