

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### Children's Literacy Initiative

Nonprofit Investor Rating:

**BUY**

#### Mission Statement

To work with teachers to transform instruction so that children can become powerful readers, writers, and thinkers.

#### Financial Overview

\$ in MM, Fiscal Year Ended June 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue & Support	\$6.1	\$6.4	\$10.4	\$10.1
Operating Expenses	\$6.7	\$5.9	\$6.7	\$11.3
% of Total Expenses:				
Program	86.3%	85.5%	83.0%	85.7%
Administrative	6.8%	6.0%	8.7%	7.0%
Fundraising	6.9%	8.5%	8.4%	7.3%

**Year Founded:** 1988

#### Contact Details

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#### SUMMARY

Children's Literacy Initiative ("CLI") is a nonprofit that works directly with teachers and educators to improve learning environments with the goal of advancing literacy achievement for disadvantaged children. CLI invests in schools by providing training and coaching to teachers and administrators while also supplying quality children's books.

#### STRENGTHS

▲ **Clear strategic plan.** CLI has a distinct mission statement with strategic goals through 2015 emphasizing their commitment to long-term educational development. Their strategic plan is highlighted by their focused approach on professional development and providing effective evidence-based literacy strategies for schools, specifically pre-kindergarten through 3<sup>rd</sup> grade.

▲ **Evidence-based impact.** CLI provides metrics to measure their impact on schools. In 2011, they disclosed metrics such as coaching hours delivered, schools served, students impacted, number of people receiving materials, coaching, or training, and number of teachers, instructors, and principals coached. However, in order to understand the impact of CLI's programs over time, it would behoove the organization to disclose these metrics on an annual basis.

▲ **MELI program.** CLI's landmark program, which has received funding from the U.S. Department of Education ("DOE"), represents a unique opportunity to validate CLI's model and show that exemplary teaching is "observable, measurable, replicable, and scalable."

▲ **Significant expansion opportunity.** CLI has received a large number of grants and contributions over the last two years, particularly from the DOE and other large funders such as Target. CLI's financial strength should put it in a good position to continue to expand its presence and implement the MELI program.

#### CAUTIONS

● **Limited impact studies in the last few years.** CLI's most recent relevant impact studies have been in 2008 and 2010. Given the continued development of the model classroom and the implementation of the MELI program, further studies will be essential in evaluating the future success of these programs.

● **Potential lag in expected revenue.** CLI's costs have increased dramatically as it expands and implements the MELI program. It will be important to track and understand whether this will garner increased grants and contributions in order to sustain this growth.

#### RECOMMENDATION: BUY

CLI has a proven track record and impact model focused on professional development and investment in classrooms. Recent funding from the DOE underscores this model and provides the opportunity for significant expansion. Further studies on the MELI program will be integral in highlighting its positive impact.

## OVERVIEW OF CLI'S ACTIVITIES

CLI has coached teachers since 1988, impacting over 1 million children during this time. The organization currently provides professional development services to in-need classrooms between pre-k through 3<sup>rd</sup> grade across 9 eastern states and Washington D.C. The goal of these programs is “to close the gap in literacy achievement between disadvantaged children and their more affluent peers.” CLI believes that early literacy development in the classroom leads to better results in higher education and, in turn, lifelong success. The organization’s approach focuses on equipping teachers with the strategies and tools needed to provide quality education to students.

### *Approach*

- Establishing model classrooms
- Training / coaching sessions
- Providing high-quality children’s books
- Helping teachers create a literacy-rich environment and improve classroom management skills

### Model Classrooms and the MELI Program

At its core, CLI’s approach begins with the model classroom. CLI works to establish model classrooms in schools with low-income neighborhoods. By providing model classroom teachers with sustained training in addition to quality books and literacy materials, CLI creates a supportive learning environment that encourages higher expectations for both teachers and students. The concept is based on the idea that the effect of the model classroom will permeate throughout other classrooms as well. Teachers from within the building are encouraged to visit and gain insight into best-practice teaching strategies. Model classrooms not only support their own students, but they also set an exemplary teaching standard that benefits the other students and teachers within the school. Within each school, CLI aims to have one model classroom per grade (kindergarten through 3<sup>rd</sup> grade). This helps foster continuity in educational development over the long term. Additionally, every model classroom teacher is part of the CLI model classroom network, which provides a sustainable framework for continued development. They become part of a collaborative learning community and attend monthly leadership development meetings, with the intent to produce “teacher-leaders” within their respective schools.



As part of its initiative to institute model classrooms across schools, CLI launched a major project in 2010 known as Modeling Exemplary Literacy Instruction (MELI). MELI was one of 49 projects (out of approximately 1,700 applicants) chosen by the U.S. Department of Education to receive a grant from its Investing in Innovation (i3) fund, which is meant to strengthen public education and student achievement. Over the course of the five year grant period, CLI plans to work with over 460 teachers in 39 randomly selected public schools in Camden, Chicago, Newark and Philadelphia. As part of the program, CLI will train teachers, establish one model classroom in each applicable grade of every school, and collaborate with teachers to ensure that each school develops the capacity to sustain high-quality literacy instruction over the long term.

#### MELI Project Locations

City	State	# of Schools
Newark	New Jersey	15
Camden	New Jersey	6
Philadelphia	Pennsylvania	10
Chicago	Illinois	8
<b>Total</b>		<b>39</b>

## Professional Development Services

CLI training and coaching programs help teachers implement instructional practices and promote a culture of literacy within the classroom. While these programs supplement the model classrooms, training and coaching sessions also serve teachers in schools that may not have exposure to model classrooms yet. CLI coaching involves one-on-one meetings, small group meetings, grade level meetings within schools, and a guided visit to a CLI model classroom. CLI helps create a learning community among teachers to better serve students in their schools.

## Other Services / Programs

**National Conferences:** CLI holds National Conferences which provide a means for educators to come together and present ideas, listen to influential speakers, and collaborate with one another on effective teaching strategies.

**CLI Compass:** An online tool that supplements the professional development services offered to teachers

**Teacher Pipeline Project:** Implemented in 2009-2010, CLI placed 7 student teachers in urban kindergarten and 1<sup>st</sup> grade Model Classrooms. CLI believes that investment in teachers is a key component to literacy success and this project provides an opportunity to learn best-practice teaching strategies firsthand before becoming full time instructors.

**Products:** CLI offers a wide range of products aimed to supplement quality literacy education. Major products include:

- *Message Time Plus:* Modeled writing and shared reading instructional program for pre-kindergarten through second grade
- *Blueprint for Early Literacy:* Comprehensive pre-kindergarten curriculum

## PROGRAM RESULTS AND EFFECTIVENESS

CLI uses a number of metrics to track its services and impact each year. In 2011, CLI had the following impact:

- Coaching hours delivered: 15,210
- Schools served: 350
- Students impacted: 48,300
- People receiving materials, coaching, or training: 1,725
- Teachers / Principal / Instructors coached: 755

Several impact studies have also been done to validate the effectiveness of CLI's programs:

- In January 2010, the OMG Center for Collaborative Learning published a study on kindergarten and first grade model classrooms that concluded CLI's initiative added value to schools and significantly improved student literacy scores
- The University of Pennsylvania's Center for High Impact Philanthropy published a report in 2008 – *Pathways to Student Success: A Guide to Translating Good Intentions into Meaningful* – which identified CLI as an exemplary institution in improving literacy instruction and “a charitable organization where invested dollars do the most good”
- A study from 1999 looks at CLI's Philadelphia Kindergarten Project which provided 1) kindergarten teachers in two city schools with 500 children's books and 30 hours of training; 2) kindergarten teachers in two other city schools with the books, but no training; and 3) two other classrooms with no books or training (control site). The study found that literacy development of urban kindergarten children can be accelerated with a better quality literacy environment
- Studies conducted in 1995-1996 by Dr. Virginia A. Walter evaluated the short term outcome of CLI training sessions. The studies found that these training sessions fostered several positive outcomes including effective

integration of books into the curriculum, stimulation of classroom literacy environment, and the involvement of parents in literacy activities

- Studies conducted in 1998-1999 evaluated the effect of CLI teaching practices and environments on pre-kindergarten classrooms in Baltimore and found that CLI’s programs made a tangible difference in raising achievement on assessments of reading readiness in Baltimore children perceived to be “at-risk”

The MELI Program will also be a key piece to validating CLI’s success. The results of the project are externally evaluated by American Institutes for Research, which is conducting a randomized controlled trial to measure the impact of CLI’s work on student success and teacher instruction.

**TRANSPARENCY**

CLI’s website is fairly comprehensive providing an overview of all programs and services as well as various impact studies evaluating the effect of CLI’s initiatives. The 2011 annual report was also accessible via website and yearly Audit and 990 forms were available through online resources as well. While management did respond to requests for additional financial information, they were not particularly responsive for a call to cover some basic diligence items.

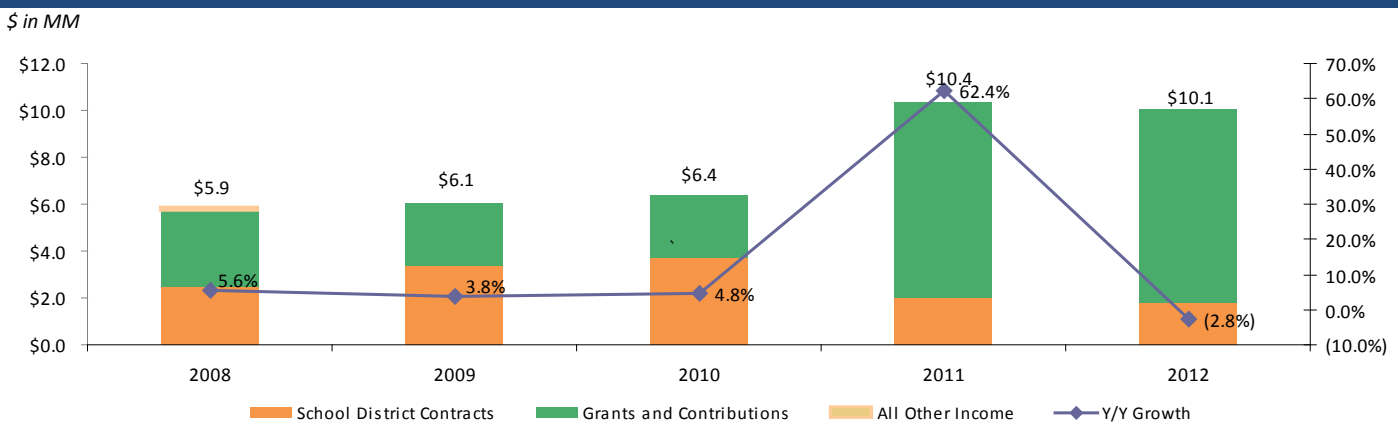
Additionally, it would be helpful to understand how exactly CLI partners with schools. With the newly launched MELI program, it is apparent that the Department of Education will have some degree of influence as to how the program is implemented, and that the 39 schools were randomly chosen within Newark, Camden, Philadelphia and Chicago. However, with respect to CLI’s other model classrooms, it is unclear how they choose specific schools within low-income neighborhoods and how school district contracts are won. It would also be helpful to understand how certain teachers are chosen to become model classroom teachers. Understanding this would provide better insight into how CLI operates and how they can capitalize on potential expansion opportunities going forward.

**FINANCIAL OVERVIEW (fiscal year end June 30, 2012)**

*REVENUE*

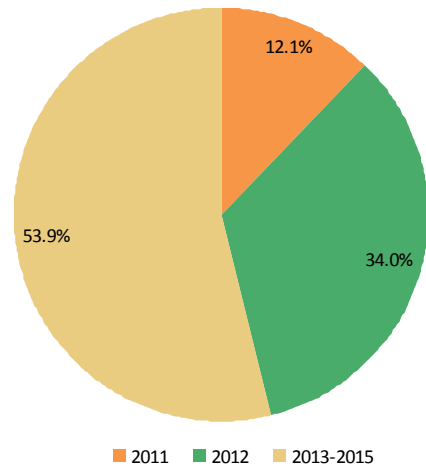
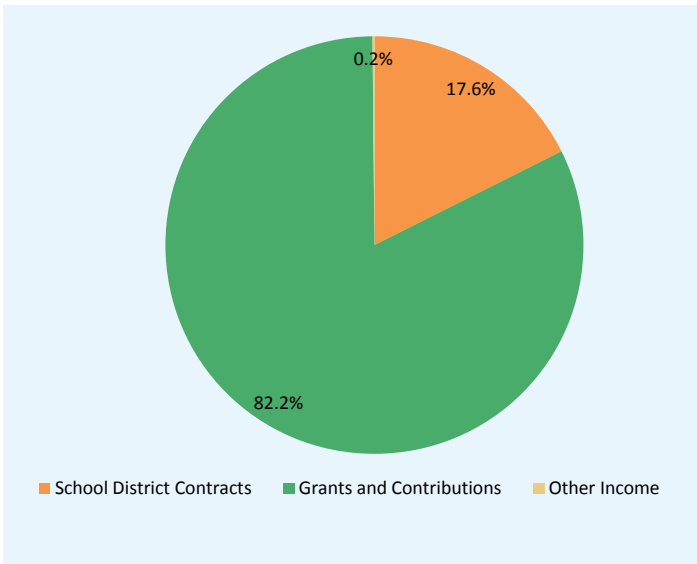
From 2009-2010, CLI saw limited revenue growth, with the majority of revenue coming from School District Contracts in 2009 and 2010. In 2011, CLI experienced a 62.4% increase in overall revenue largely due to a major jump in Grants and Contributions. A major driving factor for this increase was the 5 year federal grant of \$21.7 million that CLI received from the Department of Education in August 2010 (related to the MELI initiative). For 2011, CLI recorded \$2.6 million in revenue from the DOE grant. In 2012, revenue was down slightly due to decreased school district contracts. A higher proportion of CLI’s revenue is now supported by grants and contributions.

**Revenue Mix Over Time**



**2012 Revenue Mix**

**DOE Grant (Year Revenue Received)**



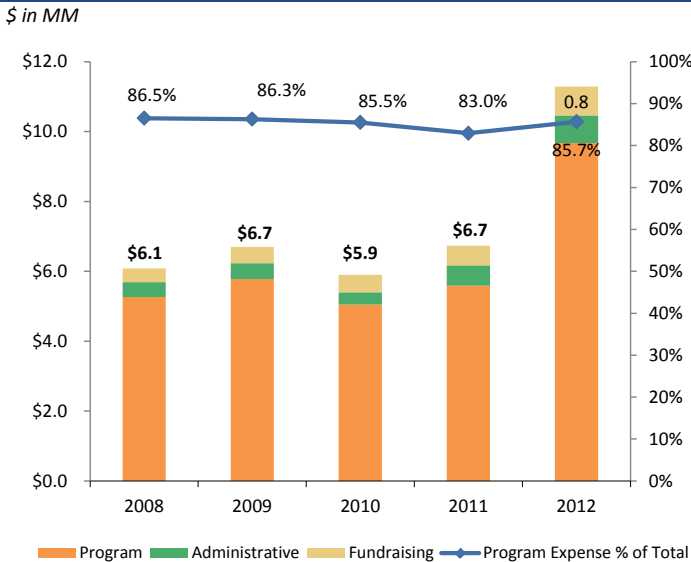
**EXPENSES**

From 2008-2011, CLI did not experience significant fluctuations in expenses. Through 2011, CLI exhibited cost control and significant operating efficiency as total expenses, as a percent of total revenue, decreased dramatically to 64.9% of revenue. However in 2012, expenses increased to 112.0% of revenue. Given CLI’s larger scale operations with the roll out of the MELI program, administrative, fundraising and program expenses all increased significantly. However, approximately 90% of the total nominal increase came from program expenses. The program expense increase can be

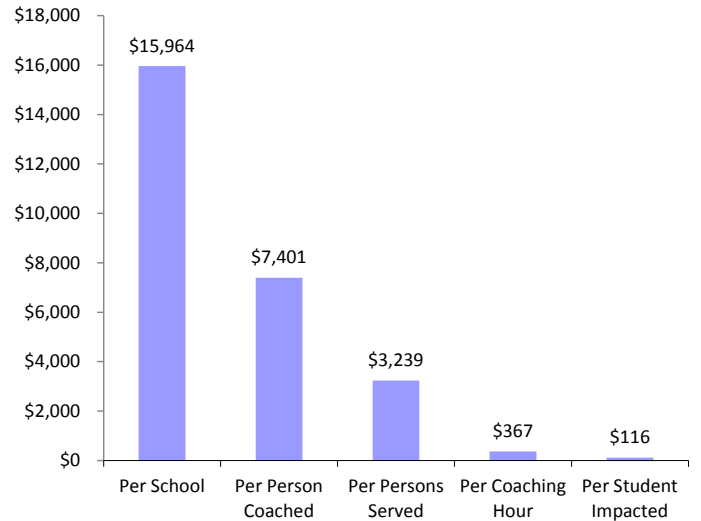
largely attributed to payroll, program consultants, professional fees, books and program materials. Given that the MELI program is still in its initial stage, CLI may be seeing a lag in expected revenue versus program expenses. Assuming greater national attention from the MELI program and further revenue from the DOE grant, CLI should be able to become more cost efficient again.

	Program Expenses		
	2011	2012	% Change
Payroll and Related	\$1,827,848	\$2,425,777	32.7%
Program Consultants	1,630,133	2,549,413	56.4%
Professional Fees	386,855	1,637,337	323.2%
Books	764,150	1,413,044	84.9%
Program Materials	375,900	841,950	124.0%
Overhead and Other	602,547	803,012	33.3%
<b>Total</b>	<b>\$5,587,433</b>	<b>\$9,670,533</b>	<b>73.1%</b>

**Expense Breakout Over Time**



**2011 Cost Per Beneficiary (based on program expenses)<sup>1</sup>**



**Detailed Financial Information (Tax Basis)**

<sup>1</sup> Based on CLI Annual Report; 2012 report not yet available

Fiscal Year Ended June 30

	2009	2010	2011	2012
<b>Revenue and Expenses</b>				
Operating Revenue:				
School District Contracts	\$3,393,044	\$3,731,177	\$2,060,353	\$1,774,618
Grants and Contributions	2,645,437	2,638,023	8,299,133	8,290,971
Product Sales	4,239	5,168	619	1,021
Investment Income	47,737	10,426	11,527	14,228
Miscellaneous Income	604	595	476	365
<b>Total Support and Revenues</b>	<b>\$6,091,061</b>	<b>\$6,385,389</b>	<b>\$10,372,108</b>	<b>\$10,081,203</b>
<i>% Growth</i>	3.8%	4.8%	62.4%	(2.8%)
Expenses:				
Program	\$5,781,629	\$5,045,538	\$5,587,433	\$9,670,533
Administrative	453,182	354,526	582,933	792,694
Fundraising	465,162	499,494	565,362	824,103
<b>Total Expenses:</b>	<b>\$6,699,973</b>	<b>\$5,899,558</b>	<b>\$6,735,728</b>	<b>\$11,287,330</b>
<i>% of Revenue</i>	110.0%	92.4%	64.9%	112.0%
<b>KEY BALANCE SHEET INFORMATION</b>				
Cash and Cash Equivalents	\$1,015,687	\$1,368,746	\$2,998,904	\$3,100,607
Grants Receivable	393,500	600,500	3,235,992	2,086,000
Accounts Receivable	352,166	801,108	226,561	277,774
Inventory	559,777	362,528	313,537	444,121
Plant, Property & Equipment	497,679	405,482	339,617	343,870
Other Assets	56,820	52,175	88,699	71,526
<b>Total Assets</b>	<b>2,875,629</b>	<b>3,590,539</b>	<b>7,203,310</b>	<b>6,323,898</b>
Accounts Payable	311,559	537,718	528,444	863,453
Deferred Revenue	21,920	24,840	10,505	2,211
<b>Total Liabilities</b>	<b>333,479</b>	<b>562,558</b>	<b>538,949</b>	<b>865,664</b>
<b>Net Assets</b>	<b>2,542,150</b>	<b>3,027,981</b>	<b>6,664,361</b>	<b>5,458,234</b>
<b>Program Costs as a % of Total Expenses</b>	<b>86.3%</b>	<b>85.5%</b>	<b>83.0%</b>	<b>85.7%</b>
<b>Administrative Costs as a % of Total Expenses</b>	<b>6.8%</b>	<b>6.0%</b>	<b>8.7%</b>	<b>7.0%</b>
<b>Fundraising Costs as a % of Total Expenses</b>	<b>6.9%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>7.3%</b>

Source: IRS Form 990 (Tax Accounting Basis)

## OTHER THIRD PARTY RATINGS

- As of May 2012, Charity Navigator rates CLI 4 out of 4 stars with a score of 60.83 out of a possible 70.00. Since 2003, CLI has consistently been rated between 3 to 4 stars (except for July 2005 when it received 2 stars), and this is its first 4 star rating since May 2008.
- GuideStar rates CLI 5 out of 5 stars based on the average rating from 11 personal reviews. GuideStar also gave “checks” to CLI in all major criteria categories which include transparency, IRS registration and availability of financial data, 990 forms, mission objectives and an impact statement.

## KEY PEOPLE

### Kelly Hunter Ed.D. – *Executive Director*

Kelly Hunter has been Executive Director of CLI since December 2011. Prior to that role, she spent 4 years as CLI’s Director of Professional Development. Before joining CLI, she worked as a Literacy Fellow and adjunct professor at the University of Pennsylvania as well as Project Manager at the University’s National Center on Adult Literacy. Kelly holds a Bachelor of Science from Drexel University and a Master’s Degree and Ed.D. from the University of Pennsylvania.

### Cameron Voss – *Deputy Director*

Cameron Voss joined CLI in 2000, prior to which she was the Director of Development at Frankford Group Ministry and a Research Assistant at Research for Action. Additionally, she worked as an adult literacy and GED teacher at The Lighthouse and Lutheran Settlement House. Cameron holds a BA from Swarthmore College and an MA from Temple University. She also received a certificate in Executive Leadership from Bryn Mawr College Graduate School of Social Work and Social Research.

## GET INVOLVED

You can support Children’s Literacy Initiative with a donation by using the following link:

<http://www.cliontheweb.org/content/donate-online>

## DISCLOSURES

Kabeer Aziz certifies that he does not have any affiliation with Children’s Literacy Initiative and has never made a donation to the organization. Additionally, Kabeer Aziz has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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