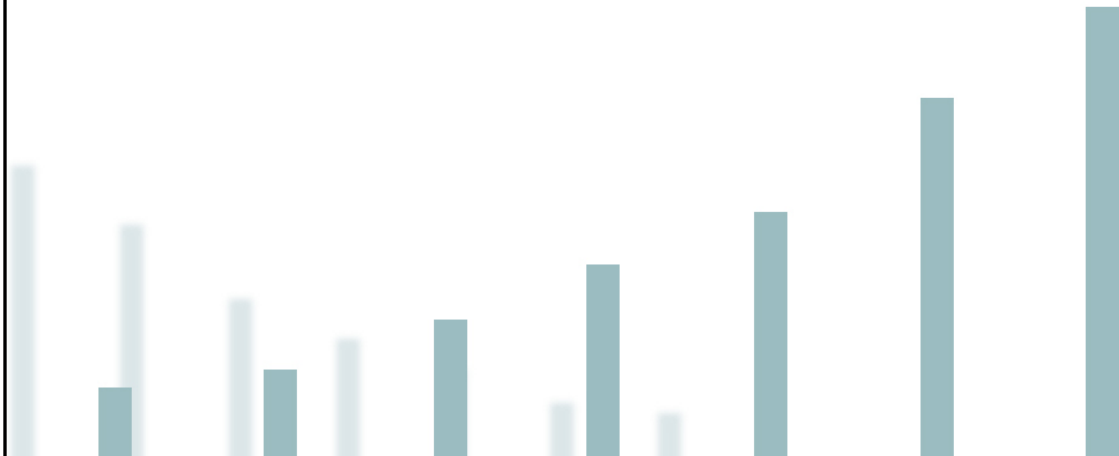


OCTOBER 2004

Boys & Girls Clubs of Greater Washington

Slowing down to speed up growth



Summary

Boys & Girls Clubs of Greater Washington knew that it had to slow down in order to grow. President & CEO Patricia Shannon inherited an organization with significant operational and financial challenges, and worked for many years to turn it around. The results were so positive that BGCGW was in a position to merge with another organization last year.

Organizational Snapshot

Organization: Boys & Girls Clubs of Greater Washington

Year founded: 1886

Headquarters: Silver Spring, Maryland

Mission: “To help boys and girls of all backgrounds, with an emphasis on at-risk youth, build confidence, develop character, and acquire the skills needed to become productive, civic-minded, responsible adults.”

Program: BGCGW serves over 35,000 youth annually between the ages of 6 and 18 in Washington, D.C., suburban Maryland, and northern Virginia through after-school and summertime care programs. The clubs provide programs in character and leadership development, education and career development, cultural arts, health and life skills, and sports and fitness. From public schools to public housing, the Boys & Girls Clubs of Greater Washington’s 25 clubs come in a variety of shapes and sizes: some are full-service facilities; some operate out of apartments in public housing complexes; and some share space with high schools and elementary schools. But all offer the same basic recipe for giving kids the tools they need to become productive adults: a safe place to learn and grow; ongoing relationships with caring, adult professionals; life-enhancing programs; character development experiences; and hope and opportunity.

Size: \$12.0 million in revenue; 221 employees (as of 2003).

Revenue growth rate: Compound annual growth rate (1999-2003): 7 percent; highest annual growth rate (1999-2003): 13 percent in 2001.

Funding sources: In the 2003/2004 budget, 34 percent of funds came from the government, 15 percent from events, 13 percent from program revenue, 11 percent from foundations, 7 percent from individuals, and 20 percent from other sources, such as program service fees, investment income, membership dues, and club subsidies.

Organizational structure: BGCGW is an affiliate of the national Boys & Girls Clubs of America and oversees 25 clubs in the greater Washington, D.C. area.

Leadership: Patricia G. Shannon has been president and chief executive officer since 1995.

More information: www.bgcgw.org

Key Milestones

- 1886: Founded
- 1973: Extended services to girls
- 1995: Brought in Shannon as president
- 2002: Expanded to Germantown, Maryland, opening its first new full-service facility in 10 years
- 2003: Merged with the Metropolitan Police Boys & Girls Club
- 2004: Teamed up with Venture Philanthropy Partners

Growth Story

Boys & Girls Clubs of Greater Washington (BGCGW) was founded in 1886 as the Newsboys and Children's Aid Society. It has since served hundreds of thousands of children in the Washington, D.C. region. In 1973, Boys Clubs of Washington, the

precursor to BCGGW, decided to extend programs and services to girls as full and equal members. In 1981, Boys Clubs of Washington changed its name to Boys & Girls Clubs of Greater Washington to reflect its new direction.

Since 1995, the organization has grown from serving 15,000 to 35,000 children. In 2003, BCGGW merged with the Metropolitan Police Boys & Girls Club, expanding BCGGW to encompass 25 clubs and a 168-acre camp and making it the largest affiliate of the Boys & Girls Clubs of America.

Prior to 1995, BCGGW growth was largely due to various Boys & Girls Clubs in the D.C. area approaching the club to become affiliates. When Shannon joined the organization as president in 1995, the board mandated growth in four geographic areas that had great need in and around Washington, D.C. But Shannon felt strongly that it was more important to pause and shore up the organization's finances, procedures, systems, programs, facilities, and staff.

"We had a lot of pieces to get in place that were necessary to build the organization before we could go out and sell anything," says Shannon. "So house-cleaning and board-building and fundraising were necessary to do before we could expand. We first cleaned up, then developed the board, and finally defined the product we sell — because if you don't know what your product is, no one is going to want to buy it."

Shannon had a big job to do. Local sites under the organization's control had to be held accountable for their results, relationships had to be rebuilt in some cases, and staff had to be trained and needed to know what they were responsible for. Some sites had to be shut down because they weren't up to satisfactory to Shannon. "My rule is, I won't have any facilities I wouldn't put my own kids in," says Shannon. "Over time, we've had to close several in public housing. But we have never had to close a club because of money."

"Accountability had to be the order of the day," says Shannon. "Whatever we were doing, we had to be accountable for doing it well. We had to create job descriptions: train people, identify their jobs, and hold them accountable for doing it. Some people lost jobs because they were not able to make the grade and embrace change."

Animosities had grown between the central administrative office and the field offices, and Shannon needed to repair relationships and reassure affiliates that money they raised locally would stay in their local communities.

Measurement also became a strong focus of the organization. “Right now we are only able to measure some individual programs,” says Shannon. “Ballou High School is one we track because it has the highest rate of teen pregnancy of any school in the city. We have been tracking pregnancy rates of these students. On the education side, we aim to raise the level on the report card. We have access to the kids’ grades. We take a combination of how often they attended program, where they are now, and general feedback from schools. Part of this whole growth thing is that we haven’t had the people, methodology, and technology to really track results. We are able to do this at Ballou with a special multi year grant.”

Once Shannon and her team had stabilized the organization, they began seizing on growth opportunities in emerging areas in the D.C. metropolitan area. In 2002, the organization opened its first full-service facility in 10 years in Germantown, Maryland.

“The location of the club in Germantown [in a public elementary school] is just a mecca for children,” says Shannon. “That was a great example of a public/private partnership. That was the right thing to do at the time, because there was nothing there. So we were at the right place at the right time with the right message and the right product. Subsequently, the county and state and corporate community gave us \$1.3 million and 8 acres of land to build a new club.” Many of the other areas where the organization grew were also the result of similar public/private partnerships, such as with local schools.

Since the organization had taken time to grow, it was ready financially and organizationally when opportunities arose. BGCGW took a big leap forward when an opportunity came in 2003 to merge with Metropolitan Police Boys & Girls Club, which was in financial difficulties. The acquisition was made possible through a \$1 million donation from the Freddie Mac Foundation, as well as from donations from other supporters.

The merger was a tough decision for BGCGW, because running the new clubs would require \$2.2 million in extra funding per year. But it would preserve the facilities and services of MPBGC, a local organization that had provided kids in Washington, D.C. with police mentors and athletic programs for more than 70 years. The six MPBGC clubs joined the BGCGW family, expanding its operation to 25 clubs. Integrating the new clubs is BGCGW's current major challenge.

CONFIGURATION

Boys & Girls Clubs of Greater Washington is the largest affiliate of the Boys & Girls Clubs of America. The national organization was a partner in growth with BGCGW, providing some funding, a strong brand, training and conferences, and fundraising introductions to top leaders, such as Bill Gates, Michael Jordan, and Colin Powell.

“We have an incredibly great working relationship with the national office, and it wasn't like this 10 years ago,” says Shannon. “What do we get? We get plenty. We get the brand name, fundraising help, partnerships, general contributions, training, and programs. We also get perks like free software from Microsoft and office supplies from Staples. The only costs to us of being a part of a national network are the dues and the time requirements, but this is well worth it. We get many, many times our dues.”

The national organization enforces a standard set of requirements that include numbers of kids to qualify as a club, numbers of exterior signage, graphic standards, fringe benefits, and core programming areas. National also evaluates all member organizations on a number of standardized criteria and given a score in each of seven areas (human resources/staff, board, resource development, marketing, programs, facilities, and financing). It then classifies each organization into one of four major categories (developing, operational, advancing, and excelling), with low, medium, or high gradations within these categories. Based on its score, each organization develops a technical assistance plan in which it identifies where it wants to advance in the next year and how the national organization can help. National's goal is to reduce the number of developing

affiliates; over the past five years, national has reduced developing organizations from 129 to 20, and expects to get down to 14 by the end of the year.

As BGCGW has grown, it has had to deal with overseeing widely different types of clubs. Some are stand-alone clubs with their own buildings; some are in public schools, public housing, churches, and other public buildings. While being open to different types of clubs has been helpful to BGCGW as part of its growth strategy, it has also been challenging in terms of managing consistent quality across organizations.

“Our network is not too difficult to manage, but it needs to be more strategically managed,” says Shannon. “There are some major challenges with being a real-estate rich organization. Our real-estate assets are considerable. If we could do more with real-estate management and make it more sophisticated, we could do wonders. It is important to look at what holes we have in the staff. We don’t have a highly specialized person. It would be helpful to have someone who has an appropriate license for boilers and a strong knowledge of [heating, ventilation, and air conditioning systems]. Real estate is expensive to maintain, insure repair, etc.”

In terms of BGCGW’s relationship with its local network of clubs, each club has a branch director. Branch directors report to area directors, who oversee multiple clubs. Area directors in turn are hired by and report to BGCGW. No one at the local level can be hired without Shannon’s sign off. BGCGW maintains central control over clubs’ financials, auditing, payroll, human resources, fingerprinting, marketing, major fundraisers, and some bulk purchasing. Clubs and their boards submit annual budgets to BGCGW for approval and then spend as approved.

CAPITAL

When Shannon came to the organization in 1995, it was in financial difficulty. It was therefore quite a turnaround when BGCGW was in a position to merge with financially troubled Metropolitan Police Clubs. Shannon says, “We were better positioned for the merger but it did bring added financial and organizational stress. We were not looking to merge, they came to us and we had to make a decision.”

Part of the turnaround included an overhaul of the board. Now board members are responsible for a “get or give” minimum of \$10,000 annually. “We have built a powerful board, which is extremely important in growth,” says Shannon. “They made contributions or opened doors to foundations and other places to raise money. Raising money is the No. 1 priority of a board member.”

Each board member is responsible for annual dues of \$260 to cover meals and expenses. Each board member is also encouraged to attend four board meetings, to serve on a minimum of one committee, to be an active member of that committee, and to recruit new directors.

Even though the organization is mature, it struggles just like younger organizations do to raise money for capacity building. A recent partnership with Washington, D.C.-based Venture Philanthropy Partners (VPP) was therefore especially good news. VPP will provide up to \$400,000 in funding for a strategic business plan to help BGCGW plan its future, especially now given the post merger size of the organization. The plan will guide BGCGW toward becoming a “catalyst” organization to better serve its existing 20,000+ members, achieve financial stability, and measure its impact.

The VPP funding is particularly needed because BGCGW has not found foundations to be particularly interested in providing unrestricted funds. “You end up skewing what you do to fit in guidelines with foundation dollars,” says Shannon. “If you’re not careful, your budget begins to build on its own when you just follow foundation dollars. If you get a specialized program funded, how do you keep it going?” For example, Intel gave BGCGW a grant, which decreased over several years. “This was a very popular program,” says Shannon. “We are in our last year of funding, it is going to become a permanent part of the budget at a cost \$75,000 per year. While they are wonderful for the kids, they add to demands. We are improving our capacity to raise funds to keep our access to new programs and technologies for our kids.”

BGCGW recently began its first capital campaign in over 50 years. The “Positive Place for Kids” Campaign hopes to raise funds to build new facilities and renovate existing facilities.

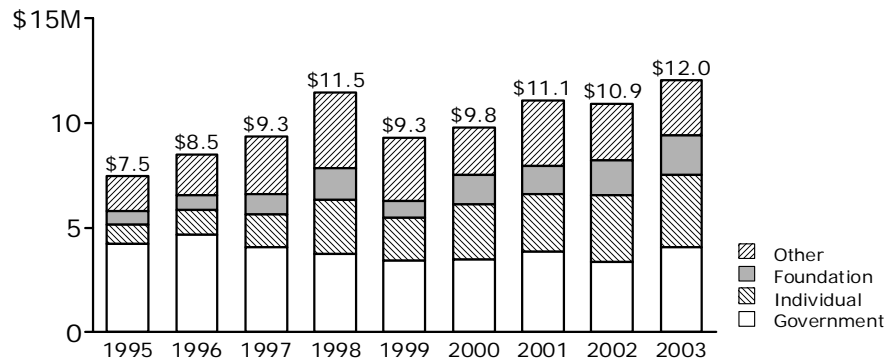
In addition to traditional sources of funding, BGCGW benefits from in-kind donations and partnerships. For example, at one of the clubs in Dale City, nonprofit KaBOOM!, BGCBW, Computer Associates, and the Navy Federal Credit Union worked together to build a playground. Computer Associates donated \$40,000 for the playground, KaBOOM! managed it, and club members helped plan and build it.

Still, fundraising is not easy. With 25 clubs to raise funds for, BGCGW has to work hard to ensure that all of the clubs are provided for, and provide for themselves.

See Figure 1 for the organization's revenues.

Figure 1

Boys & Girls Club of Greater Washington revenue



Annual revenue growth	14%	10%	23%	-19%	5%	13%	-2%	10%
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Budget surplus (deficit) (\$M)	-\$0.1	-\$0.5	\$1.0	\$3.3	\$0.9	\$1.3	\$1.7	\$0.8	\$1.2
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Note: "Other" includes net assets released from restrictions, program service fees, investment income, membership dues, and club subsidies

Source: Organization internal data

CAPABILITIES

Shannon's rehabilitation of the organization was made possible by a strong team, including an executive vice president of operations, Tim Sheahan, who has been with Boys and Girls Clubs for almost 27 years. Having Sheahan helped Shannon

come in and immediately focus on the organization. He focused on facilities, programs, technology, and staff training.

“When I took this position, I didn’t know Boys & Girls Clubs programs,” says Shannon. “I could concentrate on the organization, and Tim [Sheahan] could focus on programming. Program and facilities are constant problems [with] staff turnover and aging facilities. We improved staff training.”

“Right now we have grown so much without expanding the infrastructure that VPP has become our saving grace,” says Shannon. “We need more sophisticated resources and new management level staff with strong research, technology, strategic planning, and fundraising skills to grow.”

To get there, Shannon has added a chief financial officer, Chuck Wellard. “Chuck brings a whole different skill set,” says Shannon. “We have a cash flow analysis, a much improved budget process, and a conversion to a new accounting system. All of this will give us financial data in a more consistent and timely manner.” Shannon also has added two people in grants management and a director of capital campaigns.

“We will never have all the staff to do all the programming we need, so we form partnerships,” Shannon adds. “For example we partnered with a company that builds rowboats. The kids love these kinds of projects. We even took some kids to Cuba and South Africa and a number of companies stepped up to help. Forming these partnerships is so important.”

Getting the right board in place was the key to helping BGCGW develop its capabilities. “We look for people on the board who can complement the staff,” says Shannon. “For example, we don’t have a large marketing department, so we look for someone who could add expertise in that area. Our board is engaged in governance, they are not just names on paper. They raise money and open doors.”

Board members serve three-year terms and meet quarterly, and an executive committee empowered to act on behalf of the board meets monthly. In addition to having one board for BGCGW, there are 10 regional/local boards. “You can’t run an organization like this one with just 10 to 25 board members,” says Shannon. “As we expanded the board, we also structured the activities of the board to

complement what we are doing here. The facilities committee has been important in dealing with depreciation. We started funding depreciation about five years ago. When we first started doing it, it was too expensive so one of our directors devised a more palatable depreciation schedule. We have a very strong, effective executive committee. And we have a general counsel who knows us well and has given us a great deal of pro bono legal advice.”

Key Insights

- **Slowing down to speed up growth.** By slowing growth, BGCGW built a platform for expansion into new clubs, and put itself in a better position to act when an opportunity presented itself to merge with another organization. BGCGW was then able to focus on cleaning up the new clubs and on fitting them into BGCGW’s already functioning system.
- **Getting leadership right.** The proper combination of the right board and the right staff at the right time helped BGCGW succeed. In particular, the addition of Shannon to the organization made all the difference. She in turn knew how to turn the situation around and engage the board to help the organization move to the next level.
- **Managing affiliate relationships upward and downward.** BGCGW has successfully managed its affiliate relationships both upward and downward. It receives invaluable support and strong oversight from its national organization, and it provides the same to local affiliates under its umbrella.
- **Leveraging public/private partnerships.** Public/private partnerships have been critical to the success of each BGCGW club. A clear pattern exists of local communities spurring the development of new clubs and corporate or political support helping to make those new clubs happen.