

Who is Supporting Nonprofit Financial Sustainability?

Venture Philanthropy Partners

Washington, D.C. grantmaker combines large, multiyear investments in youth-serving organizations with consulting and other support.

Quick Grantmaker Stats

Type of funder	Philanthropic investment organization
Geography/Issue Area	Washington, D.C.
When founded	2000
Total assets (as of FY 2013)	\$21 million
Annual giving (as of FY 2013)	\$5.9 million
Number of staff	11
Website	www.vppartners.org
Brief description of the program/ practice being discussed	Multiyear grants to organizations serving youth from low-income families in the National Capital Region to foster their growth, plus a range of other supports.

1. Describe the situation or practice.

Founded in 2000, Venture Philanthropy Partners is a philanthropic investment organization that helps great nonprofit leaders strengthen their organizations and grow proven programs for greater results. It concentrates money, expertise and the leverage of networks to improve the lives of children and youth of low-income families in the National Capital Region, and cultivates an engaged donor community to generate funding and influence in support of these institutions and of social change.

VPP’s high-engagement model blends a venture capital model for investing with time-proven lessons from foundations and nonprofits. The hallmarks of this model include deep investment analysis, focus on leadership, cultivating a trusted advisor relationship, using the power of networks, working with organizations that are making the greatest impact, funding what others do not, focus on performance, leveraging capital and providing strategic assistance through a professional in-house investment team. The VPP approach is to invest in the core operations and programs of high-performing nonprofits while offering a variety of other support, including coaching, mentoring and guidance on board development, growth planning and other topics. VPP also leverages

a wide network of outside contacts, resources and professional advisors to help grantees implement plans, recruit talent and pursue opportunities for broader impact.

Over the past 14 years, VPP has raised more than \$90 million in two funds to help low-income children and youth in the National Capital Region gain access to quality education, health care, career training and a better chance for a brighter future. VPP's first fund provided investments to 12 nonprofit organizations to grow and expand services. In 2009, VPP initiated a second portfolio of investments. As part of that portfolio and with funding from the federal government's Social Innovation Fund, VPP created youthCONNECT, an innovative approach to supporting a network of D.C.-area nonprofits to increase education and employment outcomes for low-income young people.

2. What have you tried to do differently?

Venture Philanthropy Partners is based, as its name suggests, on a partnership approach. When VPP initiates an investment in a high-performing nonprofit organization, it calls that organization an investment partner rather than a grantee. After an extensive due diligence process, VPP strives to develop a close, long-term relationship with the organizations it supports. In addition to providing multiyear grants that can total millions of dollars, a VPP advisor works closely with investment partners to help them clarify their goals and plans and to connect them to community resources.

"They are eyeball-to-eyeball with the executive director and the board to provide good advice and connections," VPP Partner Shirley Marcus Allen said of the advisor role. "This is a relationship where the advisor is sitting in on management and board meetings and helping us build an honest and transparent relationship with these organizations."

For VPP's youthCONNECT initiative, it added important new elements to its bundle of support for local nonprofits. In a network-building approach, VPP is supporting the participating nonprofits to collaborate in areas such as goal-setting, planning and program implementation as they provide education, social services and job training to local youth. It has also placed additional emphasis on evaluation and performance measurement, contracting with a nonprofit research center, Child Trends, as the network's evaluation advisor and consultant.

3. What has been the result?

VPP's initial fund raised more than \$30 million for the 12 organizations in its first portfolio, and these investments leveraged an additional \$32 million. In the second fund, VPP raised approximately \$50 million, and invested in five

traditional, capacity-building investments ranging from \$2 to \$6 million. youthCONNECT represents a departure from VPP's initial funding strategy by investing in a network of six high-performing nonprofits with the support of a \$10 million grant from the Social Innovation Fund. VPP is matching the federal investment with \$10 million of its own support, and the participating nonprofits will provide matching funds for a total investment of \$36 million.

Among VPP's most significant traditional investments has been \$5.5 million for KIPP DC. As a local affiliate of the national Knowledge is Power Program, KIPP DC opens and operates public charter schools. Since it initiated its partnership with VPP, KIPP DC has expanded from serving 1,500 students in six schools to serving 3,600 students in 12 schools. Although KIPP DC schools serve the lowest-income areas, their students consistently score higher on standardized reading and math tests compared to students in other D.C. schools, and they are graduating from high school and matriculating to college at significantly higher rates than both D.C. and national averages.

In addition to the specific achievements of KIPP DC and other VPP grantees, the youthCONNECT partners, together with VPP, have developed the D.C. region's first Common Outcomes Framework for getting young people on track to college and careers. The framework includes shared indicators to track student success in school and in their personal lives. The goal for the network is to help 20,000 youth in the National Capital Region successfully transition to self-sustaining adulthood.

“If we are to have a prayer of moving the needle in any significant way for low-income and at-risk youth and children in the National Capital Region, we must build partnerships across multiple sectors and then undertake action that is aligned toward achieving clearly defined outcomes. Given the magnitude and complexity of the issues confronting our kids today, we believe this is the only strategy that offers any realistic hope of achieving real and sustainable change.”

– Carol Thompson Cole, President

4. What are your key insights from doing the work?

VPP takes pride in being a learning organization, and as such, is constantly iterating. For example, VPP made important adjustments to its approach as it moved from its first portfolio of grantees to its second portfolio and the

youthCONNECT initiative. Seeking to achieve a higher level of impact through its work, VPP reduced the number of investment partners in the second portfolio. In addition, VPP decided that it would support prospective partners to develop business plans as the last stage of its investment selection and due diligence process, rather than making business planning a part of the overall investment.

The youthCONNECT collaboration is also providing opportunities for VPP to explore how to best build and support a network of nonprofits. VPP found that one of the most important ingredients for effective collaboration is strong, trusting relationships between partners — a process that is lengthy and complex, but that is ultimately a cornerstone for transformational change.