

## Nonprofit Lowdown: A Podcast by Rhea Wong (March 12, 2020)

### Episode Transcript Part One: A Generalist Encounters Nonprofit Finance



In March 2020, Sam Marks, Chief Executive Officer of FJC, was interviewed for the podcast [Nonprofit Lowdown](#) with Rhea Wong. The interview was a reunion of sorts for these two, as Sam was Rhea's first boss in 1999 when she worked at Summerbridge at the Town School (now known as [Breakthrough New York](#), an organization Rhea later ran for over a decade).

Part One of this interview focuses on Sam's professional journey from his early years in youth development and education to "the dollars and cents side" of the nonprofit sector.

[Part Two](#) of the interview focuses on his particular vantage point at FJC, and covers Donor Advised Funds, nonprofit lending, and fiscal sponsorships.

The interview has been condensed and edited for clarity.

#### **So what is it that you do?**

I'm the CEO of a foundation called [FJC](#). It's been around about 25 years. It has about \$300 million under management across about 1,000 accounts. As a sponsor of Donor Advised Funds, it's almost it's like we have a thousand little mini-foundations under our roof. I sort of sit at the intersection of supporting the nonprofit sector and financial services industry and global financial capital flows.

#### **When I first met you, you were an education guy and a teacher. Now you're like this quasi-finance guy. What happened?**

I am even more surprised than you to find myself doing this work and thinking so much about the dollars and cents and the financing side of the nonprofit sector. But I haven't left behind that commitment to youth development and community development and impact and all of the things we want the nonprofit sector to do. I've had this interesting path where I've been increasingly exposed to how the money part of the sector works.

I think it started when Summerbridge was hosted back in the 1990s and 2000s at The Town School, and the first exposure I had to the money side came with one of my favorite staff people, Linda Larkin, the

*"I am even more surprised than you to find myself doing this work and thinking so much about the dollars and cents and the financing side of the nonprofit sector."*

business manager at Town. She was an amazing mentor to me. I had my own little mini budget to manage within the context of Town School's budget, and she was the first person who explained to me, when you buy pencils and paper and crayons, that's an expense. When you buy a chair or a desk, you're purchasing an asset, something you're not going to consume over a year, and we're going to depreciate it over time. And that was a lightbulb to me like, Oh there's a whole industry of people and an expertise set to help nonprofits figure out how to intersect with audit and finance.

When I went to graduate school at the [Harvard Kennedy School](#), I took a great class with Christine Letts who was a professor in nonprofit management. She asked us to look at audited financial statements, climb inside them, look at the balance sheet, income statement, cash flow, because those documents could help you tell a story about the organization, to connect the mission to the operations and with the way money came in and out. It was another way to analyze an organization, and it became a fundamental skill set in my career.

**At the core when you look at the financial statements you really understand what the organization values and prioritizes.**

Absolutely! And when you're doing due diligence on the lending side, having audited financial statements means there's a third party coming in with a set of Generally Accepted Accounting Principals and you're able to separate the story someone's telling you from what's actually happening in the organization. When those things don't match up, that can be a red flag.

**So you went to grad school, you found out financials could be super fun, and then what happened?**

While I was in graduate school I found myself gravitating to the part of the nonprofit sector involved in affordable housing and community economic development. I became focused on issues of inequality, the differences among neighborhoods in New York City, where I grew up, and how nonprofits could best intervene to address issues of inequality. The affordable housing sector was fascinating because it was the place where community investment, government, financial institutions, the public sector, and nonprofits were all collaborating to advance a public agenda. When I was first stepping into it, I was more interested in the softer side, the programmatic side, the urban planning aspects, the pieces that appealed to a more generalist skill set. But at the end of the day, the financing and the analysis about project feasibility was where the action was. And the decision makers driving resources into cities and neighborhoods really had to develop that skill set.

I came out of graduate school, landed at [WHEDCO](#), a nonprofit in the South Bronx that was focused on housing and economic development. And from there I went to Deutsche Bank. I spent 7 years in the [Community Development Finance Group](#). I got to focus on lending, investing, program related investments (which are below market rate loans) and I got to straddle the foundation side

*"[Analyzing audited financial statements] could help you tell a story about the organization, to connect the mission to the operations and with the way money came in and out. It was another way to analyze an organization, and it became a fundamental skill set in my career."*

as well, making grants to community based organizations. So it was a whole range of capital from grants, to loans, to equity investments and how to tailor the right type of capital to the right problems in the communities.

**You talked about organizations that use financial analysis to connect mission to operations. Can you explain with an example?**

I'll give you a great example from my own experience. After I left Deutsche Bank and before I came to FJC, I spent about five years running the [New York City local office of Local Initiatives Support Corporation \(LISC\)](#). LISC is a national organization that brings financing and technical assistance to low-income neighborhoods all over the country. When I started at the NYC office, LISC was in the middle of a major set of programs that we implemented after Hurricane Sandy. We had an infusion of both private and public sector dollars, and these were time-limited programs and we knew that money was going to come to an end. So when I came in, I knew I had a two-year runway, maybe three if the contracts were extended, and we knew that we had to do a deep dive on our business model and figure out what was making money and what wasn't. We had a team of lenders that were making loans to nonprofits, we had a team that were designing and implementing programs around commercial corridors and a whole bunch of other things. It was a very complex organization.

So I climbed into the organization with the help of my finance director Wilber Gonzalez, an amazing guy with amazing skills in Excel. Working with senior management, we looked at every single program that we were running, and we looked at all the grants that were attached to those, we looked at all the revenues attached to all the various programs, and then we looked at our costs. And primarily the costs were our people power. We had a staff of 15 people, and we began to estimate the percentage of each's person's time on each program, and we were able to create an analysis that helped us look at what pieces of our work were earning money, what was in the black, what was in the red. That didn't mean we were going to just shut down the money-losing programs, but it meant that we had much better handle on the true costs of running each of our program lines. And that influenced our way of thinking about how we fundraise. It made us understand that even though our lending was earning revenue, that scale of activity wasn't going to be enough to have the whole organization operating in the black. We said, hey that's important data, we can increase our lending but we also need to spend more time on fundraising, and making our annual gala bigger and better. That would have a bigger impact on our bottom line than trying to just double our lending. The process helped us make some strategic decisions we couldn't have done without the data.

Check out [Part Two](#) of the interview, which focuses on his particular vantage point at FJC, and covers Donor Advised Funds, nonprofit lending, and fiscal sponsorships.

For an audio version of this interview (and dozens of others with nonprofit leaders), check out [Nonprofit Lowdown](#), Rhea Wong's fabulous podcast, where she reviews and recommends the best ideas, resources, tools, tricks and tips to "run your nonprofit like a pro!"

*"When I was first stepping into [affordable housing], I was more interested in the...the pieces that appealed to a more generalist skill set. But at the end of the day, the financing and the analysis about project feasibility was where the action was. And the decision makers driving resources into cities and neighborhoods really had to develop that skill set."*