A young girl with dark hair, wearing a dark blue turtleneck, is raising her right hand in a classroom setting. The background is a bright yellow wall. The image is used as a background for the report cover.

## **A Midpoint Report on the True North Fund**

*Prepared by*  
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*February 2014*

# True North Fund Portfolio Grantees and Co-Investors

## GRANTEES

### BELL

*Academic Achievement [ages 9–14]*

BELL provides afterschool and summer educational programming to improve the academic achievement of children living in low-income urban communities. [*\$10 million total investment*]

### CENTER FOR EMPLOYMENT OPPORTUNITIES (CEO)

*Employment Transitions [ages 18–25]*

CEO helps men and women returning home from prison find and keep employment through job-readiness and placement services. [*\$12 million total investment*]

### CHILDREN'S AID SOCIETY / CARRERA PROGRAM

*Teen Pregnancy Prevention [ages 12–18]*

The Carrera Adolescent Pregnancy Prevention Program provides youth and their families with comprehensive services and educational offerings proven to lower teen pregnancy and birth rates. [*\$7 million total investment*]

### CHILDREN'S HOME SOCIETY OF NORTH CAROLINA (CHS)

*Foster Care / Teen Pregnancy Prevention [ages 9–24]*

CHS provides a range of services to youth across North Carolina, including an intensive intervention for youth in or aging out of foster care, and a program proven to help middle-school males learn about and adopt responsible sexual behaviors. [*\$12 million total investment*]

### CHILDREN'S INSTITUTE, INC. (CII)

*Emotional / Social Development [ages 9–24]*

CII serves children and youth who have been traumatized by violence, abuse, and neglect, including those involved in the foster care and juvenile justice systems, in the high-need areas of Central Los Angeles and Watts. CII's evidence-based, integrated programs support the whole child and the entire family. [*\$10 million total investment*]

### COMMUNITIES IN SCHOOLS (CIS)

*Academic Achievement [ages 9–18]*

CIS serves low-income students at risk of dropping out of school. CIS school coordinators develop strategic partnerships with local providers to offer preventive services to an entire school and arrange more intensive case management support for students identified as falling furthest behind academically or most likely to drop out. [*\$12 million total investment*]

**GATEWAY TO COLLEGE NATIONAL NETWORK (GtCNN)**

*Academic Achievement [ages 16–24]*

GtCNN works with community colleges and school districts to engage young people who have dropped out of high school or are at high risk of dropping out. Trained specialists serving as advisors and mentors help these disconnected youth earn a high school diploma as well as college credits. [*\$7 million total investment*]

**READING PARTNERS (RP)**

*Academic Achievement [ages 9–12]*

RP trains and supervises volunteers who provide one-on-one literacy tutoring for elementary school students who are six to 30 months behind in reading, so they can catch up to their peers and become proficient in reading and writing. [*\$7 million total investment*]

**SEED FOUNDATION**

*Academic Achievement [ages 12–18]*

SEED supports public boarding schools that combine a rigorous college-prep academic curriculum with youth development activities and intensive social supports for disadvantaged children who are highly unlikely to succeed in a traditional public school setting and can benefit greatly from a 24-hour-a-day learning environment. [*\$7 million total investment*]

**CO-INVESTORS**

THE ANNIE E. CASEY FOUNDATION

THE EDNA McCONNELL CLARK FOUNDATION

THE DUKE ENDOWMENT

THE WILLIAM AND FLORA HEWLETT FOUNDATION

THE JPB FOUNDATION

GEORGE KAISER FAMILY FOUNDATION

THE KRESGE FOUNDATION

OPEN SOCIETY FOUNDATIONS

THE PENZANCE FOUNDATION

SAMBERG FAMILY FOUNDATION

CHARLES AND LYNN SCHUSTERMAN FAMILY FOUNDATION

STARR FOUNDATION

TIPPING POINT COMMUNITY

THE WALLACE FOUNDATION

WEINGART FOUNDATION

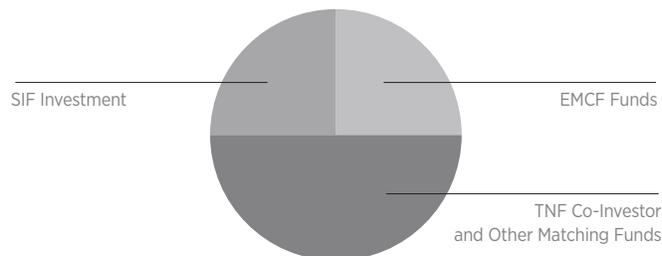
# True North Fund Midpoint Report

**This report reflects the experience of the nine initial TNF grantees. In 2013, EMCF selected three additional TNF grantees: PACE Center for Girls, WINGS for kids, and Youth Guidance.**

## Introduction

In July 2010, the Social Innovation Fund (SIF) awarded the Edna McConnell Clark Foundation (EMCF) \$10 million (the first of three \$10 million awards) to increase the scale and impact of youth development organizations whose programs have been shown to produce positive outcomes in communities of need across the United States. EMCF and its co-investors are tackling the immense problems confronting America's low-income youth—for example, more than 22 percent of all children in the U.S. live in poverty, and 30 percent of public school students fail to graduate from high school, leading to a lack of educational success and employment among youth and young adults across the country.

In 2011, EMCF launched the True North Fund (TNF) to aggregate private growth capital in support of nine initial (and subsequently three additional) SIF grantees. EMCF matched the \$10 million in federal funds from the SIF 1:1 with its own funds and then, in collaboration with the TNF co-investors and grantees, helped raise the remaining 2:1 match to meet the SIF's 3:1 match requirement. EMCF also provided the grantees with additional supports, including assistance with business planning from the Bridgespan Group and with evaluation planning and implementation from MDRC, and access to executive and leadership coaching.



Through the TNF, EMCF and its co-investors' goals are to:

- Significantly increase the numbers of youth served by effective programs;
- Support rigorous independent evaluations that help youth-serving organizations and the field advance evidence of programmatic effectiveness in ways that strengthen and improve programs as they grow;
- Demonstrate a more efficient and effective method of organizing private and public capital on behalf of low-income youth; and
- Encourage by example and advocacy fundamental change in how public and private capital is deployed to scale what works.

**Note: Quotations in this report are unattributed because interviewees were promised anonymity.**

Two years after launching the initiative, EMCF commissioned this midpoint report on the TNF to answer the following questions:

- **What progress did the TNF grantees make during the first two years?**
- **What has been the TNF co-investors' experience to date?**
- **What insights can the TNF grantees, EMCF and co-investors share with funders and policymakers at midpoint?**

This report summarizes high-level themes that emerged from a review of the TNF literature and telephone interviews with EMCF senior management, EMCF's strategic collaborators, nine TNF grantees, and 12 of the 15 co-investors. It is not meant to be a formal evaluation or exhaustive review with deep analyses of grantee outcomes and accomplishments. Rather, it takes the temperature of the TNF at midpoint in order to inform EMCF and its co-investors, and share with the public some early lessons learned. EMCF expects to publish more detailed, in-depth findings after the initiative concludes in 2015–16.

## Grantee Progress to Date

**T**hrough the True North Fund, EMCF and co-investors have provided financial capital and other supports to help grantees expand programs with strong evidence of effectiveness in new settings, new contexts, and to new populations; and to help grantees become organizationally, programmatically and financially more sustainable in order to make an impact on the life trajectories of more young people beyond the term of the TNF's investment. Overall, the nine initial TNF grantees have achieved promising gains in four key areas:

### GROWTH IN YOUTH SERVED

From the beginning of the TNF in July 2011 to June 2013, its nine initial grantees served more than 83,000 new youth as a result of SIF, EMCF, and TNF funding. This growth is specific to the programs and geographies supported by the TNF grants, not to the overall growth in the number of youth served by the organizations in their entirety. What is important is not just the increase in numbers of youth served, but their service by programs that have promising evidence of effectiveness. As one grantee leader points out: "While our overall program and reach have grown through our involvement with the True North Fund, what has grown the most is the number of youth served in our evidence-based program." All of the TNF grantees are currently conducting rigorous evaluations of their programs. While it is too soon at midpoint to confirm that all the grantees' programs have demonstrated or proven their effectiveness, the hope is that a majority of the programs will show positive results for the young people they serve.

### GROWTH IN REVENUE

During this same two-year time period, revenues across the TNF portfolio rose by 29 percent, an increase of nearly \$41 million for the nine initial grantees. This revenue growth is due in part to EMCF and the TNF/SIF grants. It is difficult to compare this increase to the growth of similar nonprofits, given the lack of available data. However, to put it in some context, we compared the growth of the nine TNF grantees to the overall growth of EMCF's entire grantee portfolio. According to EMCF's 2011 and 2012 annual reports, its portfolio increased overall revenues in Fiscal Year 2011 by 9.5 percent and in FY12 by 12 percent. These data suggest a stronger than usual growth rate across the TNF portfolio at midpoint. It should be noted, further, that this revenue growth occurred in the final years of a national recession.

### IMPROVEMENT IN LEVEL OF EVIDENCE OF PROGRAM IMPACT

The TNF grantees are all engaging in rigorous evaluations of their programs and building a body of evidence about the effectiveness of their interventions in new settings, with new populations, and at a larger scale. At the same time, grantees are undergoing a cultural change within their organizations, and many interviewees observe a deepening of the grantees' capacity for and commitment to evaluation. As one grantee recounts, "We are building a new level of evaluation capacity in our organization; it's been a more significant and more expanded effort than we have made in the past."

A related topic not addressed in this report is what the grantees are learning and the improvements they are making as they replicate their programs to serve more young people. The TNF grantees are all working to maintain the quality and outcomes of their programs while also adjusting to local contexts and realities. As the nine initial TNF grantees collect more data and evaluation findings come in, we expect lessons from the grantees' experiences will emerge.

At midpoint, it is too early to know what the actual program evaluation results will be and whether the grantees will advance significantly on the evidence spectrum. (See *Appendix B*.) This is primarily due to the challenge of designing, implementing and gathering results within the three-year time frame of the SIF, an issue we will address in more detail later in this paper. However, the portfolio is clearly building a more comprehensive body of evidence that will help strengthen and improve its programs regardless of the final evaluation findings.

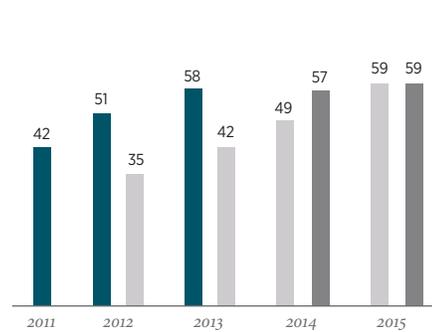
### ACHIEVEMENT OF PROGRAM AND ORGANIZATIONAL CAPACITY-BUILDING MILESTONES

At the launch of the TNF, each grantee established end-of-investment milestones related to building capacity in areas such as service, program quality and evaluation, financial health, organizational strength, and organizational sustainability. While the details of these milestones are beyond the scope of this summary, the big-picture takeaway as of the end of 2013 is that most of the portfolio is on track to achieve them. In partnership with EMCF, the Bridgespan Group and MDRC, grantees will continue to work toward these milestones.

**CHART 1: ACCELERATED GROWTH FOR THE NINE INITIAL TNF GRANTEEES**

■ Actual ■ Business Plan Projection ■ Current Projection

**Youth Served** (in thousands)



**CAGR:** Actual (2011-13) 17.4%  
Projected (2011-15): 6.5%

**Revenue** (in millions)



**CAGR:** Actual (2011-13) 13.6%  
Projected (2011-15): 4.7%

At midpoint, the TNF has helped grantees make progress toward increasing the numbers of youth served by programs with promising evidence of effectiveness; increasing revenues; raising the level of evidence of their programs' impact; and achieving their organizational capacity-building milestones. This progress is encouraging and indicates some early successes of the TNF capital aggregation effort, especially during a time of limited resources and opportunities.

## Emerging Opportunities

In addition to the TNF grantees' progress in increasing youth served, revenues, evidence, and organizational capacity, it appears the TNF and the SIF are creating avenues for accelerated growth and impact, and catalyzing changes in the organizational cultures of some grantees. Grantees identify the following types of emerging opportunities for their organizations since joining the TNF:

### ACCELERATED GEOGRAPHIC EXPANSION

Several grantees note their participation in the TNF has significantly accelerated their ability to expand their services into new geographies, including more counties within their state or new states. (See *Appendix C*.) One grantee recounts: "Our expansion of services into Tulsa, Oklahoma was quite an undertaking and an outcome attributable to the TNF, the George Kaiser Family Foundation and us. Our entering Oklahoma was likely but it certainly was not inevitable. The TNF ignited it in a way that made it happen very, very quickly. It's a win." Another grantee adds that its organizational dynamic has shifted from "us calling people saying, 'Do you want this program?' to now having funders saying, 'Would you consider taking our money to start a program?'"

All of the TNF executive directors talk about how their involvement with EMCF and the TNF has beamed a spotlight on their organizations. One grantee describes how "being part of the TNF has put us on the map as a scalable solution with rigorous evaluation" and is advancing the nonprofit from a regional to a "truly national organization."

### DEEPER RELATIONSHIPS WITH EXISTING FUNDERS AND EXPOSURE TO NEW FUNDER NETWORKS

A couple of the grantees describe how their relationships with existing and new funders, and particularly with local funders, have deepened and expanded because of their participation in the TNF. One grantee reports: "We've drawn investors we would not be able to draw in ourselves only because they were attracted to the TNF's co-investor approach."

### HIGHER ORGANIZATIONAL PROFILE WITH GOVERNMENT

Many of the grantees describe how their participation in the TNF has helped raise their profile with state and local government. One grantee says: "Thanks to this investment, we've built more relationships with departments of social services. It's raised our profile with legislatures and real promising things are coming out of that." Another grantee adds: "Because of the SIF playing in the policy space, we're walking in with a stamp of approval across the board which gives us a place at the table."

### POTENTIAL FOR ORGANIZATIONAL CHANGE

More than half of the grantees talk about how their participation in the TNF in the past two years is bringing about potentially transformational change within their organizations. A couple of grantees describe being part of the TNF as a "game changer." And, while a majority of the TNF grantees had a pre-existing commitment to building evidence within their organizations,

**"The True North Fund has been extremely helpful in being a catalyst.... Many of our regional foundations make small, one-time grants to social service organizations. What the True North Fund has done is point out the need to invest if you want to see major change. This has brought along some of the foundations, many of which are not members of the True North Fund co-investor group but have supported our expansion. The True North Fund is having an impact beyond just those funders that become part of the co-investor group."**

— Executive Director

a couple grantees speak about the cultural shift happening within their organizations to further embrace evaluation and evidence building as essential to their operations. A key component of this culture shift involves cultivating a culture of learning. One executive director describes this: “In our organization, evaluation is not about the notion that things either work or don’t work. That’s basically never true. The best thing about our evaluations is that we learn which programs are proven, which are promising, and which ones need more work and investment.” Another executive director reflects that the first two years of the TNF have been a “transformative experience. We are not the same organization we were before the TNF, in a very good way.”

Overall, the TNF grantees at midpoint are benefiting from accelerated geographic expansion of their programs, new and deeper relationships with funders, and in some cases greater credibility in their dealings with local and state government due to their involvement with the TNF and the SIF. Although it is too early to speak conclusively of organizational transformation, it appears the TNF has influenced organizational structure and culture changes in at least a few of the grantees to date. It will be interesting to see what positive changes are sustained across the portfolio over time.

## Grantee Challenges

**T**he grantees have made much progress through their participation in the TNF and a majority of executive directors interviewed are positive about their experience with most aspects of the TNF and the SIF. The SIF itself is an innovation in public/private partnership and, like any new invention or start-up enterprise, it has experienced some bumps along the way. Some of these bumps have challenged grantees’ ability to meet the goals of their engagement with the SIF. These include:

### GAINING ADEQUATE ACCESS TO UNRESTRICTED FUNDING FOR ORGANIZATIONAL CAPACITY BUILDING

Almost all the grantees struggle to obtain much-needed unrestricted funding to build their organizational capacity to deliver high-quality, effective programs. The restrictions the SIF places on private matching dollars have been one of the greatest stumbling blocks for most grantees. These restrictions—especially with regard to key activities such as fundraising and communications—impede organizations’ ability to build the infrastructure necessary for their long-term success. Overall, the grantees say “it was a great disappointment how the SIF money got locked down because of government regulations,” and thus hampered their flexibility and ability to succeed.

While it is understandable that the government must place restrictions on the use of federal dollars, both the grantees and co-investors felt it was counter-intuitive to apply these same restrictions to private matching funds, which by their very nature can and should be used more flexibly. The negative consequences of the SIF restrictions are clear: Nonprofits selected and funded through the SIF to grow aggressively and achieve sustainability in order to effect positive social change are not allowed to invest in the very activities that are essential to achieving these goals and sustaining their larger operations.

“Asking the private sector to put in three times the federal amount and saddle those dollars with the same restrictions has been the biggest obstacle to this entire effort. It’s like tying one arm of the grantee behind its back,” say several EMCF staff.

**“Fundraising was a major challenge for us. The SIF project required enormous fundraising, but we couldn’t use any of the funds to support fundraising or anything associated with fundraising such as communications. This catch-22 was crazy-making.”**

—Executive Director

**“What happens after an organization goes through this experience? As you get beyond the \$20 million to \$30 million budget line, there is no secondary market, no large cap market, we’re all charting our own course. What are the co-investors doing to build that space? What is possible?”**

—An EMCF Grantee

#### HAVING THE APPROPRIATE TIME FRAME TO EXECUTE GROWTH PLANS

EMCF selected a three-year time frame for most SIF grantees, although it has extended this period for a few of them. Many grantees talk about the challenges of this compressed time frame and the relatively short duration of the TNF funding relationship, because they have had to plan for and build organizational capacity to carry out growth plans while at the same time executing those growth plans. A couple of grantees emphasize the importance of having adequate time to build the trust and community connections necessary to expand programs in new geographic areas.

Compounding this challenge is the amount of time consumed by complying with federal requirements for the use of private match funds. Valuable hours that could have been spent expanding programs and organizational capacity are instead spent accounting for use of funds and completing the A-133 audit. Overall, many of the grantees agree that “the SIF is a beast of a grant and has a lot more logistical and compliance challenges than we anticipated going into this.” There appears to be a misalignment between the SIF and EMCF’s longer-term objectives to support and scale evidence-based, sustainable organizations, on the one hand, and the TNF’s compressed three-year time frame, on the other, which compelled some grantees to set extremely ambitious milestones.

#### HAVING THE APPROPRIATE TIME FRAME TO IMPLEMENT EVALUATION PLANS

Designing and implementing a rigorous program evaluation can take a lot of time and resources. It can take an even longer period of time to measure meaningful results, especially if a program is designed for long-term impacts. At the beginning of the TNF, some organizations had implementation-ready evaluation plans, whereas others needed to design a randomized controlled trial (RCT) specifically for the SIF opportunity. For the latter group, the amount of time required to develop and successfully implement an RCT was an unforeseen challenge. One grantee notes: “The way you get an investor or government to listen to you is by building your evidence base and making the case for a public-private partnership. My fear is I don’t think we’re going to be at that point by the end of the SIF/TNF support.” It would be easier to meet the longer-term goal of the SIF and EMCF to demonstrate meaningful evidence of effectiveness if grantees were allowed more flexibility to deal with the uncertainties of properly executing high-quality evaluation plans.

#### PLANNING FOR WHAT HAPPENS TO GROWTH POST-TNF/SIF

A number of grantees, co-investors, collaborators and EMCF staff are concerned about how grantees will sustain in the future the growth they’ve achieved during the TNF investment period. EMCF and the Bridgespan Group are currently working with the grantees to develop strategic plans and sustainability plans. Some grantees are pursuing fee-for-service and other earned revenue opportunities, for example, while others are launching capital campaigns to raise funds from corporate and other donors, working to win appropriations from local and state government for their particular programs, and/or exploring social impact bonds or pay-for-success programs. EMCF and co-investors are devoting increasing attention to this question of grantee growth and sustainability after the TNF.

These issues of limited, unrestricted funding, compressed time frames for implementing growth and evaluation plans, and future sustainability are all intertwined and pose significant challenges for the TNF grantees at midpoint. It remains to be seen what can be accomplished and resolved in these areas and, perhaps most important, what plans for sustaining grantee growth post-TNF can be developed and implemented by 2015–16.

## The Co-Investor Experience

**T**hrough the True North Fund, EMCF has partnered with over a dozen foundations across the country to provide growth capital and other types of support to the TNF grantees in the hope of positioning them to help greater numbers of disadvantaged youth. EMCF and its partners hope to demonstrate a more efficient and effective method of organizing private and public capital and to encourage by example and advocacy fundamental change in how public and private capital is deployed to scale what works. Overall, TNF co-investors, grantees, collaborators and EMCF staff agree that the co-investor experience has been positive to date in the following four ways:

### AGGREGATING CAPITAL

The TNF co-investors succeeded in raising almost \$55 million in growth capital to help grantees implement their growth and evaluation plans and meet their SIF match requirements. This infusion of capital enabled the grantees to concentrate on scaling their programs and organizations instead of raising funds from, reporting to, and satisfying the different requirements of many widely disparate funders.

A few grantees familiar with the work of other SIF intermediaries agreed that “unlike other SIF grants, where grantees had to raise the match on their own, the EMCF TNF allowed us to focus on implementation instead of fundraising.”

In addition to the TNF co-investor growth capital, the nine initial grantees raised nearly \$5 million in match dollars directly from over 30 other funders. Along with the SIF and EMCF investments, this amounted to \$120 million of much-needed (albeit restricted) growth capital for implementing expansion and evaluation plans.

Important components of the capital aggregation initiative that have increased efficiencies for grantees and co-investors include EMCF’s role as lead investor and coordinator of the TNF, a common due diligence process, and a standard system of tracking performance and reporting that co-investors agreed to use for the duration of the fund. Overall, the co-investors and grantees are extremely satisfied. One co-investor sums up the majority sentiment: “I think this has worked amazingly well.”

### EMCF’S APPROACH TO CAPITAL AGGREGATION HAS FOUR COMPONENTS:

#### ① GRANTEES

EMCF augments its resources with those of co-investors whose commitments it helps to secure, providing all the upfront flexible growth capital a grantee needs to achieve its plans to expand to scale.

#### ② STRUCTURED

##### COLLABORATIVE INVESTMENTS

Co-investors and grantees unite behind common goals: a single plan for growth; uniform terms and conditions of investment, performance measures, reporting and payout; shared learning with each other and the public.

#### ③ EMCF INVESTMENT APPROACH

Co-investors and grantees benefit from EMCF’s rigorous and competitive selection process; business planning that helps grantees prepare strategically for growth and evaluation; performance measures that tie investments to performance and performance to payout; intensive relationship management and support that supplement financial capital to build organizational infrastructure.

#### ④ CO-INVESTOR COMMUNITY

The network of co-investors amplifies aggregated capital with the power of partnership. Co-investors assist grantees with expertise and exposure; help each other with knowledge and networking; and seek to make the funding and policy environment more favorable to evidence-based programs.

#### HELPING GRANTEES GROW THEIR PROGRAMS AND ORGANIZATIONS

Association with the TNF, EMCF and co-investors is raising the profile and credibility of the TNF grantees, helping them attract more funders to invest in the growth of their programs and the numbers of youth they serve. One grantee describes how “EMCF confers a ‘best-in-class’ value on us as an organization. Engagement in the TNF has given us resources, confidence, a set of thought partners to help us scale, and has opened up other possibilities.” Some co-investors have become deeply involved in helping specific TNF grantees through regional funding partnerships.

A noteworthy outcome of the TNF initiative to date is the development of strong regional funding partnerships to grow and sustain grantees in particular regions. According to one grantee, “One of the real bonuses of the TNF is that it allowed EMCF to build relationships and co-investment strategies with other funders they haven’t traditionally had working relationships with, including regional funders such as the Duke Endowment and the George Kaiser Family Foundation. This is one of the true successes of the TNF.” For example, one TNF co-investor paved the way for several TNF grantees to bring their programs to its state. This regional co-investor explains: “We made it easy for them to come. We are the concierge, a full-service operation. We found them office space, furniture, and people.”

#### PROMOTING QUALITY EVALUATION AND BUILDING THE BASE OF EVIDENCE OF WHAT WORKS

All nine initial TNF grantees are engaging in rigorous evaluations to help strengthen their program design, components and implementation, and build a broad body of evidence as they scale programs to new settings, contexts, and populations. “There will be a lot more evidence in the field as a result of the TNF,” points out one grantee. “With nine grantees there are that many more studies, which is important.” The TNF is also influencing how a few co-investors use evidence to inform their own grantmaking. One co-investor describes how his organization is “moving toward evidence-based giving rather than just [giving] because we think it’s the right thing to do.” Ultimately, building the evidence base of what works means more at-risk youth will be served by proven programs.

#### DEMONSTRATING THE POSSIBILITY OF PRIVATE PHILANTHROPY PARTNERING WITH GOVERNMENT

Many interviewees point to the “sheer existence of the TNF as a collaborative initiative” as proof that successful partnerships between private philanthropy and government are possible. In fact, one grantee believes “the TNF is the most impactful player in the SIF.” The SIF is currently conducting an evaluation of its intermediaries, including EMCF. Since EMCF is the recipient of the largest SIF awards and the only private foundation serving as an intermediary, it will be interesting to see how the TNF experience and results compare with those of other SIF intermediaries.

In addition to their positive experiences with the TNF to date, the co-investors have faced some process-oriented challenges such as managing information flows and relationships with EMCF and grantees. EMCF is working to address these issues. Similarly to the grantees, the co-investors also identify other challenges, such as adequate time to assess the success of the grantees. Looking ahead, the co-investors see emerging opportunities to work together to define and use “evidence” in grantmaking; scale and sustain TNF grantee growth; develop and execute exit strategies; and better understand the pros and cons of partnering with government.

Overall, the TNF has been a very positive experience for the co-investors, who are proud of all they’ve accomplished to date in aggregating capital, helping grantees expand their programs and organizations, and building the evidence base of what works. The most noteworthy area for funders to understand better and explore further is the potential power of regional funding partnerships. This particular model of a national funder such as EMCF partnering with one or more local funders to bring evidence-based programs to a region is a promising practice worth further investigation.

## Learnings to Date for Funders and Policymakers

ne of the primary objectives of the TNF is to demonstrate a more efficient and effective method of organizing private and public capital in order to scale what works. Funders and policymakers should consider a number of the lessons that can be drawn from the experience of the True North Fund at midpoint as they seek to improve the impact and sustainability of proven programs. These lessons include:

### PRIVATE / PUBLIC GROWTH CAPITAL AGGREGATION IS POSSIBLE

Through the True North Fund, EMCF and the co-investors have demonstrated that large pools of private and public capital can be aggregated to scale effective organizations and deliver proven programs to more at-risk youth. Everyone involved in the TNF agrees that having a single high-performing, lead investor like EMCF coordinate the aggregation, common due diligence, and reporting is one of the keys to its success so far.

However, an important requisite of successful capital aggregation, according to EMCF, is to provide upfront all of the flexible growth capital a grantee needs to achieve its plans to expand to scale. The timing of the SIF award was such that some grantees could not raise and receive all the necessary growth capital until the beginning of Year 2, instead of at the beginning of the initiative. This meant that some TNF grantees were raising their growth capital while aggressively growing their organizations—essentially building their ships while setting out to sea.

### RESTRICTIONS ON PRIVATE MATCH DOLLARS FOR A PRIVATE / PUBLIC CAPITAL AGGREGATION PROJECT CREATES ADDITIONAL HURDLES FOR GRANTEEES

Restrictions on the use of all SIF and private matching dollars created a lot of difficulties. TNF grantees spent a lot of valuable time during the first year or so of the initiative raising flexible growth capital dollars when they might otherwise have been concentrating on growing their programs and organizations to reach more at-risk youth.

Interviewees agree that “what the government gets from these partnerships with private philanthropy is partners who can be more flexible and less constrained. The SIF restrictions that philanthropic dollars be used in the same ways as the federal dollars inhibited creativity and flexibility.” Almost all of the respondents recommend simplifying the burdensome federal compliance requirements that take up a lot of grantees’ (and EMCF’s) time.

### GROWING EVIDENCE-BASED PROGRAMS TAKES TIME, COORDINATION, AND SIGNIFICANT RESOURCES

Many of those involved in the TNF believe its three-year time frame is too short to overcome the obstacles that inevitably arise to implementing ambitious growth and evaluation plans. Developing organizational capacity, building trust in local communities, and designing evaluation methodologies that can generate proven results all require a lot of time, coordination and resources. This challenging work cannot always fit neatly into three years, and many wish the TNF time frame were longer. In the real world, achieving lasting change does not always go according to plan, so flexibility for dealing with uncertainties is invaluable. EMCF and the co-investors have extended the grant periods for a few TNF grantees to help them meet their SIF-required levels of evidence.

### PLANNING FOR “LIFE AFTER GROWTH” NEEDS TO BE CONSIDERED FROM THE START

A significant challenge for the TNF is how grantees will sustain their growth afterwards and continue over time to serve increased numbers of youth. While EMCF and the Bridgespan Group are working on sustainability plans with all the grantees, at midpoint some organizations are further along with their plans for a capital campaign or increased earned revenue while others have only just

**“One important lesson from the TNF is that serious aggregation of capital done in a rigorous way is possible.”**

—TNF Co-Investor

begun. It will be important for EMCF and the co-investors and grantees to work together to plan for organizational sustainability and possible co-investor exits so the gains achieved through the TNF are not lost in the transition.

Any funder or policymaker considering this kind of undertaking should build in exit scenarios and long-term sustainability plans at the very start. Recognizing that it did not address these issues adequately with the nine initial TNF grantees, EMCF is implementing this lesson learned with its second cohort of three grantees. These issues clearly bear more thoughtful analysis and will likely generate many more lessons by the end of the TNF in 2015–16.

## Conclusion

**A**t midpoint, the story of the True North Fund is encouraging but not yet conclusive or complete. The grantees and the co-investors made great progress in two years. They have aggregated large sums of private and public capital. They have increased grantees' revenues in order to scale effective youth-serving programs in new settings, contexts and populations. They have increased the numbers of at-risk youth served by evidence-based programs, strengthened individual programs, and built grantees' organizational capacity.

Despite some challenges, overall the TNF experience to date has been rewarding for the majority of grantees, co-investors, the Social Innovation Fund and the Edna McConnell Foundation. It is too early to tell whether evaluation findings will be positive or grantees can sustain their growth, and many lessons emerging from the TNF will need to be confirmed over time.

In the past, the social sector has often taken up programs that worked in one setting with one population and made them national policy, only to learn later that they did not scale successfully. The TNF is evaluating its grantees in order to learn what it takes to scale “what works,” build a more comprehensive body of evidence that strengthens and improves programs, and inform the field. The lessons learned from this initiative and perhaps the implications for scaling the TNF model itself deserve further exploration.

One co-investor extols the accomplishments of the fund to date: “The True North Fund is a model for philanthropy to intentionally come together to co-invest with streamlined and efficient reporting. We’ve joined the grantees in fund development. We’ve helped propel the growth and increased visibility of a strong cohort of nonprofits. We’ve achieved across-the-board positive progress and achieved some pretty phenomenal milestones with the highest-caliber nonprofit service delivery.”

The True North Fund has the potential to be a philanthropic breakthrough, a model for significantly increasing the numbers of at-risk youth served by effective programs. But the TNF will influence and encourage others to change how public and private capital is deployed to scale what works only if EMCF and its co-investor partners and grantees share the lessons they learn along the way. This paper is an attempt to capture the progress, challenges and lessons to date, and EMCF looks forward to sharing more information and insights in future publications.

—Melinda T. Tuan, *February 2014*

**“I believe the True North Fund is a philanthropic breakthrough.”**

— *TNF Co-Investor*

## Appendix A: Grantee Progress Report\*

GRANTEE	YOUTH SERVED*				REVENUE (IN MILLIONS)				EVIDENCE LEVELS	
	7/11 Baseline	6/13 Projected	6/13 Actual	2014 Projected	7/11 Baseline	6/13 Projected	6/13 Actual	2014 Projected	7/11 Baseline	2015 Projected
<b>BELL</b>	15,776	12,950	12,828	10,400	\$24.5	\$20.5	\$18.9	\$16.8	Proven	Proven
<b>CAS-Carrera</b>	1,970	4,025	3,822	4,300	\$8.9	\$8.9	\$7.4	\$9.2	High Apparent	Demonstrated
<b>CEO</b>	1,259	1,406	1,450	1,634	\$18.5	\$17.1	\$19.8	\$18.3	Proven	Proven
<b>CHS</b>	1,000	3,478	3,725	2,980	\$15.7	\$19.2	\$18.8	\$20.0	High Apparent	Proven
<b>CII</b>	2,987	4,420	5,147	5,200	\$46.2	\$48.2	\$53.0	\$57.6	High Apparent	Demonstrated
<b>CIS</b>	13,011	18,570	20,926	20,175	\$19.3	\$32.9	\$42.4	\$16.9	Demonstrated	Proven
<b>GtCNN</b>	3,391	3,900	4,228	4,490	\$1.1	\$3.3	\$1.3	\$4.2	High Apparent	High Apparent**
<b>RP</b>	1,900	4,690	4,814	6,810	\$4.3	\$11.6	\$14.1	\$20.0	High Apparent	Proven
<b>SEED</b>	575	723	727	855	\$3.1	\$6.6	\$7.0	\$7.9	High Apparent	Proven
<b>TOTAL</b>	<b>41,869</b>	<b>55,162</b>	<b>57,667</b>	<b>56,844</b>	<b>\$141.7</b>	<b>\$168.5</b>	<b>\$182.7</b>	<b>\$170.9</b>	<b>N/A</b>	<b>N/A</b>

\*The numbers reported here pertain specifically to youth served (ages 9-24) in programs supported in part by the SIF/TNF investment, not necessarily to the organization-wide growth of the nine initial grantees.

\*\*Due to issues related to low recruitment numbers for control groups, GtCNN was not able to implement a RCT within the three-year time period of the TNF.

## Appendix B: Levels of Evidence

*A full explanation and detailed chart describing the levels of evidence framework can be found at [www.emcf.org](http://www.emcf.org).*

To help assess a nonprofit's evidence base, we distinguish among three levels of evidence:

### PROVEN EFFECTIVENESS

A rigorous independent evaluation, ideally a randomized controlled trial or its closest possible equivalent, has scientifically proven that a program produces positive outcomes for vulnerable youth.

### DEMONSTRATED EFFECTIVENESS

An external evaluator can reasonably conclude, on the basis of systematically collected data comparing program participants with peers not receiving the service, that young people are benefiting from a program.

### HIGH APPARENT EFFECTIVENESS

An organization systematically collects data and assumes on the basis of this internal evidence that young people are benefiting from a particular program.

## Appendix C: Grantee Geographic Expansion

GRANTEE	LOCATIONS AS OF JULY 2011	EXPANSION AS OF JUNE 2013
<b>BELL</b>	Maryland, Massachusetts, Michigan, New Jersey, New York	California, North Carolina, South Carolina
<b>CAS-Carrera</b>	Delaware, Florida, Georgia, Illinois, Michigan, New York, West Virginia, Washington, DC	New Jersey, New Mexico, Oklahoma, Wisconsin
<b>CEO</b>	New York (Albany, Binghamton, Buffalo, New York City, Rochester)	California (Oakland, San Diego), Oklahoma (Tulsa)
<b>CHS</b>	Family Finding (3 counties in North Carolina) Wise Guys (1 county in North Carolina)	Family Finding (8 new counties in North Carolina) Wise Guys (5 new counties in North Carolina)
<b>CII</b>	California (Los Angeles)	Deepened reach in Los Angeles
<b>CIS</b>	California, North Carolina, South Carolina	Deepened reach in counties in California, North Carolina, South Carolina
<b>GtCNN</b>	California, Colorado, Florida, Georgia, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Washington, Wisconsin	California, Indiana, Mississippi, Pennsylvania
<b>RP</b>	California, Washington, DC	California, Colorado,* Maryland, New York, North Carolina, Texas
<b>SEED</b>	Maryland (Baltimore), Washington, DC	SEED is preparing to open a school in Miami, Florida in 2015 .

\*Reading Partners' expansion to Colorado was funded through a separate, non-EMCF SIF grant.

# Appendix D: Interview List

## **EDNA MCCONNELL CLARK**

### **FOUNDATION STAFF**

#### **Kelly Fitzsimmons**

Chief Program and Strategy Officer

#### **Chuck Harris**

Portfolio Manager, Director of Capital Aggregation

#### **Woody McCutcheon**

Vice President, Senior Portfolio Manager

#### **Gabriel Rhoads**

Senior Associate for Evaluation and Learning

#### **Nancy Roob**

President

#### **Jehan Velji**

Portfolio Manager

### **CO-INVESTORS**

#### **Sandy Ambrozy**

Senior Program Officer, Kresge Foundation

#### **Rebecca Cherin**

Managing Director, Tipping Point Community

#### **Mimi Corcoran**

Formerly with Open Society Foundations

#### **Jim East**

Consultant, George Kaiser Family Foundation

#### **Jacob Harold**

Formerly with the William and Flora Hewlett Foundation

#### **Joanna Jackson**

Director of Special Projects, Weingart Foundation

#### **Paula Lawrence**

Vice President, The Starr Foundation

#### **Martha Livingston**

Vice President, The Starr Foundation

#### **Rhett Mabry**

Vice President, The Duke Endowment

#### **Dara Rose**

Senior Program Officer, The Wallace Foundation

#### **Laura Samberg**

Executive Director, The Samberg Family Foundation

#### **Miriam Shark**

Associate Director, Philanthropic Partnerships and Strengthening Rural Families, The Annie E. Casey Foundation

#### **Fay Twersky**

Director, Effective Philanthropy Group, The William and Flora Hewlett Foundation

### **STRATEGIC COLLABORATORS**

#### **Gordon Berlin**

President, MDRC

#### **Jeff Bradach**

Partner, The Bridgespan Group

#### **Rob Ivry**

Senior Vice President, MDRC

#### **Kate Gualtieri**

Senior Associate, Young Adults and Postsecondary Education Policy Area, MDRC

#### **John Martinez**

Deputy Director, Health and Barriers to Employment Policy Area, MDRC

### **TRUE NORTH FUND GRANTEES**

#### **Dan Cardinali**

President, Communities In Schools

#### **Michael Carrera**

Vice President for Adolescent Services, CAS-Carrera

#### **Laurel Dukehart**

President, Gateway to College National Network

#### **Mary Emmons**

President & CEO, Children's Institute, Inc.

#### **Tiffany Cooper Gueye**

CEO, BELL

#### **Michael Lombardo**

CEO, Reading Partners

#### **Brian Maness**

Vice President, Strategy and Development, Children's Home Society of NC

#### **Mindy Tarlow**

Executive Director / CEO, Center for Employment Opportunities

#### **Rajiv Vinnakota**

Co-Founder and Managing Director, SEED Foundation

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## ABOUT THE AUTHOR

This report was written and researched by **Melinda T. Tuan**. Tuan is an independent consultant who works with the senior leadership of philanthropic organizations to research and create content regarding strategies for high-impact philanthropy. In addition to her current work with the Edna McConnell Clark Foundation, Tuan is a senior fellow at the University of Pennsylvania's Center for High Impact Philanthropy. She has also served as a senior fellow with Rockefeller Philanthropy Advisors and a special advisor to Bridgestar/The Bridgespan Group. Other clients include the Goldman Sachs Philanthropy Fund, Grantmakers for Effective Organizations, and the William and Flora Hewlett, the David and Lucile Packard, the Robert Wood Johnson, and the Bill & Melinda Gates foundations.

Previously, Tuan co-founded and managed REDF (formerly the Roberts Enterprise Development Fund) with Jed Emerson and George Roberts of KKR. Prior to REDF, Tuan was a manager at a national healthcare nonprofit and a management consultant specializing in growth strategies for Fortune 500 companies. She also co-founded Boston Cares, a nonprofit volunteer service organization, and was involved in the start-up of a social mission-driven company called Dayspring Technologies in San Francisco.

Tuan is recognized nationally for her work on foundation effectiveness, evaluation, high-engagement philanthropy, and nonprofit capacity building. She has lectured at leading business schools, including Stanford and Wharton, and published articles, business school cases, a chapter entitled "Cultivating a Culture of Measurement" in *Funding Effectiveness* by Grantmakers for Effective Organizations, and another chapter in the forthcoming *New Frontiers of Philanthropy*. Tuan currently serves on the board of managers for the Evergreen Lodge, a social-purpose destination resort just outside Yosemite National Park, and the advisory council for REDF.

Tuan graduated from Harvard University magna cum laude, and holds an MBA and certificate in nonprofit management from the Stanford Graduate School of Business. She resides in Narberth, PA with her husband and three children, and is an active member of Narberth Presbyterian Church.

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**The Edna McConnell Clark Foundation** seeks to transform the life trajectories of America's most vulnerable and economically disadvantaged youth. It makes large, long-term investments, frequently in partnership with other funders, and promotes public and private support of programs with a potential for growth and compelling evidence that they can help more young people become successful adults. [www.emcf.org](http://www.emcf.org)

**MDRC** is a prominent developer and evaluator of interventions to improve the lives of low-income Americans. It is dedicated to learning what works to improve programs and policies that affect the poor. As a strategic collaborator with EMCF, MDRC is helping True North Fund grantees develop evaluation plans. It is also assisting several other EMCF grantees with feasibility studies or evaluations. [www.mdr.org](http://www.mdr.org)

**The Bridgespan Group** is a leading provider of strategic counsel, business-planning and capacity-building services to mission-driven organizations and philanthropists. It collaborates with social sector leaders to help scale impact, build leadership, advance philanthropic effectiveness and accelerate learning. As a strategic collaborator with EMCF, Bridgespan helps True North Fund grantees develop scenario-based growth plans and provides other planning-related assistance. [www.bridgespan.org](http://www.bridgespan.org)