



**Leadership Dialogue:  
The Center for Venture Philanthropy  
of the Peninsula Community Foundation and  
lead partners in the Assets For All Alliance**

## Overview

Launched in 1999, the Assets for All Alliance began as a six-year program designed to help low-income individuals in Silicon Valley acquire those assets that historically have moved people out of poverty. The program teaches participants about managing and investing money and provides incentives to set aside part of their income toward a goal of buying a home, starting a business, or furthering their education.

To participate in the program, families attend financial literacy classes, get support from case workers, determine their financial goals, and start making monthly deposits to an Individual Development Account (IDA). Families who save up to \$2,000 over a period of two to three years receive 2:1 matching funds from the Assets for All Alliance, allowing the family to accumulate up to \$6,000 to invest in its asset goal.

The Assets for All Alliance has become the largest IDA program in the United States, with 1,100 participating families. The average household income of participants is \$24,000 per year, and 80 percent of participants make regular deposits to their accounts. The average savings deposit is \$63 a month.

The Center for Venture Philanthropy (CVP) of the Peninsula Community Foundation created the program in partnership with Lenders for Community Development (LCD). The two organizations serve as co-managing partners, and they have enlisted eight community partners to support the program. These eight partners identify, recruit, and provide support services for the low-income clients who participate in the program. Citibank, as the financial services partner, provides the savings accounts for the participants.

CVP manages the overall strategy of the initiative, tracks milestones and metrics, develops reporting tools, and communicates with investors. It also plays the lead role in developing funding sources for the six-year plan, defining and holding partners accountable for roles and responsibilities, and developing strategies for sustainability (the exit strategy). LCD leads the oversight of day-to-day operations, oversees financial literacy training, and monitors participant account activity and allocation of matched funds. The organizations jointly identify community partner organizations.

As the following dialogue indicates, the success of this alliance arose in large part from careful planning and clear definition of roles and responsibilities for each participating organization. Before launch, the two managing partners spent six months working out the details for each stage of a business plan. Managing and community partners agreed on their specific duties and documented them in a memorandum of understanding and operating agreements, which were signed by all participating organizations.

Because IDAs, like all financial instruments, have some readily measured metrics, progress of individual participants and the nonprofit community partners can be tracked against goals. CVP issues a quarterly report to each community partner and to its investors with updates from the nonprofits on client enrollment, savings patterns, and attainment of asset goals.

Interestingly, while many high-engagement relationships focus on capacity building, in this initiative there has been a strong focus on leveraging the resources and core competency of one nonprofit to support another, rather than simply building the capacity from scratch.

As called for in the original plan, CVP is turning over the management of the Assets for All Alliance to LCD in 2004. As it does so, CVP—which is essentially an unendowed foundation—will lose some of its financial supporters to LCD. Although this could be seen as a conflict, CVP doesn't see it that way. CVP is interested in LCD's success as a proven example of its collaborative work. In fact, CVP is introducing some of its investors to LCD in an effort to develop LCD's funding base.

## About the Organizations

**The Center for Venture Philanthropy** (CVP) was launched in 1999 as a division of Peninsula Community Foundation. It was designed to create an environment in which community donors could collaborate and drive positive change across the Silicon Valley region of California. CVP designs and manages social venture funds, which are pooled investments in four- to six-year plans aimed at addressing key regional issues. Investors work directly with CVP staff and nonprofit leaders to understand issues and engage in a process of joint problem-solving. CVP's first social venture fund, the Assets For All Alliance, has won national recognition for its anti-poverty efforts and leads the country in terms of documented results for Individual Development Account (IDA) programs. The second social venture fund, Raising A Reader, focuses on developing early literacy skills through a take-home book bag program. Environmental Solutions Forum, the newest fund, aims to build the organizational capacity of 15 environmental community-based organizations.

**Lenders for Community Development** is a community development financial institution that enables low-income individuals, families, and communities to create economic opportunity, build financial stability, and pursue self-sufficiency. In partnership with banks, philanthropic investors, community-based agencies, and other partner organizations, LCD develops financial products and services to channel resources into Silicon Valley communities traditionally underserved by conventional lenders.

LCD serves Santa Clara and San Mateo counties in California and also makes loans on a limited basis in contiguous counties. LCD was incorporated in December 1993 and began lending operations in January 1995. LCD has been certified by the US Department of the Treasury and the State of California as a community development financial institution (CDFI) and is licensed by the California Department of Corporations as a finance lender.

## By the Numbers

### The Center for Venture Philanthropy of the Peninsula Community Foundation

Funds Granted Annually:  
*\$1.3 million*

Staff Size:  
8

Geographic Area of Focus:  
*San Mateo and Santa Clara counties, CA (Silicon Valley)*

Types of Organizations Funded:  
*Nonprofits addressing issues of poverty, child development, and environmental education*

### Lenders for Community Development

Year Started:  
*1993*

Annual Operating Budget:  
*\$2.9 million*

Mission Focus:  
*LCD builds new pathways to increase the flow of capital into low-income communities*

Services Provided:  
*LCD has been certified as a community development financial institution and as such provides a small business micro-loan program, an affordable housing/community facilities loan program, and an Individual Development Account program*

### Assets for All Alliance

Year Relationship Started:  
*1999*

Expected Length of Relationship:  
*6 years*

Total Dollars Granted to Nonprofit to Date:  
*\$4.5 million*

Funds Committed Over Life of Relationship:  
*\$5.0 million*

Number of Hours of Funder Assistance Provided Annually:  
*1,000 hours*

## Dialogue

The following excerpts are from a conversation held in August 2003 at the offices of the Center for Venture Philanthropy/ Peninsula Community Foundation in Menlo Park, California. Participants were:

- **Judith Davila**, Manager of Housing and Community Development, Human Services Agency, San Mateo County Government;
- **Carol Welsh Gray**, Executive Director, Center for Venture Philanthropy;
- **Jane Hills**, Manager of Housing Services, Catholic Charities of Santa Clara County;
- **Margot Rawlins**, Program Manager, Center for Venture Philanthropy;
- **Sonia Delgado Villa**, Program Manager, Lenders For Community Development;
- **Eric Weaver**, Founder & Executive Director, Lenders For Community Development; and
- **Alfred Wise**, Community Wealth Ventures, *moderator*.

**Moderator:** How did the idea for the Assets For All Alliance come about?

**Weaver:** At Lenders For Community Development (LCD) our mission positioned us as a lending organization, but we saw ourselves in a broader sense as a community development financial institution. I had just become aware of individual development accounts, or IDAs, and thought they seemed like a very interesting and powerful thing. I had been toying with the idea of looking at that product because we serve as a bridge between low-income people and mainstream financial institutions. We felt like we had expertise in doing the back office and the processing side of things, and I thought maybe this would be something that we could build on. We got some early money from Citibank. I was actually to the point of not being sure if it was a good idea and not knowing just what we were going to do with the money. Essentially there was no way we could have gotten

anything going on any scale given our size and capacity at that time. Right about then, I was at a meeting with Sterling Speirn, president of Peninsula Community Foundation, and IDAs came up.

**Welsh Gray:** This was in January 1999 and the Corporation for Enterprise Development, which started the IDA movement in this country, was having its first conference in Oakland. Sterling said, "Go look at this big idea. Lenders for Community Development is interested in it, too." So I went.

**Weaver:** Right. And I had just hired a woman named Anne Stuhldreher as my associate director. She had come from the Ford Foundation where she had been funding IDA programs, and she went to the conference, too.

**Welsh Gray:** Anne and I met there and became very excited about how IDAs fit both our aspirations.

**Weaver:** CVP was trying to make a decision about what was going to be its first big social venture fund. Very soon thereafter they called me and said, "We would like to start funding you to really dig into IDAs. Are you interested?"

**Welsh Gray:** This felt perfect as a central idea to launch a social venture fund. We got together for a meeting within a week after the conference.

**Weaver:** The two organizations had not done a big project before but had significant knowledge of each other. Sterling and I knew each other very well, and LCD had gotten a couple of small grants from the foundation previously.

**Hills:** Parallel to this, Eric had also engaged in lots of conversations with Chris, the director of one of our low-income housing development programs. Eric had supplied various loans for apartment renovations, etc., at Catholic Charities. Eric and Chris had previously engaged in a number of conversations about asset development with the poor. Yes, we supply the housing, but how can

those people maintain the housing? And how can they then stop living paycheck to paycheck and really work on developing savings and economic self-sufficiency? The IDAs fit perfectly into those conversations.

**Moderator:** I understand how you came up with the concept of IDAs being an investment. How did you land on Eric and LCD as the appropriate partner?

**Welsh Gray:** The choice of LCD occurred quickly and naturally because trust was already there. Eric and Sterling knew of each other's work and respected each other. Anne and I were both newly hired to create and implement new visions for each of our organizations, and we had lots of playing room. We sat down and grappled with what our roles could be if we were going to do something together. What is the expertise at LCD and what is the expertise at CVP and who else do we need at the table? From the very beginning, we recognized that we needed additional partners.

**Weaver:** From my perspective, it was not like CVP decided, "Okay, let's do IDAs and let's go find out who to do them with." Our two organizations came up with it together. Sterling was interested in the idea and I was interested in the idea, and we crossed paths. At that very moment, he had this brand new division that was going to do something big, and I had a new employee who was very talented and had the time.

**Welsh Gray:** In those early conversations, we designed a framework for working together that was key to our success today. We established the roles and responsibilities of LCD based on its strengths and defined this new venture philanthropy role that CVP would play. Then we jointly decided who would be the other nonprofit partners. The Assets For All Alliance is composed of organizations from two counties. LCD had deeper knowledge of the players in one county, and we had deeper knowledge of the players in the other.

**Moderator:** So you have identified a concept and you have the two organizations saying let's figure this out. How did it evolve and how did you choose partners?

**Welsh Gray:** We formed a steering committee, which was the four of us—Sterling, Eric, Anne, and myself. We designed selection criteria for community partners who would be on the ground, working directly with the low-income client. We looked for good leadership, solid commitment to the idea, and organizations that could add this IDA piece easily to their existing work. We decided how we were going to measure success, and we decided up front that this was an experiment. The IDA concept was a year old in the country, and we did not really know if it was going to work, especially with the special conditions and challenges of Silicon Valley. At that time, we had the fastest growth rate of wealth and a widening gap in homeownership. The cost of housing was going through the roof, and we would be working with very low-income people. Therefore we defined our goals and our measures of success before we chose the community partners.

We wanted then to pilot helping people get into a variety of assets: home ownership, college education, and expanding a business. We were looking at nonprofit partners who could bring to the table the kinds of clients who were seeking those goals. We were looking at cost and how to get maximum benefit per dollar. If we invited an organization to participate that had no involvement or track record working with clients on acquiring these assets, it was going to cost them a lot more to ramp up than if they were already working in case management day-to-day with people of the desired profile. Our choice for partners was driven by definitions of what we were looking for, way before we looked at specific organizations.

**Weaver:** We looked at capacity and we looked at volume. Not all the partnerships worked out as well.

**Moderator:** So how many partners did you start with?

**Welsh Gray:** We started with eight. We have different kinds of partners. The financial partner was Citibank, which we contacted early on because we had heard that Citibank in Chicago had been doing a lot of innovative work with the beginning IDA movement. Because we were asking for changes in the way banks do business, to meet our needs for tracking the clients, we piggybacked on what was happening in Chicago to help us move through early barriers here. In looking at partners for recruiting low-income clients, Catholic Charities was a natural. It is one of the largest players in the region working with people in poverty. When we approached each of the nonprofits, we talked to the executive director about the concept, and we talked with the staff or the head of the particular division about implementation. We made sure that, at all organizational levels, there was buy-in for a long-term relationship.

**Moderator:** Explain how the roles work.

**Weaver:** We had managing partners who jointly set the overall policy and strategy. Initially, that was Carol, Sterling, Anne, and me. We ultimately are accountable to our boards, of course, who set the big picture. Then each of the managing partners had specific roles. CVP's role focused on the framework of accountability and making sure that everything was happening throughout the collaborative. Then fundraising was its responsibility, although Catholic Charities actually did a lot of its own fundraising.

**Welsh Gray:** In fundraising, CVP took the lead in the boat, but we made it clear we expected all to pull the oars. For instance, Catholic Charities saw a way to get quite a large stream of money from the federal government for refugees. We helped Catholic Charities write that grant and deliver the periodic reports of results, but that organization was the responsible party.

**Hills:** Sometimes there were rules and regulations that were specific to that government money and different from the guidelines set up in the Assets For All Alliance. Funds could not be used for some assets. We had to bring that to the

table and then negotiate how we would operate.

**Welsh Gray:** We gave more money for the pieces that the government funding stream would not cover so Catholic Charities could maintain a consistent program for all its clients. Alignment in the collaborative was a frequent item of discussion.

**Moderator:** In terms of your organization, did you know what you were getting into?

**Weaver:** It has exceeded our wildest dreams as far as effectiveness. I did know that it was going to be a major change for us. To go into something that required raising big bucks—and all of it grants—was a change for us. We knew we were doing something new and different, but it had a real potential to bring more depth to our organization's impact. We were trying to grow just for growth's sake. At five years, we were at the age where we needed to grow a little bit or we might not make it. It had a powerful impact on our whole capacity.

**Welsh Gray:** We looked around the country at where IDAs had started, and it was clear that it was not a simple launch. We saw that it was going to take a lot of work, and we didn't think we could do it without a strong partner like LCD, either.

**Moderator:** Oftentimes in this sort of project, capacity building is hiring and staffing. It sounds like you did capacity building by trying to find the right partners that already had that capacity and involving them in the project.

**Welsh Gray:** Had at least some of the capacity. I would say that there were pieces that everybody had and pieces that they didn't have, and we had to build them. If Catholic Charities said I can do this piece, but that piece is hard, then we would say: "Can LCD do that piece?" or "Can we bring in a consultant to add that piece?"

**Weaver:** What CVP did, it wasn't like some other cases where the funder says we are going to help you go hire a

development director, or this or that, because you need that. It was more that there is this grand vision, and it all makes sense in terms of roles and responsibilities. It is not capacity in the sense that you don't have the right people and you need people or you need training. It is more that you need coordination and you need someone who can look at the whole picture and keep it moving, especially at the beginning.

**Welsh Gray:** I think one of the biggest roles we play now, and we played at the beginning, was driving the conversations about the prize. What does the prize look like? Are we still heading straight to the prize versus some detours? Our goal was to pilot this big idea to move people out of poverty—to see what works and what doesn't work, document the lessons, and share them with the field and policy-makers. In early discussions about our exit strategy, all the partners felt that if the IDA approach works, it would need government funding to sustain it. The high cost would probably prohibit the nonprofits from sustaining it on their own. Therefore, our exit strategy was to do our best at influencing policy. Too often policy is set without good research and without

good validation. We bought the database design of the national pilot, the American Dream Project, so that our data would build upon the national story. When the feds became interested in looking at the IDA concept, we applied to become a federal demonstration project.

Sterling was quite adamant initially that we not go after the federal money. He said, "In the middle of this economic boom, we can get money a lot easier than going through all the hoops to get federal funding for a grant that at most could be \$250,000 toward our \$6 million goal." In circling back, though, we realized that if our goal was to educate the field and influence policymakers, then we had to get in bed with government as the best way to have our data influence policy. In reality, we applied for the opportunity to be a central player in national discussions. That participation continues today.

**Moderator:** If you were to look back four years ago, what are some of the things you would have done differently?

**Delgado Villa:** Some of the community partners had high staff turnover. When that high turnover plays out, there is a big

transition phase. A leader of one partner organization worked with us throughout the planning stage. He was vested in the whole program and in the IDA movement. Unfortunately, when he left and somebody else came on, it was a real disruption.

**Welsh Gray:** The nonprofit did well at meeting targets initially, but he was unable to pass the baton and we never recovered there. Also we suffered lots of challenges and frustrations when funders came in with an agenda of: "Well, we will give you money but we want you to start Assets For All Alliance in this neighborhood." We would not have picked the neighborhood as the place to start or we might not have gone into that neighborhood at all because we were aware of the increased risks there. Sometimes we had to work with a particular community partner that the funder wanted us to work with, and we would agree, thinking that we could do it. We knew the weakness of the nonprofit and we thought we could shore it up, but sometimes the weak situation got the best of us. Those relationships didn't always work, and they were a huge drain on our time and staff resources.

## On the Relationship

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"CVP established a framework where there were frequent opportunities for feedback and input. By choosing partners that both CVP and we respect, we took their input seriously and made changes accordingly. Once we had done that a few times, we built confidence in the process and the team." —Weaver

"Part of the reason why the partnership really works is this continual discussion and a basis of trust and respect for each other." —Rawlins

"Venture philanthropy does not work for all partners. It works for a certain kind of partner who is willing to engage in this dialogue and work through problems and challenges in a very open, frank, respectful manner." —Welsh Gray

"It is not the normal thing when the nonprofit grant recipient is so frank with the funder. I wonder if part of that, at least in our case, was because this was a new project." —Weaver

"We are different from many venture philanthropy models in that we absolutely do not sit on boards of nonprofits or even necessarily meet the board or get into how Eric is running his organization, beyond the specifics of this IDA program. Our relationship is with the management of an initiative, and when it comes to our role, we define what we should be talking about in a memorandum of understanding that updates targets and milestones yearly." —Welsh Gray

**Moderator:** Now in retrospect, what would you say makes a strong community partner?

**Welsh Gray:** A strong community partner is an organization that follows through with commitments that are well-aligned with the organizational mission. In our venture philanthropy model, there are operating agreements with each community partner, which CVP formats and writes based on mutual agreement about everything from quarterly milestones to logistics of who does what. Sometimes weaker organizations had repeated failures in follow-through even when LCD and CVP staff had done everything they could to shore up the partner's role, and then we had to walk away from the relationship.

**Moderator:** Can you go into more detail on how the community partners are involved in the funding?

**Rawlins:** We provide the community partners with the resources they need to provide case management for the clients. If they had agreed to recruit a hundred clients, they would give us a budget for what they thought it would cost them to recruit and provide support for these clients. We would negotiate based on their organizational realities and a formula based on three types of clients: those who are hard to manage for a variety of reasons, those who require just a little bit of support, and those who should not require any support and should be able to start saving right away.

**Moderator:** Talk about some of the overarching metrics. How are you measuring for the whole program and how does that get pushed down to the various community partners?

**Welsh Gray:** The original community partners bet that 75 percent of their clients would acquire their assets after a three-year saving period, if the Assets For All Alliance program was funded and implemented as designed. Therefore, CVP led discussions about setting targets along the way that would indicate progress. We monitor how many low-income clients are meeting their monthly savings goals and

how many dollars are banked toward asset purchase as indicators that we are on track for reaching that 75 percent goal.

**Rawlins:** To reach that goal, we knew our clients had to save regularly. We defined that initially as meaning making deposits 10 out of 12 months. Then we saw slippage in that target area, and investor-community partner discussions about that slippage led to a new policy that if clients missed that second deposit, they moved to probationary status with a set of intervention steps. We also create reports we call target summaries and send them out to investors and nonprofit partners each quarter. They indicate that Catholic Charities clients are performing this way and San Mateo County clients are performing that way. They provide this wonderful ability for the partners, through our measurement tools, to talk to each other and discuss strategies for improvement.

**Welsh Gray:** There are 10 years of research around assets, and how, when people own a home in a community, they become vested in that community and develop a sense of self-sufficiency. We looked at that research and asked how we could drive that down into some measurements. It is easier to measure enrollment numbers or saving patterns. That sense of economic self-sufficiency was squishier, so the collaborative looked at what is a proxy for measuring that and came up with the decision to look at reductions in clients' bad debt. Are they just borrowing more to be participating in the program? Or are they really learning the lessons from Sonia and setting up schedules with their caseworkers to reduce their bad debt? With less bad debt and increased saving, you can assume they are developing a form of economic self-sufficiency. Then we got into the issue that if you are going to college, all of these people are taking on debt, but that wasn't negative. So we had to define all of these elements thoroughly. A lot of the discussions over the four years have been on defining data points. We do not want to collect data that are not useful for our discussions and for our tracking of success.

**Moderator:** As a community partner, how do these metrics work?

**Hills:** They came about as part of these discussions that we had at investment councils between investors and community partners and when we had monthly partners' meetings. I think it was just part of the ongoing dialogue.

Davila: No policy has ever been a surprise to anybody. It has been discussed at the investment council, it has been discussed at the community partner level, and it has been discussed in the steering committee. By the time we finally implement it, it has gone around the block.

**Welsh Gray:** Which leads to a really important point. We are not a consensus-driven initiative. We maintain control as a managing partner of the decisions, and we set the policies. But it is called input, input, input, dialogue, dialogue, dialogue. We won't always agree with everybody's opinion, but we try to help them understand when we set the policies.

Here is an example of where we set a policy, which Catholic Charities, for instance, was originally against. Catholic Charities asked if their clients could save money for first and last month's rent or for mobile trailers, which we did not view as appreciating assets. If you own a mobile home it will be less valuable three years from now than it is today. We did not qualify those uses based on our definitions of asset. They were looking from the poverty standpoint; sometimes getting that car or getting a mobile home is the right approach for that client. We were looking at the decision in terms of our original intent: fostering asset-building aligned with the historical research behind IDAs.

**Weaver:** This is a key issue. CVP was holding the purse strings on the lion's share of the money that came through this. They were comfortable making decisions. Most of them we made together. At the same time, CVP established a framework where there were frequent opportunities for feedback and input. By choosing partners that both CVP and we respect, we took their input seriously and

made changes accordingly. Once we had done that a few times, we built confidence in the process and the team. This was not a case of a funder saying, “Here is some money. Go do this and do it exactly this way.” It was iterative, and the model had built-in mechanisms for people to meet regularly and give feedback.

**Moderator:** Has this project evolved with the metrics and the feedback mechanisms that you think you would have liked had there not been a power imbalance?

**Weaver:** Certainly they had some leverage—probably more than any other partner—about policy decisions, although they showed exemplary behavior and did not take advantage of that and were just being very open. CVP is a little different. This isn’t a foundation like the Packard Foundation, which has its money and isn’t out raising more money. CVP has enormous accountability. They are driven by wanting to make it work right, because if it doesn’t, they don’t get to do another fund. So they are going to listen to good ideas. When philanthropists don’t have any accountability, they are free just to pursue their own crackpot ideas and not listen to their grantees. Carol and Margot have to be successful or they are out of a job.

**Welsh Gray:** Our stake in this is big because each quarter we are putting up publicly, on our website, whether our targets are met or not. We are also raising funds so when we report to investors, we’d better be listening to the troops on the ground or we are going to fail.

**Weaver:** It is actually a lot closer to the true sort of venture capital model than a classic private foundation that has its endowment set. They are fund managers and they have investors to report to, just like a VC firm. I think that would potentially make them more effective. The very structure of it is going to drive them toward accountability and success more than another type of philanthropic organization.

**Rawlins:** One of the most powerful tools that we have is target summaries. As

quarterly reports, they keep us in touch with our investors and they also keep us in touch with our partners.

**Moderator:** How do you see your organization accountable to CVP?

**Delgado Villa:** Start naming all of the ways. We act as the lead operational partner, but LCD is also a community partner enrolling clients. At LCD, we are responsible for operational needs of the other community partners as well as recruitment of new participants through our small business department. I am accountable to the program goals as well as the goals I set for myself at LCD. Not only are we accountable to CVP, we are also accountable to the funders that it engages.

**Welsh Gray:** LCD collects a lot of the data from the community partners and turns it in to Margot, and we generate the reports.

**Delgado Villa:** I am also accountable to our participants and nonprofits to make sure that we provide quality services to them. Since we are a community development financial institution and we have received some funding for the Assets For All Alliance through the CDFI award, we have to track that on an annual basis as well.

**Weaver:** For some of the community partners, we teach all the money management classes and have day-to-day stuff we have to do. I think both co-managing partners are accountable for the total enrollment goals. We feel accountable for that 80 percent number.

**Davila:** Our accountability is really around delivering on the idea itself and insuring that it really does work for the low-income folks in our county.

**Welsh Gray:** San Mateo County government also wears two hats. The county government funds money to the Alliance and is on the ground working with clients. Judi, as an employee of the Human Services Agency, has accountability to the board of supervisors. We have presented reports to them because we want to keep

that funding stream flowing. We are therefore holding government accountable for following through with its own use of the money, you might say. Then we bring an additional carrot by adding dollars to round out the client services, beyond what its restricted government dollars can do.

**Moderator:** Eric, how has this alliance had an impact on LCD?

**Weaver:** Well, we were already largely there with using metrics. That is why we were a good fit for this because we were already a very numbers, results-driven organization. We do lending and we are always measuring repayment rates and numbers of loans. Our banks that invest in us want to know the demographics, and we already had all that information. This is a different animal in terms of the intensity of the fundraising required for it. We had the luxury of beginning to launch and manage this huge program without having to really do any of the fundraising. We did not have to raise \$6 million dollars. We raised half a million dollars—not even that much. Now we are moving toward starting to raise those kinds of dollars to keep this thing going because CVP has been very clear from the beginning that it would fund a six-year plan. It is helping us build the capacity to do that. In terms of a lasting impact on us, it is going to get us to another level where we can have the fundraising capacity to do things like this.

**Welsh Gray:** Our goal for the fund was not focused on sustaining this locally but to find out whether the idea worked and educate the field. Our exit strategy is probably the oldest exit strategy in the foundation world, relying on government for sustainability. In designing the fund, we said that after the final wave of client enrollment (beginning of year four), LCD and the other nonprofits would decide whether they wanted to continue beyond the goals of the Social Venture Fund. If that was the case, then we would have to develop a solid, careful transition over the remaining three years. As we transition into stage two now, we work more and more to position LCD to have the relationship with the funders. That is where we

are right now, where they are taking the lead in the fundraising and we are taking a backseat. We need to make that transition smoothly so it doesn't look like we are walking, which we are not.

**Moderator:** Were there foundations that may have been interested but didn't want to take a secondary role so they didn't invest up front?

**Welsh Gray:** Several played a secondary role, but now they are excited because it is such a winning proposition to look center stage. If you want the Alliance to stay big on the national scene, then you must come forward with funding to help out LCD.

**Rawlins:** The point here is that we need to stay big on the national scene if we are going to get to our exit strategy of informing public policy.

**Moderator:** Was that an intentional exit strategy?

**Welsh Gray:** Totally.

**Weaver:** It was definitely intentional.

**Moderator:** How much was raised to originally capitalize this Alliance?

**Weaver:** \$3.2 million.

**Welsh Gray:** We had a goal of 600 clients enrolled, and then we were doing so well that we changed the goal to 800 clients, and then again to 1,000 clients and a \$6 million budget, all within the six-year funding cycle.

**Weaver:** The way this thing works is you can stop enrolling people if you realize you don't have the money. We were comfortable enough to put those numbers out there publicly.

**Welsh Gray:** We raised money from foundations and individual investors, some who were new to philanthropy. I am thinking of one man, a brand new donor-advisor to the foundation, who said he was looking for ideas. We proposed several, and he called me 24 hours later and said he wanted to invest \$200,000 in the Assets For All Alliance because of the CVP

process. He said poverty was not particularly his issue, but he liked that he would know the impact of his philanthropy.

**Hills:** I know when my colleague and I first came to the investment meetings, we thought, oh, this is going to be interesting because here we are working with people who are extremely poor and homeless. We are going to be meeting captains of industry who are going to want to know what the bottom line is. They are going to want to know the return on their dollar or the return on their investment. I don't think we are really going to match with these guys. It turned out that one of the most successful interactions happened at those investor meetings. The investors were interested in what we had to say. They treated us with a great deal of respect. We felt that those meetings helped us bridge the gap between the rich and the poor. I think in this county especially, Santa Clara County, the space between rich and poor is tremendous. You have these very wealthy people in their gated communities with a chauffeur. The only poor people they might meet may be the gardener.

**Weaver:** The poverty is not visible to them.

**Davila:** They did not understand it. You guys would always explain these issues, and we would explain how people tried and what their struggles were, and you could see the investors were just dumbfounded. Now they are really finally understanding what this is all about and some of the struggles.

**Hills:** It was a matter of understanding that if you work for this amount of money per hour, you don't have health insurance and you don't get paid if you are not at work. If your kids are sick or your tires blow out on your car, you are stuck. What do you do? That might be the reason that you can't save that amount this week. I thought, these guys are not going to be able to understand this, but they really did.

**Moderator:** As you are transitioning to stage two and the fundraising onus falls more on LCD, how is that transition happening?

## On Planning

"In those early conversations, we designed a framework for working together that was key to our success today. We established the roles and responsibilities of LCD based on its strengths and defined this new venture philanthropy role that CVP would play."

—Welsh Gray

"When we approached each of the nonprofits, we talked to the executive director about the concept, and we talked with the staff or the head of the particular division about implementation. We made sure that, at all organizational levels, there was buy-in for a long-term relationship."

—Welsh Gray

"...the agreements are pretty straightforward. It is like you are going to do this and we are going to do this. It puts a structure to it and it sets up accountability."

—Weaver

**Weaver:** I will explain stage one and stage two. Stage one includes the accounts that CVP raised the money for—basically 1,027 accounts. Because the clients are still saving through December '05, the CVP is still involved in every aspect other than actively seeking new grants for new accounts. It is still generating the reports and helping us hash out issues. Going out on the national stage, it helps us report to future funders, and, behind the scenes, it helps us interact with them. Stage two started this January. Essentially, CVP money funded the first 150 accounts in stage two. That was done on purpose so I could stand up and say we have already raised some money for stage two and we had some momentum. We are trying to do a more modest goal. We would not try to do another 1,000 accounts, but we are trying to do 500.

**Moderator:** Which requires...?

**Weaver:** \$3.1 million.

**Moderator:** What about the fundraising part?

**Weaver:** The fundraising part is going very well. We have one big funder, The [Charles and Helen] Schwab Foundation, which came in at the end of stage one and has already upped for stage two.

**Moderator:** That was initially through the Center for Venture Philanthropy?

**Welsh Gray:** Right.

**Moderator:** And now?

**Weaver:** They are going to give a check to LCD. I think fundraising is actually the only area where we had any tension that was even significant or that we just didn't feel comfortable dealing with. We had other tensions, but it was very comfortable dealing with those.

The Schwab Foundation was also concerned about the transition, so we brought in a new senior management person who oversees IDAs and now it frees me up to focus almost exclusively on fundraising.

**Moderator:** Carol or Margot, were you involved in selecting that person?

**Welsh Gray:** No. We are different from many venture philanthropy models in that we absolutely do not sit on boards

of nonprofits or even necessarily meet the board or get into how Eric is running his organization, beyond the specifics of this IDA program. Our relationship is with the management of an initiative, and when it comes to our role, we define what we should be talking about in a memorandum of understanding that updates targets and milestones yearly. That is our bible for the funder-nonprofit conversations.

**Weaver:** Back on the fundraising piece. I would say that we had a lot of discussion about this stage one and stage two thing. How were we going to explain to people the roles of CVP and LCD and how they are shifting? It is inevitably a challenging thing. CVP is so vested in this, and it is hard to pull back from a thing you are so vested in. I keep comparing CVP to a private foundation. A traditional foundation is, of course, interested in its reputation, but you guys are a fundraiser organization so you are very vested in being high profile, getting in front of people and getting your name out there. That is your job. So how can you be true to that while being a good parent to us, putting us forward and letting us shine?

**Welsh Gray:** Well, sometimes LCD wants to look successful in a stand-alone way to encourage stage two funding directed at it versus CVP. We need them to look successful and they are. At the same time, we have funders that value the fact that we are playing this role, and we don't want them to think we are walking and that this is over. We say we are about results so we need to show people those

results. When our flagship project is so successful, we have to make our role clear or we are out of business. We are constantly focused on the messaging to communicate accurately.

**Rawlins:** Part of the reason why the partnership really works is this continual discussion and a basis of trust and respect for each other. Eric calls me and leaves a message: "What do you think about so-and-so?" And, if he can't get me when he needs to make a decision, he has to move. I call him back and I say, "I knew you had to move, but . . ."

**Weaver:** ". . . you screwed up."

**Rawlins:** "You screwed up" or "This just didn't feel right." He'll say, "Yeah, you're right. It didn't work, so let's try this." There is a basic relationship there that stands us in good stead no matter what the turbulence.

**Welsh Gray:** Venture philanthropy does not work for all partners. It works for a certain kind of partner who is willing to engage in this dialogue and work through problems and challenges in a very open, frank, respectful manner.

**Weaver:** It is not the normal thing when the nonprofit grant recipient is so frank with the funder. I wonder if part of that, at least in our case, was because this was a new project. If somebody came to me now and said, "I would like to give you \$2 million or \$6 million dollars for your IDA program. . . ." At this point, I am desperate to keep doing IDAs and I am going

## On Outcomes and Evaluations

"We monitor how many low-income clients are meeting their monthly savings goals and how many dollars are banked toward asset purchase as indicators that we are on track for reaching that 75 percent goal."

—Welsh Gray

"We also create reports we call target summaries and send them out to investors and nonprofit partners each quarter...They provide this wonderful ability for the partners, through our measurement tools, to talk to each other and discuss strategies for improvement."

—Rawlins

"A lot of the discussions over the four years have been on defining data points. We do not want to collect data that are not useful for our discussions and for our tracking of success."

—Welsh Gray

"Our stake in this is big because each quarter we are putting up publicly, on our website, whether our targets are met or not. We are also raising funds so when we report to investors, we'd better be listening to the troops on the ground or we are going to fail."

—Welsh Gray

to be a lot more likely to tell them whatever they want to hear. This was new to us and we got to work into this together.

**Moderator:** How has this evolved versus what you originally envisioned?

**Welsh Gray:** I am thrilled and exhilarated, frankly, that so many of our original decisions ended up pretty much landing on the mark. That is due to a couple of things. Part of it is luck. It is carefully planned luck. We went fast. We enrolled the most clients in the shortest amount of time of any IDA initiative in the country. There are thousands of IDA programs today, but back then there were 15, and Anne spent hours making calls to capture the initial lessons. For instance, the policy that clients had to be in the program for a certain amount of time before they could draw down money was based on scamming that was taking place elsewhere. Clients were borrowing money and then showing up ready to draw down the match without having learned savings patterns. We made some policies that were absolutely smart and stayed smart because we did our homework and learned from others. Also, we knew a lot about our local communities, the set of nonprofits, and the challenges of going into different neighborhoods. We made some choices to go into some neighborhoods that did not work as well. We actually knew the challenges ahead of time, but sometimes we gambled and we lost. A few nonprofits were not ideal candidates for partnership, but they were the best we could find and we decided to take the calculated risk. We also bet because we could afford to take some risk as long as most of our effort was producing results.

**Hills:** I also think you picked partners who were experts in their particular field and didn't expect us to work beyond our limits. I know several big, but less successful, IDA groups have told us at conferences that they had to do everything. They had to recruit the clients, do the case management, and then provide the financial literacy piece, and they weren't really capable of doing it all themselves.

**Welsh Gray:** Our luck was also very much in the timing because we could not have raised the money in a down economy.

**Weaver:** We walk around patting ourselves on the back at national conferences and we deserve it, but when Sonia and I do presentations, we probably make it sound easier than it is. You just go and raise \$6 million dollars. Everybody just says, "Oh, well."

**Moderator:** What mistakes have you made?

**Weaver:** There are some enormously complex issues around the funds flow—whether people use all their money and just forecasting how much money we are going to need. What one account actually costs us from start to finish is something that we still don't know because it is a six-year process and people continue to enroll.

At one point, when everything was going very well, we took our eye off of the ball. Very quickly we went from thinking we had raised way more money than we needed to worrying whether we had enough to do what we had said we were going to do. Zuri Ruiz, our new director of programs, was a McKinsey consultant with an MBA. The first thing she did was to get all of this data into a big hairy spreadsheet and figure it out. The answer was we just had enough for the stage one accounts and to cover the operations costs all the way through. There was not a dime to spare. Fine, but we did not know that when we should have known it.

**Rawlins:** We struggled with how to collect data about the cost of the program. We started off looking at it one way, and then, as we got into it, we realized that doesn't really make sense, so we changed the way we would measure things. Of course, then we lost all our historical perspective for comparison. We are still struggling with that. We made a fiscal mistake, and I think we are looking back on it as a miscalculation, when we decided to give clients a year beyond the three-year savings plan for purchasing the asset. We extended this offer midstream and did not calculate the fiscal implications,

the payment of case managers and the tracking of accounts, but simply responded to the needs of the clients.

**Weaver:** After we stop matching their money, they still have another year to use it. The mistake was not costing that out. We were thinking, oh, they will still have a year to get their asset, but we won't have any more cost because we won't be matching them anymore. But, in fact, there are costs. We are still in touch with that person.

**Moderator:** It seems that the Peninsula Community Foundation has two donor types: those who are writing checks, and that is as far as they want to go, and a handful of people who are choosing to invest in what you are doing because they are interested in higher engagement.

**Welsh Gray:** It is not necessarily their high engagement. Sometimes they want to touch the product, and other times they want someone monitoring their investment and tracking it and reporting to them.

**Moderator:** What percent of Peninsula Community Foundation donors are investing in the Center for Venture Philanthropy?

**Rawlins:** Maybe a fifth or fewer.

**Welsh Gray:** We have done the numbers and most of PCF's donor-advisors have their favorite charities and really don't want ideas. We try to encourage them to work with us, but a lot of them are already clear about their philanthropy. They often give to their alma maters or causes where they have a personal affiliation. Sometimes donors move through stages of giving, where over time, we are able to connect them from what they know most intimately to issues of poverty or something they haven't experienced.

**Moderator:** Can you talk about the scalability of the IDA model?

**Rawlins:** The scalability is really based on government involvement. Of course, it depends on how you define scale. If we are talking about making it available

to those who need it, those who qualify for it, and those who are ready to take advantage of what it has to offer them, scale is limited only by its fundability.

**Welsh Gray:** But can this happen in another community? Yes. We have been showing other communities how to build this IDA collaborative and its focus on shared responsibility.

**Rawlins:** Another community foundation is trying to duplicate exactly our IDA approach in Arizona. Part of their problem is that they are dealing with community partners who have programs already up and running. Each nonprofit already has its own processes. The community foundation is now trying to pull them together, and that is a very different thing from starting from scratch and building the alliance. They are running into different problems. They are using a lot of our pieces, particularly the target summary. That is the one piece that other organizations want to use a lot.

**Weaver:** The process is elegant, but the agreements are pretty straightforward. It is like you are going to do this and we are going to do this. It puts a structure to it and it sets up accountability.

**Hills:** This whole program has influenced Catholic Charities. We now have the housing services, immigration, refugee, and the employment program all coalesced, and we now have an economic development services position. This effort

has been a springboard for us to get other funding.

**Moderator:** Eric, any advice to other nonprofit leaders who are thinking of working with high-engagement funders?

**Weaver:** Just stick to your principles and to your mission. There is always the danger of getting thrown off course by big grants. Grantmaking is actually a good thing and we all know that. The danger could be even higher with this, if the money is multi-year and the funder is very engaged in pushing for things. You have to go into it with a good sense of who you are and what you are trying to accomplish and a focus on your mission. You also have to keep an eye on the relationship and be ready to bail if it isn't good. If you are talking about a multi-year relationship with high engagement, you just have to be ready to walk away from it or to push back.

Of course, that is easy for me to say because we have one that went well. Early on, we all liked each other and shared a common vision and communicated well. I don't know how I would do if I faced someone dangling a lot of money, and I did not get along well with them and did not like the direction they were pushing. I would hope I would have the courage and the principle to push back on it. It is not easy. Money is so hard to find.

## On Exit Strategies

“In early discussions about our exit strategy, all the partners felt that if the IDA approach works, it would need government funding to sustain it. The high cost would probably prohibit the nonprofits from sustaining it on their own. Therefore, our exit strategy was to do our best at influencing policy.”  
—Welsh Gray

“We had the luxury of beginning to launch and manage this huge program without having to really do any of the fundraising. We did not have to raise \$6 million dollars.... Now we are moving toward starting to raise those kinds of dollars to keep this thing going because CVP has been very clear from the beginning that it

would fund a six-year plan. It is helping us build the capacity to do that.”  
—Weaver

“In designing the fund, we said that after the final wave of client enrollment... LCD and the other nonprofits would decide whether they wanted to continue beyond the goals of the Social Venture Fund. If that was the case, then we would have to develop a solid, careful transition over the remaining three years... we work more and more to position LCD to have the relationship with the funders... where they are taking the lead in the fundraising and we are taking a backseat.”  
—Welsh Gray

## The Participants

**Judith Davila** is manager of housing and community development, a division of the Human Service Agency, San Mateo County.

**Carol Welsh Gray** is the founding executive director of the Center for Venture Philanthropy, a division of the Peninsula Community Foundation. Previously, Welsh Gray managed a venture philanthropy model within the 21st Century Education Initiative of Joint Venture: Silicon Valley, a partnership of Silicon Valley business and education that invested in the business plans of public school teams. Welsh Gray championed the founding of Daybreak Shelter for Homeless Youth and has won a number of awards for her community service. Gray has a BA and MS from Stanford University. She was a German Marshall Fellow in England during the summer of 2002.

**Jane Hills** is manager of housing services at Catholic Charities of Santa Clara County. Hills formerly worked at Catholic Charities in the refugee program.

**Margot Rawlins** is program manager for the Center for Venture Philanthropy and is responsible for oversight of the Assets For All Alliance Social Venture Fund and the venture van classroom-on-wheels for philanthropists.

**Sonia Delgado Villa** is the IDA program manager at Lenders for Community Development. Delgado Villa developed the financial literacy training for the Assets For All Alliance clients.

**Eric Weaver** is founder and executive director of Lenders for Community Development (LCD), a multibank community development corporation in San Jose, California. LCD pools money from 24 member banks to make microloans to small businesses and loans to developers of affordable housing, with a focus on lending in low-income communities. Before starting LCD, he worked in affordable housing development in Washington, DC, and as a relief worker in El Salvador. He has an MBA from Stanford University and an undergraduate degree from Harvard University. Weaver is a founder and former board chair of Net Impact, a nationwide network of MBAs committed to integrating business and social change.

## A Special Acknowledgment

Venture Philanthropy Partners (VPP) is fortunate to have the support and counsel of our stakeholders. VPP's work is squarely grounded in that of our investment partners (the community-based nonprofits in which we invest growth capital and strategic assistance), for our measure of success can only be judged in terms of how well they succeed in achieving their aspirations. We are fortunate to be able to enter into investment partnerships with outstanding organizations with excellent leadership. Critical to our providing strategic assistance to our investment partners is our team of seasoned executives with extensive experience in education, child development, government, finance, business, and investment, who share a common vision to improve the lives of children.

This special acknowledgment is directed at those who represent the extended VPP team—our investors, board of directors, and advisors—to acknowledge their investment of time and money in VPP and its mission; to thank them for their belief and confidence in what we seek to achieve; and to recognize them for their support, which, for most, started even before the formation of VPP in the summer of 2000. To all of those listed below, our sincerest thanks.

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