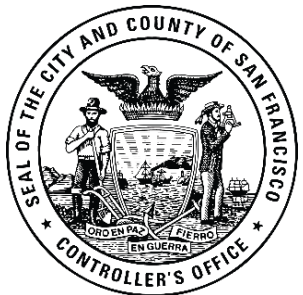




# Citywide Nonprofit Monitoring and Capacity Building Program

## FY24-25 Annual Report

**Presentation to the Board of Supervisors  
Government Audit and Oversight Committee**



Office of the Controller

Laura Marshall, Citywide Nonprofit Policy Manager

December 4, 2025

# Program Background

In FY25, San Francisco relied on nonprofit partners to provide **\$1.63 billion** in services. The Citywide Nonprofit Monitoring and Capacity Building Program **establishes policies and tools** for consistent and coordinated oversight of nonprofit contracts and contractors.

**\$1.63 billion**

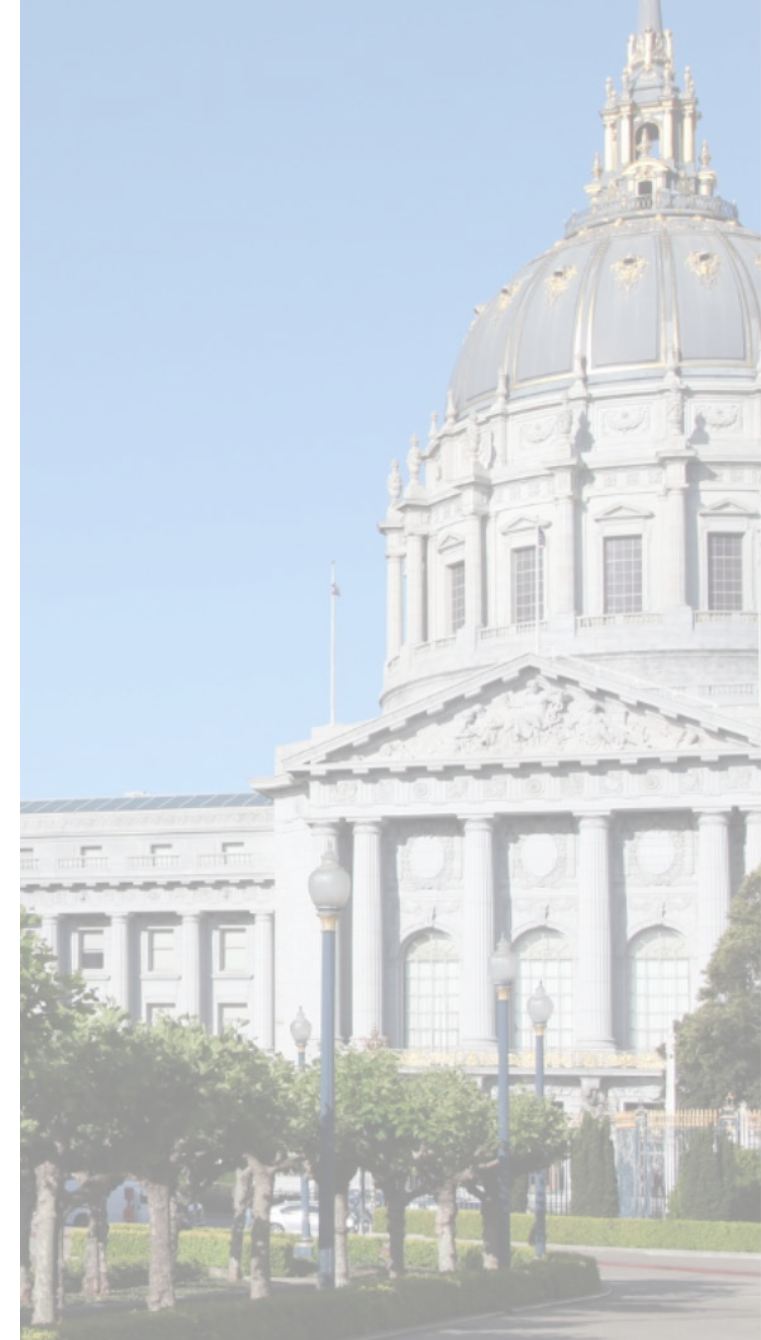
Total Citywide Spending on Nonprofit Services in FY25

**38 City Departments**

Total number of City departments contracting with one or more nonprofits

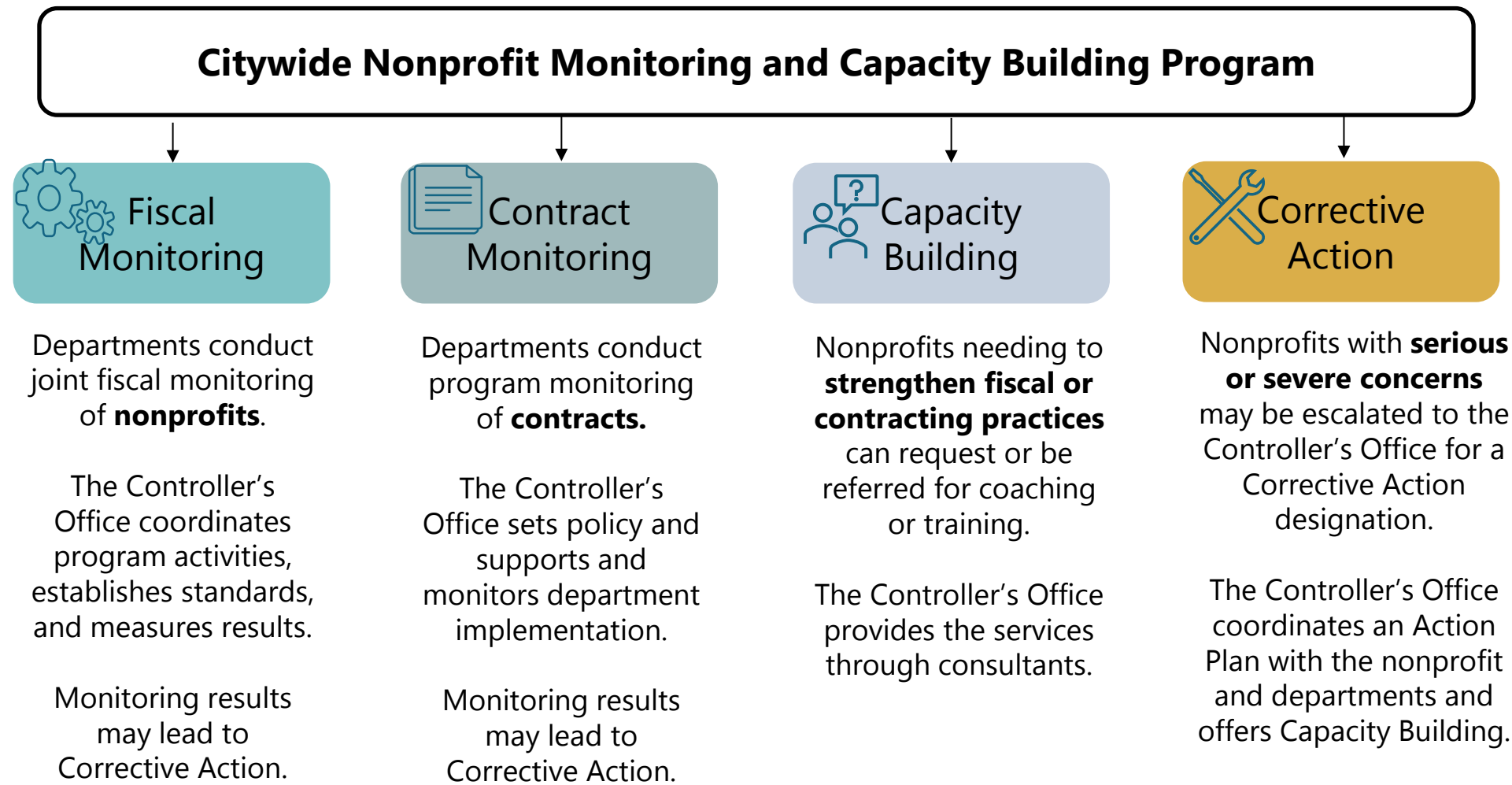
**728 Nonprofits**

Total number of nonprofits with City contracts across all departments



# Citywide Nonprofit Monitoring and Capacity Building Program

There are **four components** to the program administered by the Controller's Office.



# Fiscal Monitoring Program





# Fiscal Monitoring Program Highlights

The Program ensures public funds are spent in alignment with the City's financial and administrative standards and that nonprofit contractors have strong, sustainable fiscal operations.

**\$1.41 billion**

Contract funding for nonprofits in the monitoring pool in FY25

**16**

Departments participated in FY25

**206**

Nonprofits were in the monitoring pool in FY25

**2,297**

Contracts with nonprofits in monitoring pool in FY25

# Fiscal Monitoring Program Goals and Activities

**Program  
Goals**

**Consistent and  
coordinated  
across  
departments**

**Reduced  
duplication for  
departments  
and contractors**

**Responsive to  
City and  
contractor needs**

**Aligned with  
best practices in  
financial  
management**



**Facilitation**

Aligns needs, interests and decisions across 16 City departments participating in the Program



**Tools**

Provides standard forms, templates, guidelines and an automated, online system for collaboration



**Workshops**

Provides training on nonprofit financial management for City staff to support consistency in applying standards



**Analysis**

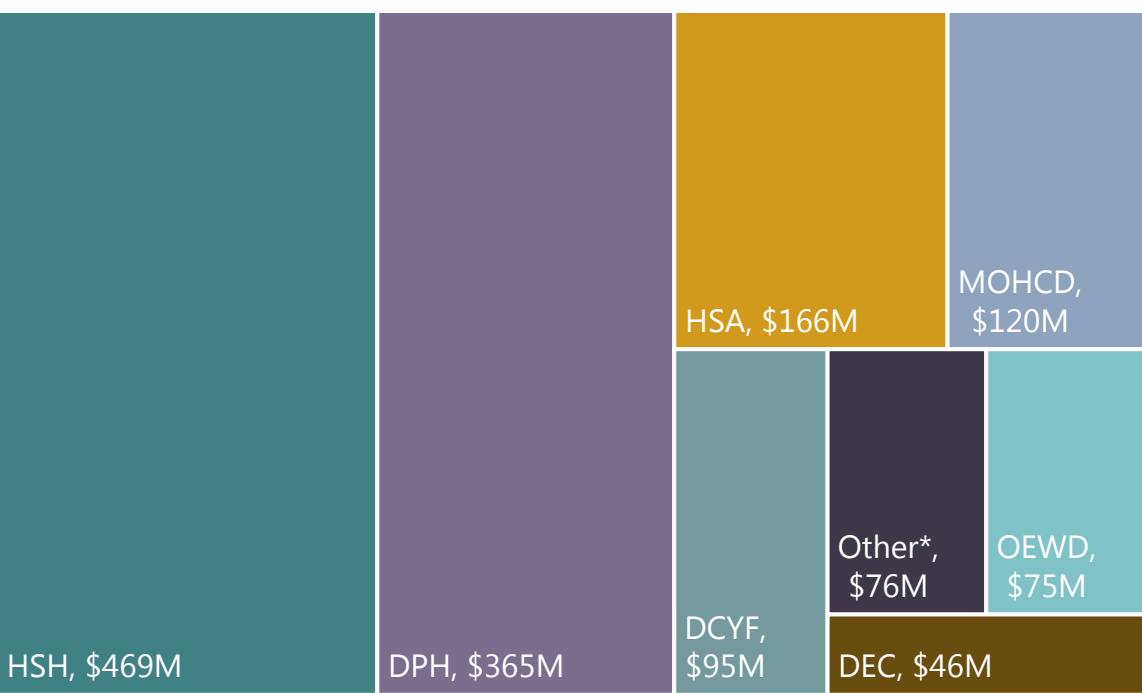
Tracks and analyzes data from monitoring to improve Program operations and identify corrective action needs

**Controller's  
Office  
Activities**

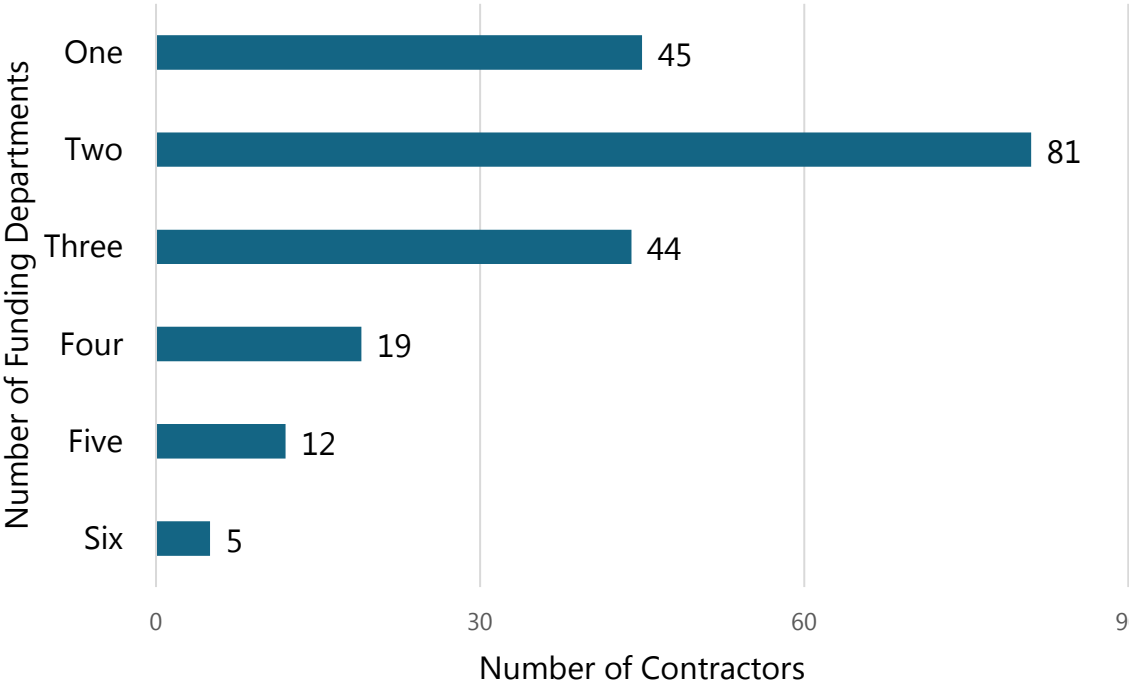
# Departments Participating in the Fiscal Monitoring Program

The **16 departments** participating in the Fiscal Monitoring Program account for **98% (\$1.59 billion)** of City funding going to nonprofits.

Most nonprofits receive funding from two or more departments. The Controller’s Office coordinates the program to **reduce duplication** and ensure **consistency** for departments and contractors.



Department Funding Levels for Monitoring Pool Contractors, FY25



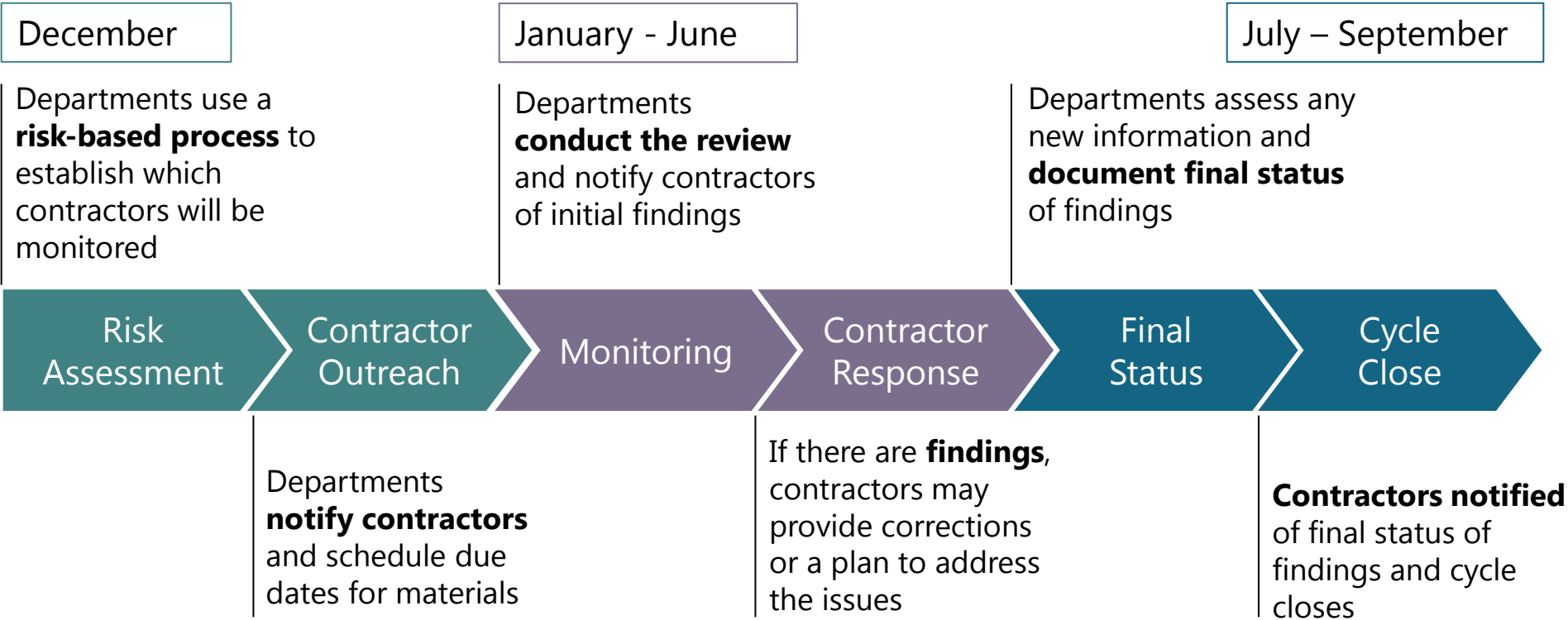
Number of Departments Funding each Contractor in the Pool, FY25

Other: APD (\$17M), DPW (\$16M), SHF (\$12M), HRC (\$12M), DOSW (\$8M), ADM (\$6M), ART (\$5M), DT (\$208K), and JPD (\$88K).

# Annual Fiscal Monitoring Process

Monitors use **a consistent set of standards** to assess nonprofits' compliance and ensure they have strong financial management practices.

When a nonprofit doesn't meet a standard, this is a finding. Annual Report data reflects **findings that were unresolved** at the close of the FY25 monitoring cycle.



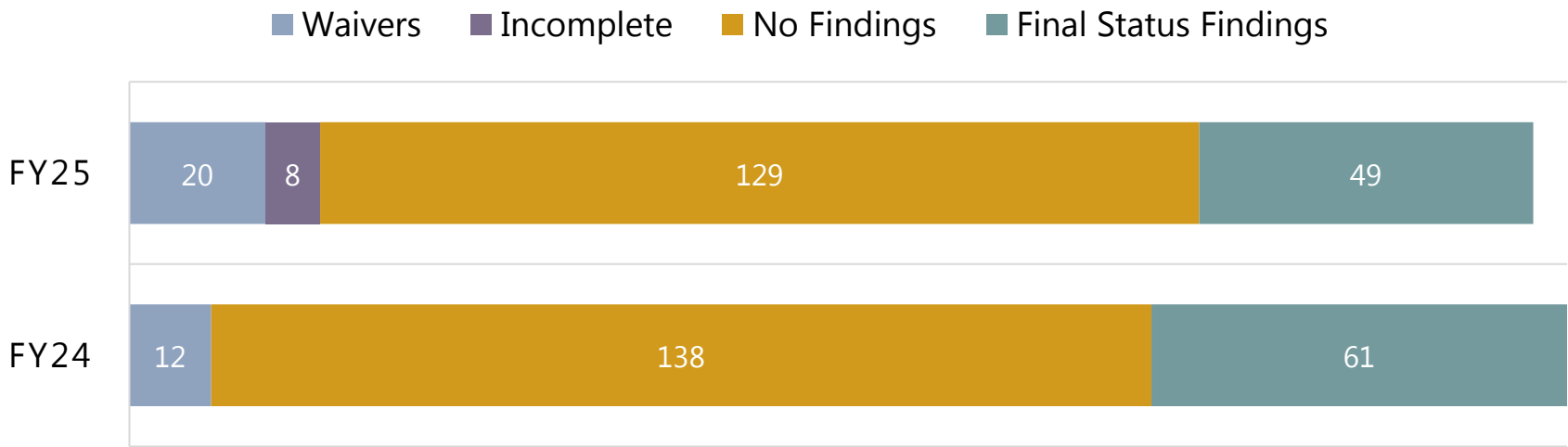


# Fiscal Monitoring Program Results Summary

Using a risk-based approach to establish the monitoring pool, the Program includes about **200 nonprofits each year**.

Nonprofits in the pool receive **87% of all City spending** on nonprofit services.

Monitoring Status	Number of Contractors	% of Pool
Total Monitored Contractors	178	86%
Waivers	20	10%
Monitoring Incomplete	8	4%
<b>Total Contractors in Pool</b>	<b>206</b>	<b>100%</b>



Contractors' Status at Close of Monitoring, FY25 vs FY24

**72% of monitored nonprofits** met all City standards in FY25, slightly improved from 69% in FY24.

# Most Common Fiscal Findings

Most common fiscal finding:  
**Providing a timely audit**



*15 nonprofits had this finding in FY25, improving from 28 nonprofits in FY24.*

## Other Common Issues:

- Cash flow challenges (negative net income)
- Cost allocation issues
- Gaps in board oversight

In most cases, the rate of these findings trends downward from FY24.

Category	Standard	FY24	FY25
<b>Audited Financial Statements</b>	5e. Audit completed within nine months of the close of the contractor's fiscal year	14%	8%
<b>Financial Reports</b>	6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year	4%	7%
<b>Audited Financial Statements</b>	5a. Completed and complete: all sections and statements included; opinion and other audit letters are signed	12%	6%
<b>Agency-wide Budget</b>	3c. Shows allocation of shared and indirect costs by program	6%	5%
<b>Board Oversight – Fiscal</b>	9c. Minutes show that the Board reviewed the most recent audit within the fiscal year	7%	4%

**Percent of Nonprofits with Most Common Fiscal Findings in FY25, compared to FY24**

# Financial Health Indicators

The monitoring review includes several indicators that help the City evaluate the financial health of contractors. While more nonprofits met financial health standards in FY25 compared to FY24, two standards highlight a slight weakening in financial performance among monitored nonprofits.

- **12 nonprofits** had negative net income in YTD financial reports
- **5 nonprofits** had negative net income in the prior year audit

These issues generally indicate **cash flow** concerns or revenues not aligning to expenditures.

Category	Standard	FY24	FY25
Audited Financial Statements	5k. Total unrestricted net income (change in net assets) is positive over the sum of 2 consecutive years or the contractor provides a reasonable explanation for how it will be positive by the end of the fiscal year	1%	3%
Audited Financial Statements	5l. Total change in cash is positive over the sum of 2 consecutive years or agency has a reasonable explanation and/or plan to reverse cash outflow.	3%	2%
Audited Financial Statements	5m. In current audit, agency has at least 30 days of operating cash	6%	3%
Financial Reports	6b. Balance Sheet: Working capital ratio is greater than 1	4%	1%
Financial Reports	6f. Profit and Loss Statement: Year-to-date net income is either a positive number or the Contractor provides a sound explanation of how it will be positive by the end of the fiscal year	4%	7%

Percent of Nonprofits with Financial Health Findings in FY25, compared to FY24

# Contract Monitoring Program



# Contract Monitoring Program Highlights

Through the Contract Monitoring Program, departments will monitor each nonprofit contract over \$200,000 to assess performance.

**\$1.47 billion**

Value of nonprofit contracts above \$200,000 threshold in FY25

**27**

Departments with contracts above the threshold in FY25

**329**

Nonprofits with contracts above the threshold in FY25

**1,228**

Total contracts above the threshold in FY25

Note: Not all contracts are applicable to the policy, and not all 27 departments have applicable contracts in FY26.

# Contract Monitoring Program Activities

The Program promotes departments' program monitoring of nonprofit contracts that:

## Program Goals

**Aligns to City requirements**

**Responds to department & contractor needs**

**Creates consistent expectations**

**Aligns with best practices**



## Controller's Office Activities

### Published Policy

Issued **Contract Monitoring Policy** in December 2024

### Contract Compliance Committee

Convened **departments** monthly to discuss policy and implementation

### Bi-Weekly Office Hours

Provided **guidance** to City staff regarding new policies and procedures

### Policy Feedback

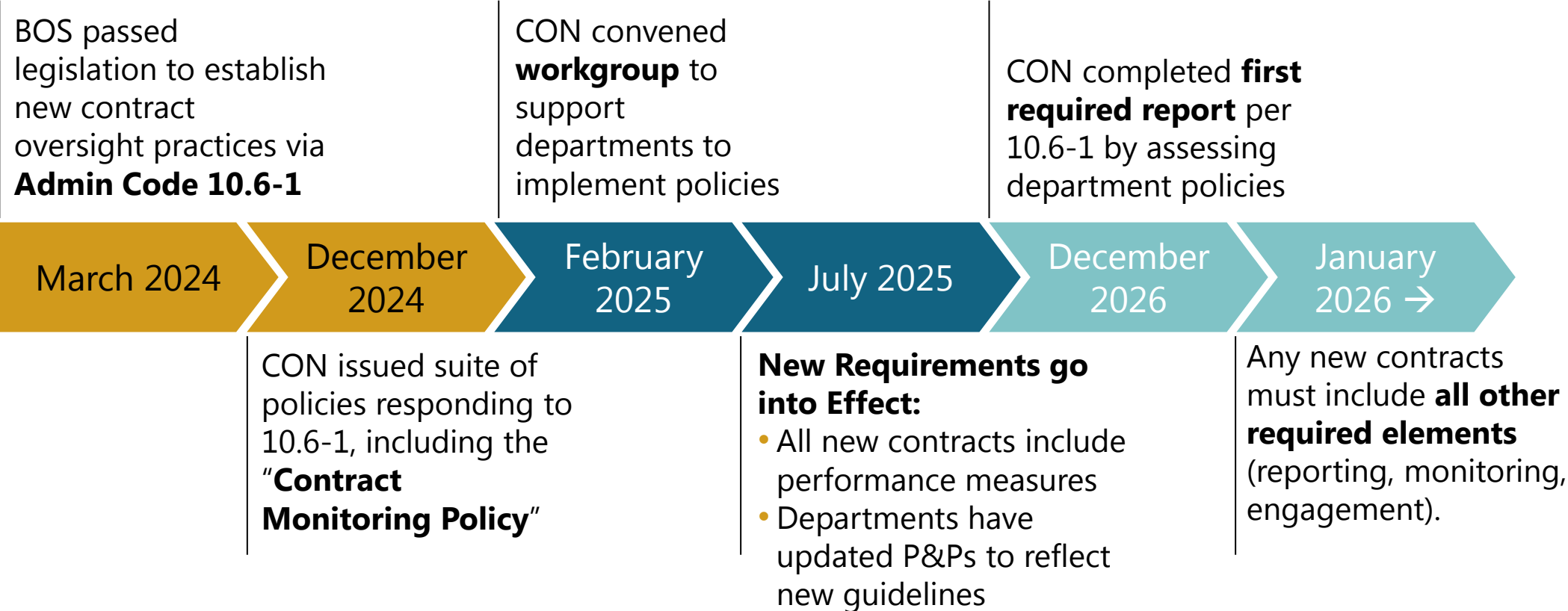
Provided feedback on departments' **draft** policies and procedures documents

Unlike Fiscal Monitoring, the Controller's Office **does not coordinate or track** individual contract monitoring activities. Each department performs monitoring and oversight according to the terms of a given contract.



# Contract Monitoring Policy and Program

After issuing the Contract Monitoring Policy in December 2024, the Controller’s Office created the new “**Contract Monitoring Program**” to convene and coordinate departments to perform contract oversight according to policy requirements.

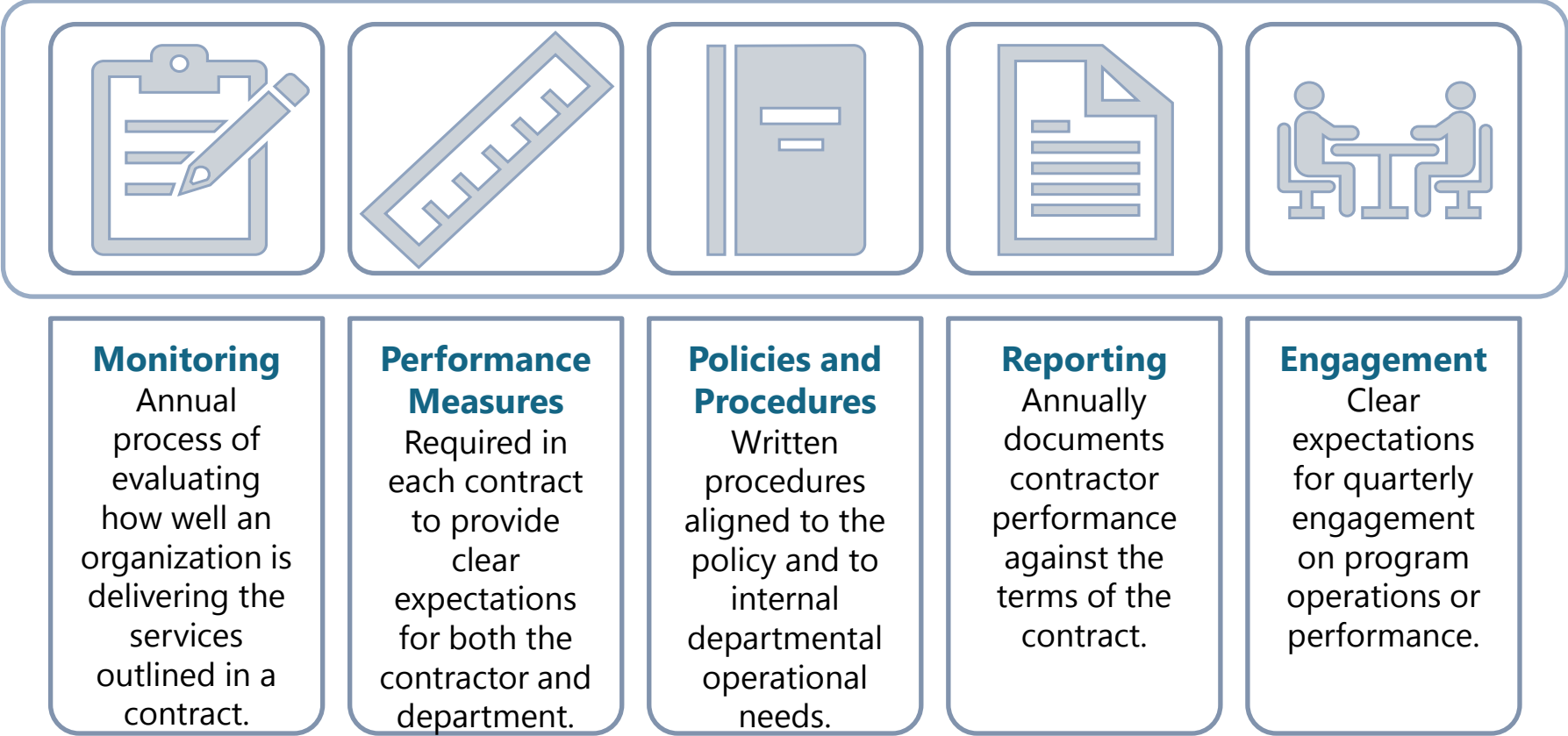


# Policies and Procedures Assessment

Policies and Procedures (P&Ps) are **foundational guidance documents** that outline required actions department and nonprofit staff must take to implement City policy.

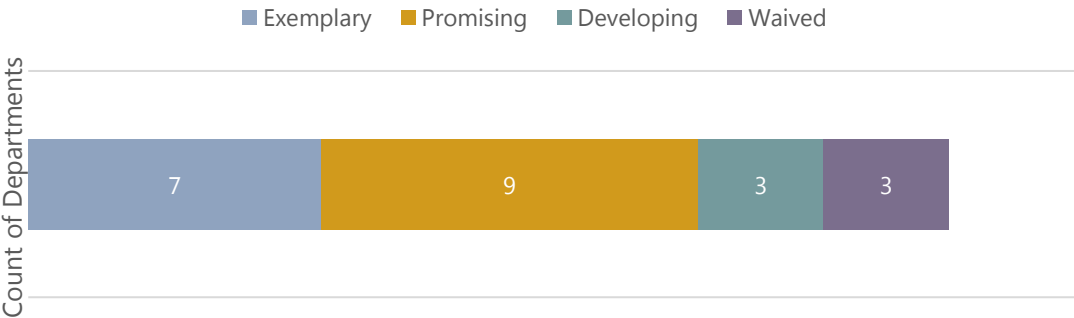
## The Assessment:

The Controller’s Office reviewed departments’ P&Ps to test alignment with City policy against **5 required components** and assess department readiness to implement.



# Policies and Procedures Assessment Results

As of the initial assessment, **32%** of departments submitted “**exemplary**” policies and 41% submitted “promising” policies. Just 14% of policies fell into the “developing” category.



## Exemplary

### *Ready for full implementation*

- Highly aligned to City policy
- Sufficient detail and clarity to support consistent, compliant and effective implementation by staff and contractors
- Departments: ADM, DCYF, ENV, HSH, HSA, MOHCD, DPW

## Promising

### *Minor adjustments needed for full implementation*

- Mostly aligned to City policy
- Updates needed to provide more detail and clarity for consistent, compliant and effective implementation
- Departments: DBI, DEC, DPH, HRC, JPD, PRT, ART, MTA, SHF

## Developing

### *Policy needs improvement to support implementation*

- Key gaps compared to City policy
- Insufficient detail and clarity for consistent, compliant and effective implementation
- Departments: DT, DA, OEWD

P&Ps are “living documents” and many departments updated their materials based on the assessment results.

# P&P Assessment Trends: Highlights

## Tailored performance measures

- Many departments tailored approaches for establishing performance measures according to program design and internal operations.
- These measures should make it clear **in the contract what the department aims to achieve and provide clear expectations to nonprofits.**

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## Clear reporting requirements

- Most departments established clear reporting requirements, documenting expectations for when and how contractors report on performance.
- Some department **assessed operational needs** and tailored reporting accordingly, including requiring more frequent reporting where needed.

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## Regular engagement practices

- Most departments clearly documented how staff must perform quarterly engagement with contractors.
- As a best practice, some departments built **engagement metrics** into internal trackers or reporting templates.

# P&P Assessment Trends: Challenges

## Challenge: Adapting existing practices to new requirements

Some departments with existing contract monitoring practices had challenges **enhancing their existing tools to add and clearly document procedures** responsive to the Citywide policy.

Successful departments studied the policy, considered program workflows and/or interviewed staff to design new P&P elements within existing contract oversight frameworks.

## Challenge: Aligning procedures across programs

Some departments struggled to create **unified monitoring standards** and procedures across programs or divisions while maintaining necessary discretion and flexibility for **variations in program needs**.

Successful departments:

- Created core monitoring requirements for all programs with room to add program-specific standards
- Tailored requirements for each program

## Challenge: Procedures for consistent application

Some departments provided broad policies mirroring the Citywide standards, but did not provide procedures, **the detailed step-by-step plan for how staff should operationalize the policy** in their day-to-day work.

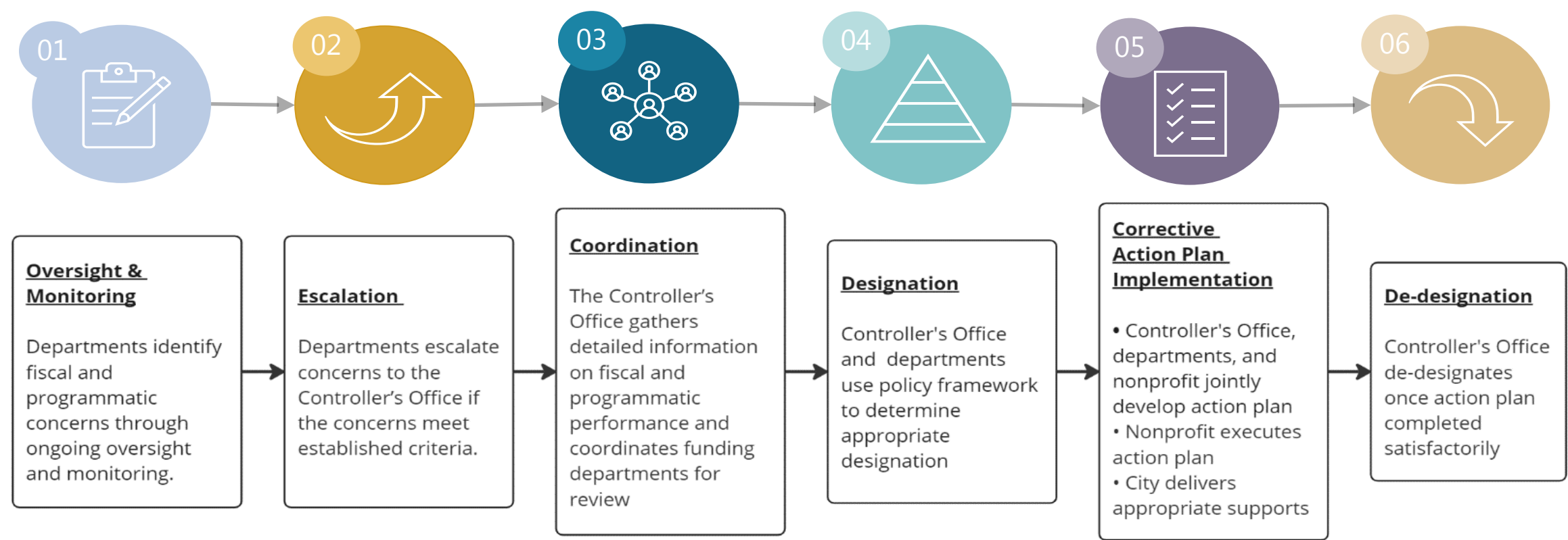
Successful departments provided detailed and robust documented procedures to guide staff and nonprofits in implementing policy components.

# Citywide Corrective Action Policy

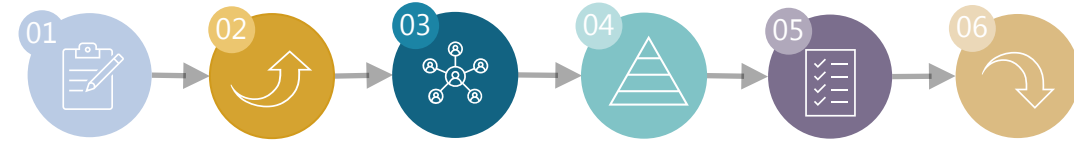


# Corrective Action Policy Workflow

The Citywide Nonprofit Corrective Action Policy helps identify nonprofit contractors that are not meeting City standards for service delivery or financial management. The policy outlines a six-step, collaborative process to identify issues, provide supports, and resolve issues.



# Corrective Action Policy Designations



14

Nonprofits designated to **Tier 2** based on **serious** FY25 concerns. Key issues include:

- Agency-wide budget and cost allocation concerns
- Missing audited financial statements or audits showing serious findings
- Invoicing and/or subcontractor management gaps
- Significant cash flow concerns that may impact services

2

Nonprofits designated to **Tier 3** based on **severe** FY25 concerns. Key issues include:

- Missing audited financial statements
- Persistent invoicing gaps paired with cash flow concerns that may impact services

The Controller's Office will facilitate a collaborative action planning process between these nonprofit contractors and funding departments, including:

- Strategies, activities and/or tasks to address each finding, including supports needed
- Milestone or result sought for each finding, with a timeline for completion
- Schedule for check-ins and monitoring throughout implementation of the action plan

# Capacity Building Program

# Capacity Building Program Highlights

Coaching and training helps nonprofits strengthen operations and address issues that could impact the sustainability of services nonprofits deliver for the City.

In FY25, the Capacity Building Program delivered:  
**267 hours** of coaching to **12 nonprofits**.



- Enhancing financial reporting and operations
- Updating fiscal policies and procedures
- Strengthening fiscal management

In FY25, the Capacity Building Program delivered:  
**3 training sessions** to **120 nonprofit attendees**.



# Next Steps



# Next Steps for FY26

## Fiscal Monitoring Program

- Updated Monitoring Guidelines for FY26
- Cycle runs December – June
- **New in FY26:** CPA Audit Policy published Dec. 2024 requires first audit submission by March 2026 for review during monitoring

## Contract Monitoring Program

- CON launched “Steering Committee” to continue to build toward contract compliance and support to improve key policy elements
- **New in FY26:** designing work plan and reporting process for coming year

## Capacity Building Program

- **New in FY26:** Nonprofit Training Series, October 2025
- Individualized Coaching Services
- Spring Financial Management Training Series





# Questions?

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## Helpful Links

### **Monitoring Program Website:**

- <https://www.sf.gov/resource--2022--citywide-nonprofit-monitoring-and-capacity-building-program>

### **Controller's Office Homepage for Nonprofit Contracting Topics:**

- <https://www.sf.gov/controllers-office-programs-policies-and-information-nonprofit-contracting>

### **City Spending on Nonprofit Contracts – Dashboards:**

- <https://www.sf.gov/data--san-francisco-nonprofit-contracts-and-spending>

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