



CAPITALIZATION AND SUSTAINABILITY GRANT

Fiscal Year 2023–2024

Pre-application and Capitalization Information Session

(REQUIRED for all applicants):

Thursday, September 14, 2023

1:00 PM – 2:30 PM

Application Deadline: Friday, October 13, 2023, by 4:59 pm

CONTACT INFORMATION

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Grant Overview and Goals

The City of San José recognizes that a strong and healthy arts community is an essential aspect of a community's vitality. Operating Grants subsidize the routine operations of nonprofit arts organizations, but many organizations struggle to locate flexible funds needed for projects that impact long-term viability and lead to stronger financial health.

This grant is targeted at arts organizations receiving operating grant support in recognition of the City's significant financial investment in organizations that offer year-round programs to broad audiences and employ professional artists, technicians, and administrators.

The goal of the Capitalization and Sustainability (CAPSUS) Grant is to support the resiliency of San José nonprofit arts organizations through significant projects that will improve an organization's capitalization and long-term sustainability.

According to the Nonprofit Finance Fund:

A well-capitalized organization has the appropriate financial resources to deliver on its mission and the ability to adapt to changes in its external environment. As defined by the Nonprofit Finance Fund (NFF), capitalization refers to the accumulation and application of financial resources to support the achievement of an organization's mission over time. The most common ways to generate capital are operating surpluses achieved through strategies that result in increased revenues or decreased expenses or campaigns for capital and targeted revenue generation.

Behind every successful organizational strategy, there should be a sound approach to obtaining and stewarding the financial resources required to support the execution of the organization's mission over time. When drafting a financial plan, an organization should not conflate revenue (ongoing) with capital (periodic). A capitalization plan should address an organization's financial health and goals in the following three areas:

1. Liquidity: having adequate cash to meet ongoing operating needs
2. Adaptability: access to flexible funds to adjust to evolving circumstances
3. Durability: assets to address a range of future needs

Most arts organizations don't own property or have ambitious growth plans. For them, a capitalization plan that focuses on liquidity and adaptability may be sufficient. This plan would articulate the amount of cash required to manage the cyclicity of receipts and disbursements and to recover (or adapt to) the occasional misstep or loss of funding. With sound financial planning and management, these funds are most readily secured through cash-generating surpluses—and set-aside reserves. Capitalization plans for such organizations might include an approach and timeline for raising or saving cash to invest in infrastructure or other new capacities, such as technology upgrades; replacement of equipment, sets, and costumes; upfront investments in new staff; and artistic experimentation.

Growing or complex organizations, which often have endowments and substantial fixed assets (i.e., facilities), should be clear in their capitalization plans about the resource requirements of long-term durability. This means building up cash (for liquidity and adaptability) alongside other fixed or

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permanently restricted assets and sometimes making choices to defer long-term investments is liquidity is not sufficient to support them.¹

For background information, below are seven distinct types of capital as defined by the NFF:

- 1. Working Capital** – for routine business operations including meeting predictable lows in its operating cycle, covering costs until revenue comes in.
- 2. Operating Reserve** – “rainy day” fund to protect against unexpected downturns or extraordinary expenses.
- 3. Risk & Opportunity Capital** –to support innovation, business model corrections, or revenue-generating activity.
- 4. Change Capital** – to support growth, downsizing and to change the size and scope of the organization.
- 5. Recovery Capital** –to reduce debt or fund facility repairs/equipment.
- 6. Facilities & Equipment Capital** – to acquire a facility or equipment with long life span.
- 7. Endowment** – restricted funds that generate investment income to support the organization.

This grant will focus on organizations that receive City operating grant support in recognition of the City’s considerable financial investment in organizations that offer year-round arts programs to broad audiences and employ significant numbers of professional artists, technicians, and administrators.

Grant Size

It is expected that grants will be highly competitive with funding awarded only to the most competitive proposals. **The maximum grant award will be up to \$40,000**, but all grants may not be funded at the maximum amount. *Grant awards are over a 2-year period.*

Grant Term

Up to 24 months from grant award (award estimated in February 2024)

Grant Timeline

August 28, 2023: Guidelines released

September 14, 2023: Pre-application and Capitalization webinar via Zoom

October 13, 2023: Applications Due by 4:59 PM

November 20, 2023: Proposed recommended grant awards approved by Arts Commission

Eligibility

- Recipient of OCA FY 2023-2024 Operating Grant.
- Completed and submitted a final report for any previously awarded OCA grants and in good standing with other City grants.
- Applicants are required to attend a pre-application and Capitalization workshop over Zoom.

Project Support

Grants are intended to be one-time catalytic investments that improve the capitalization and sustainability of an organization. Priority will be given to projects with significant and lasting impacts on the overall financial position of the organization.

¹ See <https://nff.org/blog/capitalization-planning> for more information and case studies.

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Because organizations have different capitalization and sustainability challenges, this grant provides flexibility for the applicant to put forth a thoughtful strategy to address its most pressing need in capitalization and sustainability.

Funds are not intended to support expenses related to routine business operations or debt reduction.

Evaluation Criteria

Project Appropriateness and Outcomes (50%)

- Clearly defined organizational challenges related to capitalization and sustainability.
- Project design is sound and intended outcomes likely to be fully realized.
- Potential of the project to significantly improve the capitalization, sustainability, and financial position of the organization.
- Consistency with the organization's strategic plan and development trajectory.
- Likelihood that the proposed project will have a sustained impact after the completion of the project.

Ability to Complete the Project Successfully (40%)

- Sufficient organizational capacity and financial health to undertake the project without impacting current operations.
- Evidence of board engagement.
- Qualified personnel and consultants, if appropriate, to achieve desired outcomes.
- Realistic budget and appropriate allocation of funds.
- Track record of successful initiatives that enhance sustainability.

Organizational Impact (10%)

- Extent to which the community benefits and supports the organization's programs.
- Extent to which the organization supports the arts and cultural sector in San Jose
- Contribution of the organization to San Jose's cultural vibrancy

Application Review

Applications will first be reviewed by staff for eligibility and completeness. Complete and eligible applications will then be reviewed by a panel of local and regional experts in arts management, nonprofit capitalization, and/or organizational sustainability. Information from recent Operating Grant cycles and final reports from any prior awarded Capitalization Grants may also be made available to the review panel. Funding recommendations made by the review panel will be reviewed by the Office of Cultural Affairs and then be submitted to the Arts Commission for review and advisement, prior to execution of grant agreements.

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Preparing Applications

Applications will only be accepted online on the WebGrants portal: <http://grants.sanjoseca.gov>

NOTE: ALL documents below must be uploaded as PDF attachments.

1. Grant Narrative (up to 6 pages, 12-point font) – PDF Format

The following is one suggested outline, but applicants may use their discretion to provide sufficient information for a panel to evaluate the proposal against the stated criteria.

- a) Organizational info – brief history and mission; current programs and their impact
- b) Organizational impact - ways your board, audience, and community have shown support and engagement with your organization; ways your organization supports the local arts and cultural sector and contributes to San Jose’s cultural vibrancy.
- c) Project information:
 - a. Grant requested and project description, goals, and desired outcomes, including any quantifiable outcomes.
 - b. Need the project is intended to address, and why this project is being undertaken now.
 - c. Ways the project will improve the capitalization, sustainability, and overall financial position of the organization.
 - d. If the proposed project builds on a prior strategic initiative, describe the relationship and how each contributes to an overarching sustainability goal.
 - e. Key staff and the role of the board in the project, including information on how these people are the most appropriate and how normal operations will be impacted while organizational resources are focused on the project.
 - f. If utilizing outside expertise, describe the recruitment process and desired qualifications.
 - g. Timeline and/or work plan that includes major milestones.
 - h. Include any evaluation plans and how outcomes will be sustained beyond the grant period.

2. Project Budget – PDF Format

Include Revenue and Expenses and budget notes as appropriate to provide details on the significant budget items.

3. a. Attach the most recently completed audit, regardless of year – PDF Format

- b. (Note: If your audit is not from FY 2022-2023, then **you must also attach internal financial statements** – Revenue/Expense Statement AND Balance Sheet -- for FY 2022-2023.)

4. Supporting Materials – PDF Format

Applicants may upload up to 3 documents or attachments that will strengthen the case for their application, keeping in mind the evaluation criteria.