

April 21, 2020

Dear Councilman Cohen and the Education and Youth Committee,

Baltimore City and its nonprofit sector have been challenged by several events over the past six months. The most significant of these was the ransomware attack on the City's information technology systems and an audit of the \$10 million first round of the Baltimore Children and Youth Fund (BCYF).

As a valued partner for Strong City Baltimore and Baltimore's social impact sector, I would like to share some background on how the unusual events of Summer 2019 impacted Strong City's work.

As you may know, we fiscally sponsor over 100 community-based initiatives, ensuring that they meet all the administrative and business practice standards required of running a nonprofit. Over 70% of our projects receive funding in the form of reimbursable contracts or grants from Baltimore City. At any given time, we advance between \$700,000 and \$1.1 million to our projects. This practice is supported by Generally Accepted Accounting Principles (GAAP). You may not be aware of the extent or the fact that fiscal sponsorship agencies commonly do this for mission-related reasons. This practice of advancing cash based on secured awards or contracts allows grassroots initiatives without access to capital to operate more efficiently and effectively.

The only way this system works is if the pipeline for reimbursements stays smooth. The ransomware attack intensified an already challenging situation where City funds are paid between 60 and 365 days. Previously, we took pride in being able to reimburse grassroots leaders within the same week. The ransomware delays made that impossible.

The BCYF audit also delayed the processing of about \$5 million in grant payments to Baltimore's community-based organizations. Substantial portions of the \$1 million managed by Strong City was delayed by up to 6 months while Strong City strove to meet newly implemented reporting requirements. This was all happening during the busy summer youth programming season. We believe that some of these programs would have been unable to be implemented if the community leaders had needed to take on the full burden of complying with the audit-related requests.

Good administrative work strives to be invisible, and in pursuit of that goal my staff has been putting in long hours to ensure that our programs and projects are cushioned as much as possible – not just in terms of cash advances, but also handling extraordinary administrative demands. We know that the work on the ground was impacted by delayed reimbursements. The extra work has also delayed our own audit and year-end close.

We have worked closely with Baltimore City, Associated Black Charities, BCYF leadership, initiative leaders, and other organizational partners to get reimbursement requests and reports completed as quickly as possible. We are also implementing new policies and procedures so that we will be better prepared to address similar challenges in the future.

We are culturally and historically committed to community organizing and collective power building, which is why we are reaching out now to ask for your allyship and support.



3503 N. CHARLES ST. BALTIMORE, MARYLAND 21218 (410) 261-3500
STRONGCITYBALTIMORE.ORG    @STRONGCITYBALTIMORE

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There are a few ways that we are hoping you will respond to this letter:

- The issue of delayed grant and contract payments from the City is an ongoing problem for most nonprofits. The nonprofit and philanthropic sectors in other cities have had some success in organizing around the issue of government contract reform. **Strong City would eagerly be involved in any work around reforming Baltimore City's contracting processes.**
- We are committed to providing our fiscally sponsored initiatives and projects with top-notch professional services. We act as their sponsor because we believe that Baltimore needs the work of these leaders and organizations. **If there is anything we can do to make your work with our fiscally sponsored initiatives easier, or to educate the broader community about the value of fiscal sponsorship and fiscal management, we would love to hear about it.**

Strong fiscal management and stewardship practices are particularly important when nonprofit operations are the subject of enhanced public accountability procedures. We are proud to provide the administrative backup that makes it possible for grassroots leaders to access the resources they need to transform Baltimore's communities.

Strong City appreciates having the opportunity to directly address your concerns and provide more information about the situation on the ground. If you would like to discuss this letter further, I can be reached at kstokes@strongcitybaltimore.org or 410-261-3513.

Sincerely,

Karen Stokes
CEO
Strong City Baltimore

