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# Learning from Emerson Collective's "philanthropic recipe" for these times

By Andrea Levere

Our current political environment heightens the power and necessity of philanthropy and encourages us to reflect on those philanthropic practices that have worked the best and those in need of re-invention.

Nonprofits of all shapes and sizes across the country owe an enormous debt to the legacy of long-term institutional funders and private donors who have seeded and supported enduring organizations, infrastructure and networks committed to advancing the common good. We should also celebrate philanthropic innovations that provide tools such as program-related investments and "philanthropic equity" or operating funding that invests in a business strategy designed to generate revenue for an organization over the longer-term, in

contrast to funding the operating costs of specific program or service.

It is in the spirit of this legacy that I raise up a philanthropic partnership, which has adopted these practices while creating new ones of their own to address the specific challenges of our times: the Emerson Collective. (Disclosure: Prosperity Now, a nonprofit I lead that seeks to create financial stability, wealth and prosperity for all, has been a partner of the Emerson Collective since 2014.)

Founded in 2004 by Laurene Powell Jobs, Emerson Collective uses a wide variety of tools and strategies to achieve its mission of "removing barriers to opportunity so people can live to their full potential." While few of the elements that define Emerson's approach to partnership



Prosperity Now mobilized local, state and regional partners to protect the Volunteer Income Tax Assistance (VITA) program in early 2017. VITA is a network of thousands of volunteers who help millions of low-income taxpayers access the Earned Income Tax Credit and the Child Tax Credit. Photo courtesy of Prosperity Now.

are new, it is the timing, structure and quantity of the ingredients in its philanthropic recipe that merits our attention.

As any chef knows, it is the way that ingredients are selected, measured and combined that makes all the difference in the taste of a dish and a meal or, in this case, the effectiveness of philanthropy in accelerating the impact of the nonprofit sector navigating a changing world and unprecedented political environment.

### MATCHING SOURCES AND USES OF FUNDS

One of the most useful lessons I learned in business school was that an organization's financial strength is driven by the ability to match sources and uses of funds. Thus, a long-term asset like a home should be financed by a long-term liability such as a 30-year fixed-rate mortgage. A short-term working capital need could be financed by a revolving line of credit. The riskiest uses of funds, such as the start-up of a new product or project, are best funded by equity.

The elegance and impact of this type of capital market structure is too rarely deployed in the nonprofit sector, yet the need is enormous given the complexity and risk faced every day by mission-driven organizations. It is precisely to meet this need that the Emerson Collective is structured as an LLC, which has gained popularity among Silicon Valley philanthropists.

There have been concerns about how LLCs are generally set up without transparency or accountability in mind. These shortcomings should not be forgotten as we all strive to create an equitable philanthropic marketplace. However, in Emerson's case, it is not its structure alone that produces value, but how it is leveraged in pursuit of impact.

The LLC structure "offers the opportunity to apply a broad set of flexible approaches without being constrained by old structures," said Anne Marie Burgoyne, managing director of social innovation at Emerson, in an interview.

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"Grants alone could not do the job. We have a set of tools that are evolving with the ability to support advocacy, communications and impact investing as well as the core work of our partners."

For Prosperity Now, Emerson's support for our constituency building, policy development and advocacy activities allowed us to act quickly and secure a victory for low-income communities. We were able to leverage post-election listening sessions with our local, state and regional partners to mobilize around the protection of the Volunteer Income Tax Assistance Program in early 2017. This restored funding for hundreds of community tax preparation sites that help people access the Earned Income Tax Credit and the Child Tax Credit.

For other partners, the value arises from the fact that most of Emerson's grants provide multi-year operating support tied to broad organizational deliverables, which can support programmatic and policy activities while also promoting learning throughout the process. Stephen Tremaine, founder and director of the Bard Early College Program and an Emerson partner, captures this experience: "At no point in the process of pursuing or structuring funding were we presented

with a checklist of foundation priorities. At every step, our relationship has fundamentally been a dialogue between what we do and what Emerson does ... so the funding decision is structured as a conversation over time that changes as they learn more about the work."

Bard is establishing the Bard Center for Early College, which launches pilot projects that elevate early college in national dialogue on pedagogy, public policy and school design. They have launched a teacher training and certification platform to enable those with teaching backgrounds in higher education to shift to the public high school classroom. They have worked with local governments to identify and codify new and lasting funding sources that allow high quality early college to thrive and grow. And they are piloting a new model of early college that establishes tuition-free, degree-granting branch campuses of Bard within existing networks of high schools. The common factor across these three elements is that the funding is not just seeking *impact*, in a static and metric sense, but also *learning* – for the organization, for Emerson and for the field over a time horizon necessary to achieve real and measurable results.

### IT'S THE PEOPLE, STUPID

But perhaps the most innovative practice is how Emerson intentionally and organically partners to build the capacity of the people who lead and work in the organizations it supports.

The Emerson model offers a broad array of offerings available on an optional basis to grantee staff and board members (individually, in teams or organization-wide) that supplements current funding. These services include management and fundraising training and coaching, access to high-profile training courses at major universities, data analysis consulting, and curated strategic counsel for communications, marketing plans and scaling an organization's work.

What defines Emerson's approach is that these services are provided on an ongoing basis throughout the life of its partnerships with some offerings selected to meet special needs of specific parts of its portfolio. Staff also carefully evaluates the quality and fit of services to ensure that they are delivering what their partners need. It is encouraging to see how this type of investment is growing among the philanthropic community and should be highlighted as a best practice – or special ingredient – by the field.

Beth Werlin, the executive director of the American Immigration Council (AIC), captures the impact of this approach on her organization: "They see the full picture of what an organization needs to do ... They clearly view this as an investment in a partnership with us because they see value in supporting our operations, management structures and infrastructure. The reality is that our work will only be strong if we have the strength to do the work."

Tremaine also noted that he and his staff have participated multiple times in training opportunities to build management skills. Prosperity Now has brought Emerson-funded management training to the organization on an annual basis in the belief that just because someone is a subject-matter expert doesn't mean that they know how to manage.

These practices extend to promoting dialogue among partners engaged in both similar and different lines of work. Tremaine appreciates this opportunity, as he "doesn't want to be competing in some sort of absurd 'gladiatorial contest' with organizations that I should be learning from."

### GROWING THE "NET GRANT"

Clara Miller, president of the F.B. Heron Foundation and founder of the Non-profit Finance Fund, popularized the concept of the "net grant" to encourage nonprofits and funders to consider the transaction costs involved in fund-

raising in the hopes that, by measuring these costs, funders would see the wisdom in reducing them.

The "net grant" is what is left over after subtracting what it cost to obtain the grant and to manage it. For most grant seekers, it provides helpful information too often hidden from view and is often welcomed by program officers who are equally eager to ensure that they are providing as much value and support as possible during each step in the funding process.

Emerson's goal is to address this systemic inefficiency directly in the design and execution of its operations. Burgoyne remembers a conversation she had with the revered philanthropist, Bill Somerville, who advised her: "Philanthropy should be frictionless."

### SHARING THE RECIPE

We are living in unprecedented political times, which have already had

profound consequences for the issues we care about and the communities we serve. If federal resources continue to decline, the future will be increasingly shaped by the strength and versatility of the partnerships forged among the philanthropic, private and nonprofit sectors.

It is precisely in the convergence of practices across these sectors that we witness how to produce the social and economic impact to which we all aspire: pairing the right kind of capital with high-quality training and services designed to strengthen the leadership and the organization's ability to meet its goals on its own terms.

In fact, one element of the fight over overhead rates is really a fight over capacity. While it should be noted that many funders restrict funds due to mission constraints or legal requirements, others could significantly increase the flexibility of their funding by integrating services that strengthen grantees' financial or program management to meet any concerns over the use of their grants.

Many institutional funders and donors are breaking new ground on providing their funds at an organizational level in recognition that having an impact requires that an entire organization be strong. Imagine the learning, creativity and results that could result if grants never required allocating each dollar across the general ledger.

The good news is that many of our most innovative and adventurous funders are using one or more of the practices described above, and others are testing new forms of investment as the social capital markets evolve.

But we need to share the recipe as if the future of thousands, if not millions, of people depend on it. Because, in fact, it does. ■

*Andrea Levere is president of Prosperity Now. Follow @prosperitynow on Twitter.*

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