

Corporation for National and Community Service

2010 Social Innovation Fund

The Edna McConnell Clark Foundation

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2010 Social Innovation Fund

The Edna McConnell Clark Foundation

Section 1 – Application

PART I - FACE SHEET

APPLICATION FOR FEDERAL ASSISTANCE		1. TYPE OF SUBMISSION: Application <input checked="" type="checkbox"/> Non-Construction	
Modified Standard Form 424 (Rev.02/07 to confirm to the Corporation's eGrants System)			
2a. DATE SUBMITTED TO CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS): 04/08/10	3. DATE RECEIVED BY STATE:	STATE APPLICATION IDENTIFIER:	
2b. APPLICATION ID: 10SI115503	4. DATE RECEIVED BY FEDERAL AGENCY: 04/08/10	FEDERAL IDENTIFIER: 10SIHNY003	
5. APPLICATION INFORMATION			
LEGAL NAME: The Edna McConell Clark Foundation DUNS NUMBER: 071033906		NAME AND CONTACT INFORMATION FOR PROJECT DIRECTOR OR OTHER PERSON TO BE CONTACTED ON MATTERS INVOLVING THIS APPLICATION (give area codes): NAME: Kelly Fitzsimmons TELEPHONE NUMBER: (212) 551-9100 132 FAX NUMBER: (212) 421-9325 INTERNET E-MAIL ADDRESS: kfitzsimmons@emcf.org	
ADDRESS (give street address, city, state, zip code and county): 415 Madison Avenue 10th Floor New York NY 10017 County: New York			
6. EMPLOYER IDENTIFICATION NUMBER (EIN): 237047034		7. TYPE OF APPLICANT: 7a. National Non Profit 7b. National Non-Profit (Multi-State)	
8. TYPE OF APPLICATION (Check appropriate box). <input checked="" type="checkbox"/> NEW <input type="checkbox"/> NEW/PREVIOUS GRANTEE <input type="checkbox"/> CONTINUATION <input type="checkbox"/> AMENDMENT If Amendment, enter appropriate letter(s) in box(es): <input type="checkbox"/> <input type="checkbox"/> A. AUGMENTATION B. BUDGET REVISION C. NO COST EXTENSION D. OTHER (specify below):			
		9. NAME OF FEDERAL AGENCY: Corporation for National and Community Service	
10a. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:94.019 10b. TITLE: Social Innovation Fund		11.a. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: The Edna McConnell Clark Foundation 11.b. CNCS PROGRAM INITIATIVE (IF ANY): SIF - Issue Area Youth	
12. AREAS AFFECTED BY PROJECT (List Cities, Counties, States, etc): EMCF and its current grantees work in low-income communities throughout the country. The particular communities in which EMCF is active as a SIF intermediary will depend on the subgrantees it selects through its competitive process. Although			
13. PROPOSED PROJECT: START DATE: 09/30/10 END DATE: 09/30/11		14. CONGRESSIONAL DISTRICT OF: a.Applicant b.Program	
15. ESTIMATED FUNDING: Year #: <input type="text" value="1"/>		16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?	
a. FEDERAL	\$ 10,000,000.00	<input type="checkbox"/> YES. THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON: DATE: <input checked="" type="checkbox"/> NO. PROGRAM IS NOT COVERED BY E.O. 12372	
b. APPLICANT	\$ 10,000,000.00		
c. STATE	\$ 0.00		
d. LOCAL	\$ 0.00		
e. OTHER	\$ 0.00		
f. PROGRAM INCOME	\$ 0.00		
g. TOTAL	\$ 20,000,000.00		
17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? <input type="checkbox"/> YES if "Yes," attach an explanation. <input checked="" type="checkbox"/> NO			
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT, THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.			
a. TYPED NAME OF AUTHORIZED REPRESENTATIVE: Ralph Stefano		b. TITLE: VP, CFO & CAO	c. TELEPHONE NUMBER: (212) 551-9112
d. SIGNATURE OF AUTHORIZED REPRESENTATIVE:		e. DATE SIGNED: 07/07/10	

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Executive Summary

The Edna McConnell Clark Foundation

Sole intermediary: Edna McConnell Clark Foundation (EMCF)

Strategic collaborators: MDRC (evaluation); The Bridgespan Group (business planning, capacity building)

Issue-based SIF (Youth Development and School Support)

Grant amount and period: \$10 million/1 year

No preselected subgrantees

Over the past decade, EMCF has developed an investment approach that identifies highly promising nonprofits serving disadvantaged youth and makes large, long-term investments to strengthen the evidence and organizational capacity needed to achieve scale and sustainability. Our goal as a SIF intermediary will be the goal of our grantmaking strategy: to expand the pool of organizations with proven programs that can help ever-increasing numbers of low-income young people--those at greatest risk of failing or dropping out of school, of not finding work, of becoming involved in the foster care or juvenile justice system--make the transition to productive adulthood.

Since 2000, EMCF has invested in 33 organizations and supported the business planning, capacity building and evaluation that are prerequisites for sustainable growth. Longtime grantees like Nurse-Family Partnership, Harlem Children's Zone and Citizen Schools have strengthened their capacity and evidence and are now recognized as leaders in the field, poised to reach significant scale and impact the lives of thousands more young people.

We are applying to the SIF with two organizations with which we have collaborated closely: MDRC, a prominent evaluator of interventions to improve the lives of low-income Americans, and the Bridgespan

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Group, a leading provider of business planning and capacity building services to nonprofits.

EMCF will select subgrantees using the highly competitive process we have developed over the past decade to determine all our investment decisions. This includes solicitation on our website, outreach to a national referral network, rigorous assessment of evidence and intensive due diligence, including extensive consultation with stakeholders and experts.

In addition to working nationally, we have initially identified three geographical priorities: urban and rural communities in OK, NC and SC, and CA. The support we provide subgrantees will include growth capital, evaluation assistance from our own Evaluation Advisory Committee as well as MDRC, plus business planning and capacity building from Bridgespan. EMCF recently helped three grantees secure commitments from co-investors of \$81 million to augment our own investment of \$39 million in growth capital. This demonstrates our ability to help SIF subgrantees raise matching funds.

EMCF net assets: \$778.1 million as of Feb. 28, 2010

FY10 grants budget: \$33 million

Staff: 24

EMCF has a long track record as a high-engagement grantmaker. A Portfolio Manager (PM) with experience in organizational management and youth development oversees each investment, which includes planning support, usually provided by Bridgespan, and, where necessary, evaluation assistance, often from MDRC. The PM consults with these advisors and, based on grantees' quarterly reporting against annual milestones and regular conversations with their leadership, flags investment risks in quarterly portfolio performance reviews, which may result in additional assistance to keep grantees on track.

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EMCF is equally experienced in grant management support. Financial management systems and policies meet requirements for receipt of Federal funds, and EMCF will add staff with Federal grant oversight experience to assist with compliance.

We will allocate 90% of our \$10 million request directly to subgrantees and 10% to subgrantee evaluation support, donating all of EMCF's direct and indirect costs.

We will provide a 1:1 match.

We will provide this from our own resources, and have secured commitments of up to \$17 million over three years from four funders to help subgrantees meet their match requirements and growth capital needs.

EMCF's \$20 million budget for year one of SIF includes \$18 million in direct grants to 8-10 subgrantees, plus \$2 million to MDRC for evaluation support. Over and above SIF's grant and EMCF's match, we will contribute from our own resources an additional \$3 million: \$2 million for Bridgespan's technical assistance to subgrantees, \$.5 million for EMCF's administrative expenses, and \$.5 million for MDRC and Bridgespan's administrative costs.

Program Design

A. GOALS AND OBJECTIVES

Within the issue area of Youth Development and School Support, EMCF will build on its more than a decade of experience to identify and nurture evidence-based programs that help the nation's most economically disadvantaged youth make a successful transition to adulthood. Our overarching goal is to select and support 8-10 promising organizations in the first year of the SIF program--and an additional 6-8 during the second and third years, for a total of 14-18--with track records of demonstrated effectiveness and a capacity to grow, and help them further strengthen their evidence, build their

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capacity, and reach significantly larger numbers of young people with highly effectively interventions that will change the trajectory of their lives. (EMCF looks forward to participating in the SIF for a full five years, but since we have learned from our experience with grantees poised for substantial growth that the most meaningful time frame in which to invest against a single business plan is 3-4 years, we are concentrating in this proposal on the first three years of the SIF program.) Based on our experience, over three years most of these subgrantees will meet their growth goals and develop the evidence, build the internal capacity, develop the financial structure and merit the government funding that will enable them to thrive and serve young people long after EMCF and the SIF complete their work. Even those subgrantees that do not realize their full growth potential will have improved their programs' quality and/or evidence, their organizational capacity and/or their finances. By the end of our participation in the SIF, we expect to have helped generate a set of innovative, evidence-based, scalable solutions to some of the seemingly intractable problems that confront disadvantaged youth. We also intend to invest in sharing what we learn about what works and what doesn't with the broader field in order to advance efforts to help low-income young people. Sharing this knowledge is central to the work of EMCF and our strategic collaborators, MDRC and the Bridgespan Group.

EMCF's SIF subgrantees will help economically disadvantaged young people, ages 9-24, in low-income communities across the nation achieve three overlapping, measurable outcomes:

1. Improve their educational skills and academic achievement;
2. Prepare for the world of work and make the transition to employment and economic independence;
and/or
3. Avoid high-risk behaviors such as drug abuse, criminal activity and teen pregnancy.

These are issue areas of high need. The youth whose life prospects we seek to improve include the 1.2 million teenagers who dropped out of school in 2008; the 26.4% of teenagers who were unemployed in

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January, 2010; the 4.3 million young adults, 18-24, who were disconnected from school and work in 2008; the estimated 463,000 youth in foster care in late 2008; the 93,000 youth held in juvenile detention facilities or incarcerated in 2006; and the 4.15% of girls ages 15-19 who gave birth in 2008. Equally important members of our target population are the millions more young people at risk of adding to these statistics.

These needs extend across our country. Many of these young people, whose low socioeconomic status is confirmed by such measures as federal poverty levels and eligibility for free or reduced-price lunch at school, Medicaid or Temporary Assistance for Needy Families, are concentrated in low-income communities where current EMCF grantees are active, including neglected neighborhoods in Los Angeles, Oakland, Memphis, Atlanta, Detroit, New York City, Philadelphia, Boston and Washington, DC. EMCF and its current grantees work in communities of need in every state of the nation. EMCF's track record of engaging with America's most vulnerable and hard-to-serve youth across a wide range of communities distinguishes its investment model and its application to the SIF.

While EMCF's strategy is national in scope, we also propose to work in close partnership with a core group of geographically focused foundations and other funders to create opportunities for local and regional concentrations of two or more subgrantee programs in high-need areas. We believe this strategy will magnify our impact on underserved young people and their communities. Local funders that know deeply the needs of their communities can help us identify promising programs in their areas as well as support the expansion of national programs into their communities when appropriate. Our areas of geographic concentration include rural as well as urban communities in Oklahoma, North Carolina and South Carolina, and California.

The George Kaiser Family Foundation has pledged up to \$5 million over three years for subgrantees

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seeking to establish or expand operations in Oklahoma, where percentages of youth in foster care and of births to teenage mothers are far above national averages. The percentages of teenagers who are not in school, have not graduated from high school, or are disconnected from education and employment also exceed national averages. In 2008, 23% of Oklahoma's children lived in poverty, and 9% in extreme poverty.

The Duke Endowment will recommend a \$5 million commitment over three years for subgrantees active in North Carolina and South Carolina. The percentages of youth, both overall and ages 10-15, in South Carolina's juvenile justice system are among the nation's highest. The percentages of young adults, 18-24, in South Carolina who are disconnected from education and employment, and of female teenagers who give birth also exceed national averages. In 2008, 22% of South Carolina's children lived in poverty, and 10% in extreme poverty. In North Carolina, one of three students who start high school does not graduate. The percentages of North Carolina teenagers who are not in school, have not graduated from high school, are disconnected from education and employment, or are in foster care, and of female teenagers who give birth exceed national averages. In 2008, 20% of North Carolina's children lived in poverty, and 8% in extreme poverty.

EMCF is also building relationships with potential co-investors in California, where one co-investor, Tipping Point Community, a grantmaking organization that has raised \$20 million in its first 4.5 years of existence to fight poverty in the San Francisco Bay Area, has committed up to \$5 million over three years to invest in subgrantees. The percentages of unemployed teens and of children under 18 in foster care in California exceed national averages. Significantly greater percentages of youth under 18 are correctional facilities and juvenile detention centers than in the U.S. overall. In 2008, 18% of California's children lived in poverty, and 7% in extreme poverty. Overall statistics for the generally affluent Bay Area mask persistent pockets of poverty. In Oakland, for example, 68% of public school children qualify

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for free or reduced-price lunch, and from 45 to 55% of high school students fail to graduate. Tipping Point, which is committed to rigorous grantmaking, evaluation and impact, will partner with EMCF to identify and support promising subgrantees in Northern California and bring proven programs to the state.

EMCF is seeking co-investors in other geographies as well. The W.K. Kellogg Foundation, for example, has expressed interest in supporting subgrantees that work in New Mexico, Michigan and/or Mississippi and meet their investment criteria. But EMCF will reserve decisions on these areas until it selects subgrantees and has a stronger sense of local commitments and capacity.

Our Strategic Collaboration

Wherever we are engaged, EMCF, in strategic collaboration with MDRC and Bridgespan, will provide SIF subgrantees with growth capital--up-front funding to build the organizational capacity necessary to achieve scale and sustainability--and comprehensive, best-in-class expertise in evaluation, business planning, capacity building and capital aggregation. This support will help subgrantees strengthen and replicate programs with measurable outcomes within our three broad outcome areas. Such programs may, for example, raise the educational achievement of youth who are underperforming, at risk of dropping out or have dropped out of school; increase their employment rates; reduce their rates of involvement in the juvenile and criminal justice systems; or reduce pregnancy rates among young female participants.

Although data demonstrating the need for such programs is publicly available, data documenting these programs' outcomes can come only from a grantee's internal organizational processes and information technology that track performance and outcomes, and only external evaluation can confirm this data.

For more than a decade, EMCF has supported the development by its grantees of such performance- and

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outcomes-tracking organizational processes and information technology. It has also invested in rigorous independent evaluations of grantees' programs by MDRC and other evaluators.

This approach is based on the experience the Foundation and its strategic collaborators have accumulated over more than a decade. Bridgespan, for example, provided assistance with strategic business planning to one EMCF grantee, Youth Villages (YV), which offers a continuum of home-based or home-like care to troubled youth, most of them involved in the child welfare, juvenile justice or mental health systems. The planning process helped the Tennessee-centered nonprofit chart a growth strategy that has led to national stature and impact. The planning process also created a financial model that has enabled YV to serve more than 9,800 youth in 32 cities in nine states and Washington, DC and to achieve financial sustainability. This growth was accomplished with a series of targeted investments in organizational capacity. MDRC is currently conducting a randomized controlled trial (RCT) of one YV program and preparing to evaluate another. The results of both evaluations will inform improvements in the programs as YV prepares for further expansion.

Another EMCF grantee, Center for Employment Opportunities (CEO), has received strategy support from Bridgespan and undergone a longitudinal RCT evaluation by MDRC (emcf.org/evaluations). Bridgespan's work helped CEO chart a course that has nearly doubled the population it serves. CEO currently helps 2,930 formerly incarcerated individuals, one third of them between the ages of 18 and 25, find work in New York City and three communities in upstate New York. The MDRC study found that CEO significantly reduces recidivism. Participants who entered the program within three months of release were 22% less likely than non-participants to be convicted and 26% less likely to be incarcerated for a new crime.

EMCF has made 10 grants over 10 years totaling \$15.2 million to Bridgespan to assist the Foundation

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and its grantees with business planning and strategy. We have made seven grants over five years totaling \$3.3 million to MDRC to advise, assess and/or evaluate five organizations. This shared experience and knowledge augur well for our success as participants in the SIF.

B. USE OF EVIDENCE

Since 1999, EMCF has concentrated on increasing the number of low-income youth served by programs with scientifically proven or persuasive evidence that they help young people lead healthy, productive lives. To accomplish this, we rely on three kinds of evidence to improve program performance: 1) program management information; 2) organizational management information; and 3) rigorous evaluation evidence of a program's net impacts, preferably derived from RCTs or the best alternative when random assignment is not feasible.

Program management information consists of both in-program and post-program outcome data. In-program information includes data on recruitment that tell us about the flow of young people into a program as well as whom the program is serving; measures of engagement, including program intensity and duration (hours and days attended, for example); and completion or graduation rates. Post-program management information is typically outcomes-oriented: placement in a job, enlistment in the military, enrollment in college or other post-secondary program, earnings, household formation, childbearing, etc. Both kinds of management information are used by grantees to manage performance and by EMCF to monitor it.

EMCF also works with grantees to develop measures of organizational health and management, including milestones tied to an organization's business plan for scaling. Examples here include financial systems, staffing and talent development, capital to support scaling, progress against the expansion plan, adequacy of local public and private funding opportunities, the management team's performance,

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and the board's leadership and engagement. We have developed and implemented measures of grantee performance that we review quarterly and report publicly on our website (emcf.org) and in our annual report. Clear performance objectives and credible reporting systems to assess progress provide us and our grantees with an impetus to continually improve performance.

The third form of evidence we rely on to ensure program effectiveness is impact data derived from rigorous evaluations. To succeed, the programs we support have to make a real difference in the lives of disadvantaged youth. Too often, philanthropists, policymakers and program-administrators rely on outcome data alone to assess effectiveness. But as they mature, many young people are able to find their way even without program intervention. The challenge for evaluators and program administrators alike is to learn what net difference programs make above and beyond what young people would have done on their own or as a result of the existing infrastructure of options available to them. Recognizing this dilemma, EMCF is committed to identifying programs with strong impact data, preferably derived from an RCT or, when random assignment is not feasible, the strongest available alternative for identifying a reliable counterfactual against which to compare program participants. This is especially critical for programs that serve disadvantaged young people, since until recently there have been few examples of reliably evaluated successful programs. Other advantages of net impact studies are that the results can facilitate cost-benefit analysis, contribute to continuous program improvement in areas such as outreach, targeting, services and participation rates, and add to general knowledge in the field of youth development.

When we initially consider a program for investment, it may have promising outcome data, or it may have non-experimental or quasi-experimental evidence (usually a less reliable means of obtaining a counterfactual) to suggest its effectiveness. If it is at an early stage of organizational development, or if it is operating on a small or medium scale, it may not be ready for an RCT. In these cases, EMCF's goal is

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to bring the program to the stage, through capacity-building investments, where an RCT can be conducted.

EMCF is collaborating with MDRC, a pioneer in the use of random assignment research designs to study social and educational programs and one of the nation's more experienced and cited evaluators, to build the evidence base of our grantees. MDRC conducts an "evidence audit" of programs in our portfolio to assess their readiness and appropriateness for a more rigorous study. It works with EMCF, grantees and their boards to identify questions of interest and recommends research designs and strategies to reliably assess program effectiveness, including the point of random assignment, strategies for obtaining informed consent and protecting the privacy of study participants, whether to use surveys or administrative records for follow-up data, and how best to implement the study without overly disrupting program operation. MDRC has completed or is conducting RCTs of several EMCF grantee programs.

EMCF also relies heavily on its own Evaluation Advisory Committee, which was established in 2001 and currently comprises five independent experts in the field: Gary Walker (chair), past president, Public/Private Ventures; Robert Granger, President, W.T. Grant Foundation; Kristin Moore, Senior Scholar and past president, Child Trends; Elizabeth Reisner, founder, Policy Studies Associates; and Jason Snipes, Co-Director, Center for Education Research Evaluation and Technology, Academy for Educational Development. These are not just informal advisors. They are actively engaged in reviewing the evidence and evaluations of candidates for investment as well as of grantees, and in recommending next steps.

Over 10 years, EMCF has developed a framework that distinguishes among three levels of evidence that a program is effective. These levels correspond approximately to the SIF categories of strong, moderate

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and preliminary evidence, and a major objective of the Foundation's investments is to help grantees raise the quality of their evidence to the highest possible level.

1. Proven effectiveness is when a program's impact on participants has been scientifically confirmed by experimental research, ideally an RCT.
2. Demonstrated effectiveness is based on systematically collected data that compares program participants with similar people who are not receiving the service, thus allowing an independent, external evaluator reasonably to conclude that young people are benefiting from the program.
3. High apparent effectiveness is when an organization systematically collects data and can assume on the basis of this internal evidence that young people participating in a particular program are achieving its intended outcomes.

Although EMCF invests in nonprofits at various stages of organizational development with various levels of evidence, for the SIF program we will select only organizations that are poised for significant growth and have achieved demonstrated or proven effectiveness--or in our estimation can achieve it within three years of SIF funding. Our goal will be to help subgrantees advance toward ever higher levels of evidence that warrant greater public investment to bring them to scale. Although we cannot guarantee that every RCT or study of another design will demonstrate positive outcomes, we can ensure that every SIF subgrantee will receive a high-quality evaluation.

Using Evidence to Make Investment Decisions

EMCF uses evidence produced by rigorous evaluations to make its investment decisions. Nurse-Family Partnership (NFP), for example, is a national nurse home visitation program for young, low-income, first-time mothers and their children. Three RCT evaluations conducted over nearly 30 years prove that it can break the cycle of poverty by helping mothers acquire the self-confidence and parenting skills to prepare their children to become healthy, productive members of society (emcf.org/evaluations).

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Impressed by its proven effectiveness ("strong evidence," in SIF terminology), EMCF, with assistance from Bridgespan, helped NFP spin off from the schools of nursing and medicine at the University of Colorado Health Science Center in 2003 and become an independent entity that now is poised for national replication and growth, including substantial Federal funding.

Another example of how EMCF uses rigorous evaluations to make investment decisions is Children's Aid Society's Carrera Adolescent Pregnancy Prevention Program (CAS-Carrera), the only teenage pregnancy prevention program in the country that has been proven effective. A 12-city, three-year RCT completed in 2001 by Philliber Research Associates found that CAS-Carrera's afterschool program lowered pregnancy and birth rates dramatically, the former by 42% (emcf.org/evaluations). Participants were found to have higher PSAT scores, higher high school graduation rates, and higher employment rates than those in the control group. EMCF invested in CAS-Carrera in 2004, re-invested in 2006, and now is supporting a feasibility study by MDRC to determine whether CAS-Carrera's more recently developed integrated in-school program is ready for evaluation.

Using Evidence to Improve Performance

EMCF also uses rigorous evaluations to help grantees improve their performance. EMCF grantee Citizen Schools (CS) engages low-income middle-schoolers in programs led by community volunteers that provide challenging, hands-on apprenticeship opportunities. A quasi-experimental, matched-comparison longitudinal evaluation by Policy Studies Associates showed that after participating in the program students attended school more regularly than their comparison group, performed better on some statewide tests, and were more likely to be promoted to the tenth grade on time and to attend college-track high schools (emcf.org/evaluations). The study also found that students with high exposure to CS programming performed better than those with low exposure. Consequently, CS placed a greater emphasis on attendance, participation and retention to give students the full benefit of its

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program and improve outcomes.

Another example in EMCF's portfolio is BELL (Building Educated Leaders for Life), which provides intensive educational programming and support for K-through-8 students in afterschool and summer programs. An RCT conducted by Urban Institute/Mathematica in 2005 found that participation in the summer program significantly improved reading skills (emcf.org/evaluations). BELL also uses frequent internal assessments to identify areas where students need additional help and tailors its programming to individual students, improving overall outcomes.

EMCF integrates the lessons it learns from grantee evaluations in part by conducting qualitative evaluations of its entire portfolio's performance. William Ryan and Barbara Taylor, two independent, widely respected researchers, have repeatedly documented the effects of the Foundation's grantmaking strategy on its grantees. Their evaluations help EMCF's management team and board of directors adjust their approach. To cite one example, Ryan and Taylor found that a major determinant of the successful implementation of a growth plan was an organization's ability to attract and retain the right leadership talent. This pattern held true across the portfolio, and EMCF has broadened the supports it provides grantees in this area.

We facilitate learning across grantees by sharing what we learn from individual and aggregate evaluations with all our grantees at annual grantee retreats and smaller peer-learning sessions. We also share what we learn with co-investors in quarterly performance reviews, and with the broader youth development field and the entire philanthropic sector (as well as with interested policymakers) on our widely visited website, in our annual report, in reports and articles, and in presentations at conferences. In addition, both MDRC and Bridgespan publish their findings extensively. Bridgespan, for example, authored two of 2009's top five most-read articles in Stanford Social Innovation Review.

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C. COMMUNITY RESOURCES

EMCF has a considerable track record of raising and aggregating funds for its grantees. In June 2007, it launched a pilot program to raise, with co-investors, \$120 million in up-front growth capital for three of its most promising grantees. Within a year, EMCF met its fundraising goal, helping these grantees secure, over and above the Foundation's investment of \$39 million, commitments of \$81 million from their boards and 19 co-investors, including other foundations, corporations and individual philanthropists. (For a full description of the growth capital aggregation pilot and list of co-investors, see emcf.org/gcap.)

EMCF plans to extend this growth capital aggregation approach to the SIF, providing a vehicle for co-investors to join us in providing subgrantees with growth capital. The principal elements of this approach are:

1. Focusing on our nation's most disadvantaged young people.
2. Investing in evidence-based organizations poised for growth. We believe that taxpayers' dollars should flow predominantly to innovations that have sufficient evidence to justify public investment. The SIF is a promising opportunity to advance organizations that meet high evidentiary standards but do not yet have the proven outcomes that warrant larger public funding streams. Our investments in these organizations will include, where feasible and appropriate, support for RCTs or other rigorous evaluations.
3. Applying capital aggregation investment principles and investing on the basis of a subgrantee's business plan showing a clear relationship between utilizing up-front growth capital and replacing it with reliable and renewable funding that enables co-investors to exit successfully.
4. Partnering with co-investors, who will provide up-front growth capital in large increments and invest against the same performance metrics and with the same reporting expectations.

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5. Selecting subgrantees through EMCF's competitive process from a pool of current EMCF grantees, organizations in our pipeline, nonprofits recommended by co-investors and strategic collaborators, and others discovered through our national network of informants and our outreach efforts.

We have already received commitments and expressions of interest from several national and regional funders if our application is approved. Commitments by the George Kaiser Foundation, the Duke Endowment and Tipping Point Community are described above. In addition, should EMCF receive a SIF award, the Open Society Institute will recommend approval of grants totaling up to \$2 million to support subgrantees, subject to OSI's standard grant requirements and procedures, including, but not limited to, appropriate board approvals. The Atlantic Philanthropies, Bank of America, the Robert Wood Johnson, W.K. Kellogg and Kresge foundations, Strategic Grant Partners, and the Walmart Foundation have agreed to consider co-investing in SIF subgrantees that meet their own strategic priorities, investment criteria and due diligence.

D. DESCRIPTION OF ACTIVITIES

1. SUBGRANTING

EMCF will select SIF subgrantees using the same highly competitive process by which it has made all its investment decisions for more than a decade. The process includes advertising on the Foundation's website and inviting organizations to submit a Youth Organizations Survey that screens promising candidates; canvassing the country through a national referral network of expert informants and funders; rigorously assessing candidates' evidence; conducting intensive due diligence; and consulting extensively with stakeholders and experts in youth development, education and other fields. Over the past 12 months, EMCF has received and reviewed 289 responses to its online Youth Organizations Survey and referrals of approximately 100 organizations by its national network of informants. We constantly update a watch list of nearly 1,000 organizations; approximately 150 of these are in our

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pipeline, under review, or on hold for review in the near future.

This competitive process is continuous. We review and compare the performance and evidence of candidates in our pipeline at least quarterly. And the competition does not stop when we invest in a grantee. Our management team and board review and compare the performance of all grantees quarterly to determine which organizations are yielding the greatest return on our investment, and we decide on that basis whether to re-invest in a grantee. In many instances we decide not to reinvest because of the superior performance of other organizations.

We believe this process meets all the requirements of the Corporation for National and Community Service and of the Edward M. Kennedy Serve America Act of 2009 authorizing the SIF. If EMCF is selected as a SIF intermediary in July 2010, we expect this ongoing process will yield subgrantees for the Foundation's trustees to approve in September and December.

EMCF uses six criteria to assess candidates for investment. Initially we concentrate on:

1. **Compelling Product** -- Does the organization have a strong theory of change, validated by research, and empirical evidence of its program's impact on youth? Does the service model have the potential, if scaled, to have a transformative effect on the lives of large numbers of disadvantaged youth?
2. **Strong Leadership and Management** -- Do the staff and board have a track record of achieving the organization's objectives, and a vision of future growth?
3. **Commitment to Evaluation** -- Is the organization measuring its performance and intent on evaluating and improving its outcomes? What will it take, and how long will it take, for the organization's evidence to reach the level of demonstrated effectiveness or higher?

If the answers to these questions are encouraging, we delve deeper in three areas:

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4. Financial Viability -- Are the organization's finances and financial management sound?
5. Operational Viability -- Does the organization have the capacity to increase the number of youth it serves?
6. Compatibility -- Is the organization a good "fit" with EMCF's investment strategy?

EMCF adds organizations that seem promising to the pool from which it selects candidates for intensive due diligence. The Foundation spends hundreds of staff hours interviewing an organization's staff, board members, funders, recipients of its services, and experts in the field, conducting site visits, and analyzing the potential grantee's program models, organizational capacity, and potential for replication or expansion. Due diligence relies heavily on input from the community or communities in which a potential grantee is active. EMCF consults with local funders, including community foundations, with other nonprofits in the area, and with a wide array of local stakeholders to make certain that the community needs, understands and embraces the candidate's program(s), and that its leadership has forged alliances with local funders and policymakers that will help it succeed.

If due diligence and comparisons to other candidates prove positive, EMCF works with the organization to structure an investment that will best serve the grantee's needs and advance the Foundation's goal of reaching greater numbers of economically disadvantaged youth with programs of proven effectiveness. The Foundation makes multi-year, multimillion-dollar investments to help organizations develop their capacity to grow and serve more young people while maintaining or improving the quality of their programs and, when feasible, undertaking evaluations to prove these programs' efficacy.

These investments are made on the basis of a sound, 3-4 year business plan, approved by the grantee's board, that includes evaluation of program effectiveness, performance improvement, and replication or expansion. The Foundation often underwrites the cost of developing such a plan. EMCF contracts with

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management advisors (usually Bridgespan) and evaluation experts (frequently MDRC) to help the organization develop a plan that outlines the steps it will take to expand while maintaining or improving program quality and achieving sustainability. The discipline of this exercise can have a transformative effect on an organization, helping it to determine its priorities, formulate how to achieve its goals, and measure performance on an ongoing basis.

EMCF's investments are structured to address the specific needs nonprofits have at various stages of organizational development (for a description of the Foundation's framework for categorizing stages of organizational development, and the kinds of supports it provides grantees at each stage, see emcf.org/framework). Every investment includes performance milestones that the grantee sets in consultation with the Foundation and to which it agrees to be held accountable. Examples of performance milestones include increasing the number of youth served in current locations; adding new locations; completing an external evaluation; formulating a leadership succession plan; diversifying funding sources; and improving program performance data and using it to drive effectiveness.

The number of grantees that EMCF has helped advance to higher levels of evidence, capacity, organizational development and scale attests to the competitiveness and the effectiveness of the process whereby the Foundation selected them for investment. Two examples are:

1. Nurse-Family Partnership, which has grown during six years of EMCF support from serving 11,949 youth to 20,385 youth. During this time, NFP's national office has increased its annual earned revenue for services provided to local implementing agencies from \$1.3 million to \$2.8 million. NFP's positive RCTs are described above.
2. Harlem Children's Zone (HCZ), a provider of comprehensive community services in a wide swath of Harlem in New York City, has grown during 10 years of EMCF support from serving 6,098 youth to 10,642 youth, and from annual revenues of \$25.8 million to \$67 million. The U.S. Department of

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Education's What Works Clearinghouse recently rated a positive evaluation of HCZ's Promise Academy charter middle school "equivalent to a randomized controlled trial" (emcf.org/evaluations).

2. TECHNICAL ASSISTANCE AND SUPPORT

A distinctive feature of our model is applying in an integrated way the best thinking available about evaluation, capacity-building and performance management to support the growth of promising organizations. Typically, these issues are dealt with by organizations in a disconnected way, yet they regularly pose serious trade-offs. When is an organization ready to add new sites, given its internal capacity and current state of evidence? How much money should be invested in an organization if an evaluation yields mixed results? What should an organization and its funders invest in to maximize the chances of significant growth? Leadership? Systems? Evaluation? These are the kinds of serious questions that EMCF and its strategic collaborators have dealt with successfully and learned from for 10 years.

In addition to financial assistance and relationship management by a portfolio manager with deep experience in organizational management and youth development, EMCF will provide, with its strategic collaborators, targeted support to SIF subgrantees that is critical to their organizational development.

Though it is highly individualized, this support may include:

1. Assistance, primarily from Bridgespan, with refining a subgrantee's theory of change, business planning, scenario planning, financial modeling, site selection, performance monitoring, and growth strategy
2. Assistance from MDRC and EMCF's Evaluation Advisory Committee with evaluation and measuring performance and outcomes
3. Talent and board development, including funding for and assistance with executive coaching and search, succession planning, and organizational, leadership and board development

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4. Communications, including training subgrantee staff and assistance with engaging external experts

Previously we gave two examples of how EMCF and its grantees use data and evaluation to measure and improve program effectiveness. EMCF and our strategic collaborators will act similarly with SIF subgrantees. Financial support and our combined expertise will facilitate the performance tracking and evaluation that drive better outcomes.

We will facilitate learning and improvement across our portfolio of subgrantees through individual and aggregate evaluations, grantee retreats, peer learning opportunities and other activities described previously.

As explained earlier, EMCF will extend its growth capital aggregation model to the SIF to help subgrantees match SIF dollars and meet their total growth capital needs. The Foundation's goal is to help subgrantees raise, through additional support from EMCF and from co-investors, 50 to 70% of their total growth capital needs. EMCF's commitment, the additional assistance with building evidence and organizational capacity that subgrantees will receive from MDRC and Bridgespan, the annual and end-of-investment performance milestones they must meet, and the strength and clarity of their business plans will go a long way toward ensuring that subgrantees will achieve scale and sustainability by the time they draw down their growth capital.

Accountability

EMCF and co-investors joining us will hold SIF subgrantees accountable for making an impact in one or more of three broad outcome areas: education, employment and avoidance of risky behaviors. We will monitor this impact by setting annual and end-of-investment milestones on which payout is contingent. Although these milestones will depend on an organization's circumstances and needs, they will generally

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include 1) number of youth served; 2) program quality and advancement toward evaluation; 3) strengthened organizational capacity; and 4) revenue and financial controls and soundness. When a subgrantee is prepared for replication or expansion, a milestone may specify a number of sites, cities or states where this will occur. Subgrantees will report at least semi-annually on their progress toward meeting their milestones.

EMCF and co-investors will meet regularly with subgrantees to analyze and review their progress. If warranted, EMCF and co-investors will work with subgrantees to adjust milestones to circumstances beyond their control such as the recent economic recession. For just this reason, EMCF and co-investors have successfully negotiated modifications in the milestones of participants in its growth capital aggregation pilot.

The Foundation will hold itself accountable--and be accountable to the Corporation for National and Community Service--for 1) selecting qualified subgrantees; 2) helping them set meaningful and realistic annual milestones; 3) providing the support they need to achieve those milestones; 4) adjusting milestones and/or providing additional support in response to changes in the environment that could not have been predicted or cannot be controlled; and 5) monitoring and assessing the individual and aggregate performance of SIF subgrantees. The Foundation will set annual aggregate milestones for its SIF portfolio. In addition to aggregate growth in youth served and revenue, these milestones may include, when appropriate, measures and goals such as the amount of additional funding raised from co-investors; an evaluation of the effectiveness of the technical assistance EMCF, MDRC and Bridgespan have provided subgrantees; or the dissemination, through conferences, reports and/or online materials, of lessons learned or best practices culled from the experience of the SIF portfolio. This last milestone exemplifies something else for which the Foundation will hold itself accountable: contributing, with our strategic collaborators, to a learning community of intermediaries that will expand the pool of evidence-

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based social programs, expand the number of vulnerable people they serve, and expand our knowledge about how to achieve these goals.

Organizational Capacity

A. ABILITY TO PROVIDE PROGRAM OVERSIGHT

The Edna McConnell Clark Foundation was formally established in 1969 and has supported programs to improve the lives of low-income people and others with limited opportunities for more than four decades. Initially it concentrated on the poor, children, the elderly, and the developing world. This work evolved into five program areas that were the Foundation's priorities in the 1980s and 1990s: criminal justice reform, child protection, New York City neighborhoods, student achievement, and tropical disease research. We tackled tough problems, such as family preservation and sentencing reform, and worked on them for years.

In 1999, EMCF's trustees shifted the Foundation's grantmaking programmatically and methodologically, from a variety of programs to a concentration on those that help low-income young people make a successful transition to independent adulthood, and from reforming entire systems to building the organizational capacity and evidence base of nonprofits with programs that work so those programs can be brought to scale and change the life trajectories of large numbers of youth. In the last 10 years, EMCF has invested \$220 million of its own resources in 33 nonprofits that directly serve youth. It has developed a program strategy that has enabled these organizations to scale their impact dramatically through significant financial investments. An important part of the shift has been an increase in the size of EMCF's grants, from an average of \$90,000 in 2000 to an average of \$2 million today. Accompanying this shift has been the development of a rigorous, disciplined management process to ensure that these significant commitments are aligned with the most important priorities, that the activities associated with the grants are closely monitored, and that adjustments are made when needed in response to what is or is not working. All of the 33 nonprofits in which EMCF has invested

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since adopting its new approach have demonstrated their impact on low-income youth's education and/or employment and/or avoidance of risky behaviors with evidence ranging from the incontrovertible proof of RCTs to preliminary evidence of high apparent effectiveness. (For a description of EMCF's standards of evidence, see Program Design.)

In 2007, the Foundation built on this approach and launched a pioneering experiment in coordinated, collaborative philanthropy. As described in Program Design, its growth capital aggregation pilot raised, with 19 co-investors, \$120 million in up-front growth capital for three high-performing grantees. With these co-investors, EMCF has developed a set of clear processes ensuring grantees' accountability to their funders for both program results and financial management. EMCF's experience in managing both a grant-making process and coordinated, collaborative co-investments is evidence of the Foundation's capacity to fulfill responsibly and effectively its role as a SIF intermediary.

EMCF has a long track record of helping grantees advance to higher levels of evidence, capacity, organizational development and scale. EMCF's approach, which hinges on a high degree of engagement with grantees, has helped these grantees translate significant grants into major increases in scale, capacity and effectiveness. Three examples are:

1. Citizen Schools (CS), which has grown during a decade of EMCF support from serving 400 youth in Boston to serving 4,974 in seven states, and from operating revenues of \$4.1 million to \$22.1 million.
2. Youth Villages (YV), which has grown during five years of EMCF support from serving 4,103 youth in five states and Washington, DC to 7,748 youth in four additional states, and from annual revenues of \$65 million to \$116.5 million.
3. CEO, which has grown during six years of EMCF support from serving 560 youth to 954 youth, and from annual revenues of \$11.1 million to \$14 million.

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These organizations, like other EMCF grantees, are deeply rooted in the communities they serve.

1. CS enlisted nearly 4,000 "Citizen Teacher" volunteers in 2009 and partnered with 37 individual public schools in California, Massachusetts, New Jersey, New Mexico, New York, North Carolina and Texas. Its growth strategy calls for deepening relationships with entire school districts.

2. YV's primary goal is to help troubled young people in their families (or family-like environments) and communities, and keep them out of institutions. This requires working closely with communities, and with state and local child welfare and juvenile justice authorities on which it relies for funding. YV (like CS) is a participant in EMCF's growth capital aggregation pilot. One of the end-of-investment milestones that EMCF, co-investors and YV set is hiring an associate state director and one to three community relations specialists in each state in which YV operates: Alabama, Florida, Georgia, Massachusetts, Mississippi, North Carolina, Tennessee, Texas, Virginia and Washington, DC.

3. CEO's primary goal is to help people recently released from prison return to their communities and become productive members of those communities in New York City and upstate New York. The transitional job placements it arranges are in the community, often in government buildings, and CEO has entered a partnership with community colleges to prepare participants for trade certification programs.

EMCF has supported, funded or otherwise assisted many evaluations, including:

1. An RCT conducted by Public/Private Ventures of Big Brothers Big Sisters of America's school-based mentoring program. The 15-month study of 10 BBBSA programs and 1,139 youth in 71 schools nationwide included three waves of surveys with youth, mentors and teachers (emcf.org/evaluations).

2. An implementation study and RCT by MDRC of CEO that followed 977 released prisoners for three years, using surveys and a range of administrative records (emcf.org/evaluations)

3. A quasi-experimental, comparison group evaluation by Policy Studies Associates of Citizen Schools (emcf.org/evaluations)

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4. A longitudinal outcomes evaluation combined with an RCT by Harvard University researchers Will Dobbie and Roland G. Freyer of Harlem Children's Zone's Promise Academy charter school (emcf.org/evaluations)
5. RCTs, one underway and the other pending, by MDRC of Youth Villages' Transitional Living and Intercept programs
6. An RCT conducted by MDRC of National Guard Youth ChalleNGe, a U.S. Department of Defense program that helps 16-to-18-year-old dropouts finish their education and prepare for work (emcf.org/evaluations). The evaluation included 10 ChalleNGe programs nationwide and more than 2,000 youth. Three follow-up surveys have been completed in the subsequent 36 months.
7. A process or implementation evaluation, to be followed by a quasi-experimental comparison study, both conducted by the Vera Institute of Justice, of the implementation in Washington, DC of the "Missouri Model" of juvenile justice reform

Strategic collaborator MDRC will help SIF subgrantees build their evidence base and advance toward rigorous evaluation. MDRC has many internal controls and external procedures to ensure that evaluations meet high standards. These include design memos developed in advance that specify what outcomes and subgroups will be included in an evaluation; risk reviews to make sure the basic conditions of a rigorous research design, such as sample size, participation rates, program maturity, etc., are met; internal review by MDRC's chief social scientist or other staff with strong technical backgrounds; and, in many instances, review by an advisory committee.

EMCF will also rely heavily on its own Evaluation Advisory Committee, which convenes quarterly to review the evidence and evaluations of EMCF grantees and advise the Foundation. Members of this committee also provide strategic advice to EMCF grantees--and will provide it to SIF subgrantees--by participating on their own evaluation committees, contributing to workshops, or consulting directly.

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The combined experience and expertise of EMCF, its Evaluation Advisory Committee and MDRC, the nation's foremost evaluator of interventions to improve the lives of low-income Americans, will ensure that evaluations of SIF subgrantees meet the very highest standards of technical quality and independence.

For a description and examples of how EMCF and its grantees have used evaluation results to improve programs, see Program Design.

Three examples are cited above of successful replication or expansion that EMCF has sponsored: Citizen Schools, Youth Villages and CEO. Two more--Harlem Children's Zone and Nurse-Family Partnership--are cited in Program Design.

EMCF facilitates such growth with growth capital, support for and assistance with business planning, organizational capacity building and evaluation, and the expert advice and personal involvement of its 10-person portfolio team, soon to be expanded by a new senior portfolio manager and a new senior portfolio associate.

Supporting and overseeing multiple programs at multiple sites as strategic collaborators in the SIF will pose little difficulty. Our grantees are currently active in all 50 states and Washington, DC. Virtually all of MDRC's demonstrations and evaluations over the past 35 years have been multi-site, with locations throughout the nation, and MDRC's Oakland office gives it a strong West Coast presence. Bridgespan has offices in Boston, New York City and San Francisco. In 2009, its clients were headquartered in 14 states and operated in many more.

BOARD OF DIRECTORS, ADMINISTRATORS AND STAFF

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EMCF is governed by nine trustees, including President and CEO Nancy Roob. Trustees other than Roob are elected to three-year terms with a three-term limit, except for members of the Clark family whom the board wishes to continue representing the founding family's values and interests. (Two Clark descendants currently serve on the board.) The board meets quarterly, and its audit, governance, investment and compensation committees often meet more frequently. The trustees on these committees have deep professional experience in these areas. The trustees have approved EMCF's application to become a SIF intermediary and its intention to collaborate strategically with MRDC and Bridgespan. They will continue to provide guidance if the application is approved.

Roob, who became EMCF's CEO in 2005 and has 22 years of experience in the nonprofit sector and youth development and 17 years of experience at the Foundation, will assume overall responsibility for the Foundation's participation in the SIF and lead the fundraising effort to aggregate additional growth capital for subgrantees. Programmatic oversight will be shared by EMCF's director of corporate initiatives, Kelly Fitzsimmons, and the equivalent of a full-time portfolio manager (though the work may be shared by more than one staff member). Fitzsimmons, who oversaw the launch of the Foundation's growth capital aggregation pilot and supervises EMCF's evaluation work, co-founded the venture philanthropy fund New Profit Inc. and has 20 years of experience in the nonprofit sector, 15 years of experience in youth development, and three years of experience at EMCF. They will be assisted by a newly hired senior portfolio associate with experience managing Federal grants. Ralph Stefano, EMCF's vice president, chief financial and administrative officer, who has 22 years of experience in the nonprofit sector and 13 years of experience in youth development at EMCF, will have fiscal oversight, also reporting directly to Roob. Stefano will be supported by a newly hired controller with experience managing Federal grants.

Our strategic collaborator, MDRC, will provide EMCF and SIF subgrantees assistance with assessment,

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evaluation and preparation for evaluation. Its support will be overseen by Senior Vice President Robert J. Ivry, who has 38 years of experience in the nonprofit sector and youth development, and 30 years' experience at MDRC; Vice President Fred Doolittle, who has 31 years of experience in the nonprofit sector and 26 years' experience in youth development at MDRC; and Dan Bloom, Director, Health and Barriers to Employment Policy Area, who has more 20 years' experience in the nonprofit sector at MDRC and more than 10 years' experience in youth development.

Our other strategic collaborator, the Bridgespan Group, will provide EMCF and SIF subgrantees with support in business and strategic planning, leadership and organizational development, and financial management--non-financial support and technical assistance that are critical to building organizational capacity for growth. Bridgespan plans to assign 3-5 person teams drawn from its 170 employees to work with each SIF subgrantee. These teams will be overseen by co-founder and Managing Partner Jeffrey L. Bradach, who has 23 years of experience in the nonprofit sector, and founding member and Partner Kelly Campbell, who has more than 10 years of nonprofit experience.

PLAN FOR SELF-ASSESSMENT OR IMPROVEMENT

EMCF is deeply committed to self-assessment. The Foundation and its trustees review EMCF's performance and progress toward annual milestones every quarter. These reviews examine not only the performance of grantees but the efficacy of EMCF's strategy, staffing, financial systems and communications. As described in Program Design, independent researchers William Ryan and Barbara Taylor provide periodic feedback from grantees and co-investors to EMCF's management team and board. EMCF's expert Evaluation Advisory Committee also reviews the Foundation's performance and advises how best to assess it. The competitive process on which EMCF bases its investment decisions is another form of self-assessment, as the Foundation compares every quarter the performance of current and potential grantees to determine how to improve its support of grantees and maximize the return on

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its investments. All these practices and procedures contribute to ongoing learning and drive continuous organizational improvement.

B. ABILITY TO PROVIDE FISCAL OVERSIGHT

Although managing a Federal grant and monitoring subgrantees' use of it will be a new experience for EMCF, the substantive requirements and rationales are entirely consistent with the rigorous oversight procedures with which we have long managed our investment portfolio, and we have team members and collaborators with relevant experience. We understand that assuming this responsibility will require 1) developing an understanding of Federal compliance, administrative, and cost principles requirements; 2) providing subgrantees information about these compliance requirements and related best practice procedures; and 3) establishing procedures to monitor subgrantee compliance. Monitoring will include visiting sites periodically, requiring detailed reporting, supporting documentation of subgrantee expenditures, and ensuring that subgrantees undergo audits under OMB Circular A-133 and correct the findings from such audits in a timely manner.

EMCF Vice President, Chief Financial and Administrative Officer Ralph Stefano spent nine years managing government contracts at direct service organizations and two years managing Federal grants at a national intermediary. EMCF also plans to hire a controller with experience managing Federal grants.

MDRC has extensive experience with Federal grants. Over the past three years alone, MDRC has received and managed nearly \$120 million in federal funding for 37 projects, including direct support of MDRC costs as well as funds passed through to sites, survey firms and subcontractors. Our strategic collaborator is eager to assist us with fiscal oversight of subgrantees. MDRC's accounting capacities draw on electronic timesheets (ET) and financial management/accounting software (Costpoint)

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developed by the Deltek Corporation, and a customized budgeting and resource management relational database system from KCI Computing. These packages were specifically designed for firms that have government contracts and requirements for project accounting, and facilitate timely and accurate financial management and reporting.

Moreover, EMCF has an impeccable track record of managing over the past decade 87 grants totaling \$220 million. Since its inception, EMCF has received unqualified opinions on its audited financial statements and, in recognition of its internal controls, clean management letters. Our FY10 grants budget is \$33 million and our grant-related (non-investment) operations budget is \$5.9 million. If EMCF receives the \$10 million SIF grant we are requesting, this would constitute 20.4% of our total \$48.9 million FY10 budget.

Our due diligence includes reviewing the financial and other systems that will be necessary to monitor a grant to a candidate for investment. Every investment is guided by an Investment Management Plan that tracks all relevant data, and accompanied by a Grantee Compliance Check List we use to monitor grantees' internal controls and governance practices. EMCF requests, receives and reviews annual audits (including A-133 audits of grantees receiving over a threshold amount of Federal funding) and management letters. A Financial Analysis Template, a Financial Reporting Template, and a Milestone Reporting Template are updated and reviewed quarterly or semi-annually. EMCF portfolio staff visit grantees periodically. All of these controls and procedures will apply to SIF subgrantees as well.

Budget/Cost Effectiveness

A. BUDGET AND PROGRAM DESIGN

The program EMCF proposes is cost-effective because the Foundation has adequate resources to support it, EMCF will raise additional funds to assist subgrantees with their match requirements and other needs, and its expenditures are consistent with EMCF's past experience helping to bring evidence-

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based programs to scale. The Foundation already has the financial resources to implement and sustain its role as a SIF intermediary, so it will not be necessary for EMCF to draw on additional non-Federal resources to meet its matching requirement. Our endowment--\$790 million as of Feb. 28, 2010--is professionally managed by Investure, LLC, with guidance from experienced trustees and advisors on the Foundation's Investment Committee. Both the size of the endowment and the skill of its management provide ample funds with which to budget appropriately to manage and sustain EMCF's grantmaking, grantee oversight, and our own management and governance, as well as to match SIF grants over multiple years.

In addition, the Foundation is confident it can build on the growth capital aggregation model described in Program Design to reduce significantly the burden on subgrantees of raising matching funds. As of this writing, we have obtained several commitments and expressions of interest from other funders to help subgrantees meet their match requirements should EMCF receive a SIF award. Tipping Point Community, a grantmaker in the Bay Area of California (a state we have identified as a geographic priority), has committed up to \$5 million over three years to invest in subgrantees. The Foundation will also partner with Tipping Point to identify and support promising subgrantees in Northern California. The George Kaiser Family Foundation has pledged up to \$5 million over three years for subgrantees seeking to establish or expand operations in Oklahoma, another state that is a geographic priority for EMCF. The Duke Endowment will recommend a \$5 million commitment over three years for subgrantees active in North Carolina and South Carolina, a region we have identified as a third geographic priority. The Open Society Institute will recommend up to \$2 million in grants to support subgrantees focused on the most disconnected and least-served youth in the nation. (Letters of commitment are available on request.)

If EMCF receives a SIF grant, the following funders have also expressed interest in considering co-

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investing in subgrantees selected by EMCF's competitive process that meet their own strategic priorities, grantmaking criteria and due diligence, and we expect other co-investors to join them:

1. The Atlantic Philanthropies
2. Bank of America
3. The Robert Wood Johnson Foundation
4. The W.K. Kellogg Foundation, which is interested in supporting subgrantees working in New Mexico, Michigan and/or Mississippi
5. The Kresge Foundation
6. Strategic Grant Partners, to support subgrantees operating in Massachusetts
7. The Walmart Foundation

The Foundation's \$20 million budget for its first year of participation in the SIF represents the award EMCF is requesting plus the 1:1 match EMCF will provide. It assumes that \$18 million in grants will go directly to 8-10 subgrantees, and that \$2 million will go to MDRC for assisting subgrantees with program assessment and evaluation. In addition, we estimate that the Foundation will contribute up to another \$3 million during the first year to cover 1) the costs of the strategic planning and other technical assistance that the Bridgespan Group will provide subgrantees, and 2) the SIF-related administrative costs of EMCF and our two strategic collaborators, MDRC and Bridgespan. All these expenses will support our program design, are consistent with our past operations, and will enable us to meet our intended outputs and outcomes.

We and our strategic collaborators also intend to allocate additional resources to participating in and contributing to a learning community of intermediaries that will expand the pool of evidence-based social programs, but we have yet to project these costs, which EMCF and, possibly, co-investors will cover, but outside of the SIF grant and EMCF's match.

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EMCF looks forward to participating in the SIF for a full five years, but since we have learned from experience that the most meaningful time frame in which to invest against a single business plan is 3-4 years, we have made preliminary cost projections for only the first three years of the SIF program and concentrated on year one. Although the details will be determined by the cooperative agreement with the Corporation for National and Community Service, we are initially assuming we will make \$18 million in direct grants, ranging in size from \$1-\$2 million, to 8-10 subgrantees in year one. During years two and three, we expect to make investments of a similar size in 6-8 additional subgrantees, for a three-year total of 14-18.

We are comfortable with the magnitude of the grants we propose because they are consistent with our experience with grantees in our portfolio that are poised for substantial growth. Such organizations on average require \$3-\$6 million in growth capital annually over a period of three years, growth capital being up-front funding to build the organizational capacity necessary to achieve scale and sustainability. (During this period, these grantees generally incur additional evaluation-related costs of \$1-\$3 million.) Although our investment approach is highly individualized and tailored to a grantee's needs and growth plans, our growth capital grants to organizations poised for growth have generally averaged approximately \$1.5 million a year and amounted to more than 30% of their total growth capital needs. To help grantees take maximum advantage of this growth capital, we customarily provide a substantial amount of it up-front during year one. When added to our grants, the matching funds that SIF subgrantees are required to raise--and which we will help them raise--will go a long way toward satisfying their growth capital needs over three years. Extending our growth capital aggregation approach, we expect to help subgrantees secure in year one significantly more up-front capital from co-investors than their 2-to-1 match and business plans require for that year. We believe the SIF opportunity will propel fundraising, permitting EMCF to dedicate less SIF funding and EMCF match

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funding to its initial subgrantees in subsequent years and, assuming EMCF continues to receive SIF awards of the same magnitude, enabling the Foundation to add new subgrantees to its SIF portfolio.

The \$2 million we project to direct to MDRC in year one will enable it to assess the feasibility of evaluating subgrantees and prepare them for eventual evaluation, and if possible it will contribute to the costs of rigorous multi-year RCTs. We calculate that the \$2 million will cover evaluation feasibility studies for 4-6 subgrantees, as well as first-year costs to start up four full-scale RCTs. Over the first three years, depending on the size of its SIF awards, EMCF anticipates it will continue to use SIF and match funds to offset approximately \$10 million of the projected costs of MDRC's evaluation work with subgrantees. During this time frame, MDRC will conduct 8-10 feasibility studies (to determine evaluation options); several assessment studies (to help inform and strengthen program models and operations); and begin to work on up to six full-scale evaluations.

In addition to the \$20 million first-year budget, EMCF proposes to contribute \$3 million in year one to cover other costs. Approximately \$2 million of this will be directed to Bridgespan for subgrantee business and strategic planning and other technical assistance. The other \$1 million will cover the administrative expenses that EMCF estimates the Foundation and its strategic collaborators will incur during the first year of the SIF program: \$.5 million for EMCF staffing and support costs, and \$.5 million for the combined administrative costs of MDRC and Bridgespan. This estimated \$1 million in administrative costs for the Foundation, MDRC and Bridgespan combined constitutes 4.3% of the total \$23 million cost of the program in its first year. These administrative expenses are projected to remain constant for years two and three, and EMCF will contribute these costs rather than charge them to the SIF budget in order to ensure that the maximum amount of Federal and match funding supports subgrantees directly.

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The \$3 million EMCF proposes to donate in year one is over and above the \$10 million SIF grant it is requesting and EMCF's \$10 million match, and will generally serve four purposes:

1. Technical Assistance

The Foundation has long been a proponent of employing external experts to provide deep technical assistance to grantees. Beyond evaluation, the most significant technical assistance investment EMCF makes on behalf of its grantees is in helping grantees with business and strategic planning. Additional assistance, including executive recruitment and coaching, leadership and board development, and communications, is provided to our grantees on a case-by-case basis, and it will be provided to SIF subgrantees as well. In concert with the Bridgespan Group, EMCF will assess subgrantee needs and deliver high-quality planning support to identify sustainable paths to growth in revenue, number of youth served, and level of evidence of effectiveness. The \$2 million first-year cost of the Bridgespan Group's work with SIF subgrantees will cover approximately eight business plans or strategic refreshments of existing business plans, and it is consistent with what EMCF has paid in the past. (In years two and three, when fewer subgrantees are selected, we expect the annual cost of Bridgespan's services will be lower.) Not until we select subgrantees and assess their needs can the Foundation project the cost during the first or following years of additional technical assistance in areas such as executive coaching and communications. However, we are prepared to cover these costs as well.

2. Grantmaking program

EMCF will manage the subgrantee selection process, provide extensive capital aggregation support, lead the relationship with each subgrantee and its co-investors, oversee the delivery of evaluation and technical assistance support to subgrantees, and coordinate knowledge development and participation in a learning community of SIF intermediaries. EMCF expects this work will require significant time allocations by program management, program support and administrative staff, in addition to increased legal and travel costs.

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In order to participate fully in their strategic collaboration with EMCF, MDRC and the Bridgespan Group will also incur leadership, management support and other costs, which the Foundation will reimburse, related to advising the Foundation, reviewing investment decisions and subgrantee performance, attending meetings, and providing organizational support for these activities.

As stated above, we estimate that EMCF staffing and support costs for the first year of the SIF program will be \$.5 million, and the costs for MDRC and Bridgespan another \$.5 million. These costs include administrative expenses for subgrantee selection and evaluation described below.

3. Subgrantee selection

These costs, to be incurred by all three collaborators but ultimately covered by the Foundation, relate to identifying candidates and selecting subgrantees--the competitive process EMCF calls "sourcing." To identify, assess and select SIF subgrantees, the Foundation will rely on the sourcing team that for years has managed EMCF's competitive process to select candidates for funding. Sourcing SIF subgrantees will require allocating the time of two EMCF staff members and a senior manager. Additional support will be provided by teams from MDRC and Bridgespan.

4. Evaluation

Our work with MDRC, described above, represents the core of our evaluation efforts. This work will be supplemented by various allocations of EMCF staff time and also by the Foundation's Evaluation Advisory Committee, which comprises five independent experts in the field who meet quarterly to review and assess the evaluation progress of Foundation grantees and candidates.

B. MATCH SOURCES

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SIF matching funds, financial support to subgrantees other than match funds, and additional administrative and grantmaking costs described above will be fully funded out of the Foundation's investment portfolio. The Foundation is planning to match SIF funds on a 1:1 basis, and it will contribute an additional \$3 million in technical assistance and administrative costs to ensure the success of the program. The commitments and expressions of interest that the Foundation has secured from other funders to co-invest in SIF subgrantees are described above.

Clarification Summary

1. EMCF defines impact as the positive effects a programmatic intervention has on a young person. Growth without impact would not constitute a worthwhile investment for EMCF, and in fact most of our investments focus more sharply on ensuring positive impacts than on growth. When we invest in growth, it is because we have confidence in a program's impact. We acquire this confidence by helping grantees conduct rigorous, independent evaluations--ideally, randomized controlled trials--that provide persuasive empirical evidence of their programs' impact. In order to continually improve performance and ensure that growth does not occur at the expense of quality, we support ongoing impact evaluation and closely monitor grantee performance on various metrics, such as participation rates, securing a job, continuing with post-secondary education, and avoiding criminal activity.
2. EMCF investments prioritize maintaining or improving critical program outcomes and quality indicators, such as attendance, high school graduation and employment, at the same time a grantee grows. For example, youth served by the CAS-Carrera Adolescent Pregnancy Prevention Program increased 30% between 2006 and 2009. Meanwhile, it improved the critical program quality metric of average daily attendance at its sites from 81% of program participants in 2008 to 90% in 2009. Similarly, Youth Villages increased youth service 13% annually between 2007 and 2009. During this period, it set and exceeded goals for the number of participants successfully re-established in their families, increasing the percentage of successful program discharges from 83% in 2007 to 88% in 2009.

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The Center for Employment Opportunities has increased not only the number of youth it serves, but also the number of youth it places in jobs and the rates of retention in these jobs. Data collected from CEO indicates that the number of annual job placements it made increased 26% from 2004, when it entered the EMCF portfolio, to 2009, while its 6-month employment retention rate increased from 18% to 52% and its 12-month retention rate increased from 16% to 32%. CEO seeks to place ex-offenders in transitional jobs, such as minor repair, maintenance and grounds keeping, with public agencies, and to follow up by helping them find long-term employment so they will be less likely to become re-incarcerated and more likely to build a foundation for stable, productive lives.

CEO's impact on recidivism was measured by a randomized controlled trial evaluation that included nearly 1,000 ex-offenders. Individuals randomly assigned to CEO's core program had significantly lower rates of recidivism over three years than those assigned to a control group offered basic job search assistance. Although reduced recidivism and employment are associated, additional research will be necessary to establish a causal relationship.

3. The Foundation focuses on communities of need throughout the country. Our current grantee portfolio has a presence in all 50 states and Washington, DC, with concentrations in low-income areas where youth are most at risk. North Carolina and South Carolina, Oklahoma, and California were chosen as geographic priorities because 1) they are high-need regions, as described in our application; 2) funders in these states that know what these needs are sought to partner with EMCF in this application and made sizable financial commitments; and 3) several organizations that are currently undergoing our competitive sourcing and due diligence process and might qualify for SIF funding include these states among their targets for expansion. Other geographic priorities will likely emerge in Year One as EMCF's open selection process continues and SIF subgrantees are chosen.

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Given our dedication to advancing better outcomes for disadvantaged youth in communities of need throughout the country, our first, most important selection criterion is evidence of effectiveness. Our due diligence on potential SIF subgrantees requires rigorous analysis of an organization's relationship to the communities it is currently working in, and its plans for expansion. EMCF does not predetermine what geographies a grantee should work in; rather, we are most interested in working with grantees that have deep connections with communities of need and are able to replicate their programs in a local context. At the point of subgrantee selection, we will be able to review with the Corporation additional geographies that will benefit from SIF-related investment.

4. EMCF will reserve decisions about additional geographic priorities until we have selected subgrantees and have a stronger sense of where their services are needed, the capacity of a community to support those services, and the prospects for achieving for sustainability there. Nonetheless, the W.K. Kellogg Foundation recently reaffirmed its interest in considering support in Year One of the SIF of subgrantees EMCF may select that have plans to expand in states on which Kellogg focuses: Mississippi, Michigan and New Mexico. All decisions on subgrantees and additional geographic targets await completion of our selection process.

5. EMCF's investments in programs around the nation have informed the development and use of shared metrics across our grantees. The most basic shared measures of grantee performance and growth are the numbers of youth they serve and grantees' annual revenues, which can be aggregated across the portfolio. We supplement these metrics with program quality and management indicators that help grantees manage performance and help EMCF monitor it. Such information includes demographic data about the population a program serves; measures of engagement such as program intensity and duration (hours and days attended, for example); program completion or graduation rates; and program

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outcomes such as high school graduation, placement in a job, enrollment in college or other post-secondary program.

The Foundation also works with grantees to develop measures of organizational health and management. Although these are customized to an individual grantee's environment and stage of organizational development, there is commonality among these metrics, which include building financial and performance management systems, staffing and talent development, capital to support expansion, the management team's performance, and the board's leadership and engagement.

6. We will be able to estimate the numbers of youth that our SIF subgrantees will serve after our competitive investment selection process is completed. Should EMCF be awarded a \$10 million grant, we expect to invest in 8 to 10 subgrantees that meet our selection criteria. We anticipate that the growth patterns of these subgrantees will be similar to the trends we have seen in the past, barring effects of the recession. In 2009, our portfolio of 19 grantees reached 362,000 youth in aggregate; the smallest served 1,000 young people and the largest, 250,000. We have historically projected annual average growth of 5--8% in youth-service levels; however, the segment of grantees that has received EMCF's largest investments has seen average annual growth of 18%. When our SIF subgrantees have been chosen, we will project what we believe their individual and aggregate growth will be over a three-year period. This is consistent with how we project the performance for our current portfolio of grantees to our trustees and the public. (See the grantee results page on our website at emcf.org/results/granteeperformance/index.htm.)

7. In fact, among the 8 EMCF grantees cited in our application, Harlem Children's Zone serves youth from birth to college, Nurse-Family Partnership serves infants as well as their young mothers, and Big Brothers Big Sisters of America and BELL serve children as young as 6. In recent years EMCF has

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prioritized grantees that serve older, disconnected youth who have dropped out of school, are unemployed and/or involved in the criminal justice system. But we also invest in grantees serving younger children who are economically disadvantaged. The age range and mix of the youth SIF subgrantees serve will be determined by our competitive selection process. Our criteria will ensure, however, that most of them fall between the ages of 9 and 24, and that all of them are economically disadvantaged and at risk.

8. Tipping Point Community's website (tippoint.org) describes a rigorous due diligence process that has screened hundreds of nonprofits to identify the "best poverty-fighting organizations in the Bay Area." Tipping Point's investment approach aligns with EMCF's: performance-based support, high engagement with grantees, and additional support for management. Tipping Point asked to co-invest with EMCF so it can learn from our experience, especially with performance tracking and evaluation. In turn it will provide EMCF with knowledge about promising organizations in California.

9. All of the \$17 million in written commitments described in our application is contingent on EMCF's winning a SIF award, and these are new investments that EMCF would not have pursued were it not for the SIF. In support of our application, EMCF received written commitments from The Duke Endowment, the George K. Kaiser Foundation and Tipping Point Community to support subgrantees selected by EMCF that operate in North Carolina and South Carolina, Oklahoma, and California, respectively, should we win a SIF award. Open Society Institute also provided a written commitment to support subgrantees that meet their investment criteria, also contingent on our receiving a SIF grant. Three of these four funders represent new relationships for EMCF. We already have a strong working relationship with The Duke Endowment, a co-investor with us in Youth Villages and Nurse-Family Partnership; however, The Duke Endowment's \$5 million SIF commitment is in addition to prior investments and contingent on our winning a SIF award.

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10. SIF co-investors--those that have made conditional commitments and new ones we expect will join us if we win a SIF award--will contribute far more than funding. As EMCF seeks promising SIF subgrantees, co-investors will constitute a critical bridge to local communities, identifying community needs and programs that can meet them. They will refer organizations from their networks or pipelines for consideration in EMCF's open, competitive sourcing and selection process, and will help evidence-based programs that EMCF designates for SIF funding gain traction in their priority geographies. Although final decisions will rest with EMCF and meet our standards and criteria for investment, SIF co-investors will collaborate in and inform our due diligence on prospective subgrantees.

Once a subgrant has been made, SIF co-investors will play a role similar to that of co-investors in our previous capital aggregation work. All funders will invest against the same business plan and agree to the same terms and conditions. EMCF will assume grants administration responsibilities, minimizing the reporting and communications burden on subgrantees while freeing co-investors to focus on strategic and oversight activities rather than on process. Co-investors will monitor grantee progress quarterly and participate in an annual performance review at which new annual performance milestones are set and approved by all co-investors. Co-investors will also support grantees with their expertise in particular areas such as marketing and financial management.

11. Given the high standards of evidence, detailed in our application, that SIF subgrantees will be required to meet, we expect that the majority of subgrantees we select will already have achieved significant scale and be regional or national in scope. Current EMCF grantees such as Nurse-Family Partnership and Big Brothers Big Sisters of America are active in rural as well as urban communities of need, and we expect our SIF subgrantees will also serve rural areas. To ensure that they do, outreach materials publicizing opportunities for SIF subgrants and our announcement/letter of request for

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applications will appear in trade publications and mainstream media that reach rural youth-serving organizations and their funders. They will also be widely circulated by co-investors such as The Duke Endowment and George Kaiser Family Foundation that are active in states with rural communities of need. In South Carolina, 22 of 46 counties are entirely rural and 21 contain rural census tracts; in North Carolina, 54 of 100 counties are rural and 38 contain rural census tracts; and in Oklahoma, 59 of 77 counties are rural and 18 contain rural census tracts.

We will state in our letter of request for applications and the application itself our interest in funding organizations that serve rural communities of need. Once selected, subgrantees will be encouraged, when appropriate and whenever possible, to develop as part of their business plans explicit strategies for expanding services in rural communities.

It would be premature to set numerical targets or promise specific outcomes for rural communities of need before the selection process is completed. The Corporation, intermediaries and subgrantees are breaking new ground with the SIF, and, as the Feb. 23 SIF FAQ observed, "Cooperative agreements provide valuable flexibility that allows the partnership between programs and their Federal funding agencies to adapt and grow over time." In this evolving and uncertain enterprise, we will explore with the Corporation, on completion of the selection process, the feasibility of setting some overall goals across our SIF portfolio for service to rural communities.

12. We regret that our response to date has not adequately demonstrated that EMCF's selection process is open and competitive. We are confident that it is and that we can demonstrate this to the Corporation, for much the same reasons that our board of trustees and network of co-investors rely on it heavily. If we receive a SIF award, we are committed to augmenting the announcement process and timeline as needed to ensure that the selection process meets the requirements of the SIF NOFA.

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We will give public notice of the opportunities for SIF subgrants by issuing a formal announcement/letter of request for applications and displaying it for at least two weeks in national trade publications such as the Chronicle of Philanthropy, Nonprofit Times, and Youth Today. We will also place notices in mainstream regional and local publications to reach youth-serving organizations and their funders in our geographic priorities. The announcement/request will advise potential subgrantees of our eligibility requirements and selection criteria, as described elsewhere in our application; how we weight these criteria; how to submit a preliminary application, and the deadline for submission. In order to give organizations sufficient time to respond, that deadline will be 6 to 8 weeks after the announcement/request is issued.

In North and South Carolina, The Duke Endowment will help EMCF identify, connect with and engage prospective subgrantees. In Oklahoma, the George Kaiser Family Foundation will use its mailing lists and a public relations firm to publicize SIF funding opportunities. In California, Tipping Point will issue a press release to local media and reach out to organizations like The Foundation Center and government entities such as the City of San Francisco human service and economic development agencies. All three funders will provide information on their respective websites about SIF and a link to EMCF's website.

The preliminary application to which the announcement/request will direct prospective subgrantees will be an online application (previously referred to as a survey, misleading nomenclature, and to be renamed an application) posted on our website at emcf.org/application. The subgrantee application will elaborate on all the selection criteria outlined elsewhere in EMCF's SIF application. Following careful and detailed review by EMCF using prespecified and clearly stated criteria, applicants will be notified whether they have been chosen to move on to due diligence. This is the second phase and the heart of

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EMCF's selection process, described elsewhere in this application. This same announcement process and request for applications may be repeated at least one more time over the course of Year One.

Successful candidates that complete this process may be brought for grant approval to EMCF's board of directors at the December 2010, and/or March, June and September 2011 meetings.

13. EMCF decides whether to invest in an organization after it completes the rigorous due diligence that is the core of its competitive selection process. Once a decision has been made to invest, EMCF structures its investment on the basis of a sound business plan that typically covers a 3- to 4-year period. In instances where a grantee does not have a sound business plan, EMCF will make a short-term grant to help it develop one, and wait to structure its longer-term investment against that plan once it has been approved by the grantee's board. Decisions regarding SIF subgrantees will be made in the same fashion and sequence, following the completion of due diligence. Once selected, some of these subgrantees will undergo business planning and some will receive multi-year investments on the basis of existing business plans.

14. EMCF will continue to work closely with our lead funding co-investors in the four states to ensure that community stakeholders are well represented in our referral network and sourcing process. When we conduct due diligence on candidates for SIF subgrants, we will, as we have done for the past 10 years, gather information from and interview extensively community leaders and stakeholders in our geographic priorities. Those interviewed may include school officials, law enforcement, juvenile justice, child welfare and public health agencies, community-based organizations and parents.

15. During our sourcing, due diligence and investment selection process, EMCF relies on its national referral network of expert informants and requests nearly 30 documents from a prospective grantee, including audited financial statements and management letters, minutes from board meetings, an

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organization's internal reports on program outcomes or external evaluation reports, and internal data on youth demographics and risk factors. We utilize databases, including Annie E. Casey Foundation's Kids Count, Child Trends' DataBank, US Department of Education Institute for Education Science's What Works Clearinghouse, CDC Teen Pregnancy data, and pertinent state databases. EMCF also speaks with a prospect's major funders, both public and private, and with experts in the field. All this information is synthesized in a document that enables us to summarize and compare data with other investment opportunities, both within and outside our current portfolio. EMCF also commissions research to gain a deeper understanding of leading organizations within a discipline, such as workforce development, or specific regions in the country.

16. EMCF conducts regular reviews of all its grants, including those to organizations like MDRC and Bridgespan that provide support to our youth-serving grantees. Every grantee regularly reports (at a minimum annually) programmatic, operational and financial data so that EMCF can assess its performance and impact. EMCF meets with Bridgespan and MDRC's leadership quarterly to review activities and identify areas for improvement. EMCF also relies on Barbara Ryan and William Taylor's annual evaluations to learn whether, and to what extent, grantees are benefiting from the services of MDRC and Bridgespan. In Bridgespan's case, we ask our evaluators to compare grantees' experience with other providers of business planning assistance. We also compare the costs of Bridgespan's work to those of other consultants to make sure the rate is competitive. In MDRC's case, EMCF's Evaluation Advisory Committee reviews all proposed evaluation assessments and implementation designs to ensure cost-effectiveness and quality.

17. Bridgespan is prepared to engage with EMCF immediately. In due diligence on prospective subgrantees, Bridgespan will help assess their leadership, operations, vision for growth, and sustainability model, and highlight the most important areas to address in any follow-up business

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planning. In business planning for subgrantees, Bridgespan will help develop sound strategies and implementation plans for scaling their programs' impact. There is value in working with multiple subgrantees and discerning patterns and trends. EMCF, Bridgespan and MDRC will meet monthly to discuss what we are seeing across the SIF portfolio and share lessons learned. Developing and disseminating knowledge are central to Bridgespan and MRDC's missions as well as to EMCF's, and we will pursue this with our strategic collaborators, co-investors and the Corporation as appropriate.

18. We plan to manage the SIF award and resulting activities with a combination of fully allocated staff members and partial allocations of the time of others. In total, EMCF will dedicate approximately five full-time equivalents to SIF-related activities.

As stated in EMCF's application, programmatic oversight will be the responsibility of EMCF's director of corporate initiatives, Kelly Fitzsimmons, who will allocate approximately 50% of her time to SIF-related activities. She will work with an equivalent of a full-time portfolio manager. Together they will oversee selection, manage and provide high-level guidance to subgrantees, and develop and manage relationships with co-investors and our strategic collaborators. They will be supported by a full-time senior associate who will manage day-to-day activities, including reporting, with subgrantees, and an additional full-time equivalent senior associate who will manage our sourcing and outreach activities. Fifty percent of a third senior associate's time will be dedicated to supporting relations with co-investors.

Fiscal and administrative oversight will be the responsibility of EMCF's vice president and chief financial & administrative officer, Ralph Stefano (estimated 20% time allocation). He and the SIF team will be supported by EMCF's controller (estimated 30% time), a CPA experienced with A-133 audits, who will manage the financial and administrative aspects of the SIF award, ensure that EMCF complies

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with all federal regulations, review subgrantee readiness to administer a federal award, manage the reporting responsibilities, and work closely with the program team to ensure that subgrantees comply with federal regulations. Additionally, EMCF's IT director (estimated 10% time allocation) will work with the SIF team and subgrantees to create a portal for subgrantee reporting.

Given the importance of this initiative, both the president and vice president, senior portfolio manager will provide strategic management support and assist in the coordination of knowledge development and participation in the SIF learning community. Each of them will allocate approximately 15% of her or his time to SIF-related activities.

In addition to their financial commitments, The Duke Endowment, George Kaiser Family Foundation and Tipping Point Community have provided written assurances that they will dedicate the necessary resources to help publicize opportunities for SIF subgrants in their geographies and engage actively in co-investor meetings. A senior staff member will oversee each foundation's support of EMCF's SIF activities. Among other assistance, The Duke Endowment program staff will help EMCF identify and engage with prospective subgrantees in NC and SC, particularly those serving rural communities, and provide strategic advice to subgrantees expanding in these states. The George Kaiser Family Foundation will assign a program officer to each SIF-supported program in Oklahoma to ensure accountability and provide the highest possible chance of success. Tipping Point will help EMCF source subgrantees and assign program staff to work directly with those selected.

19. EMCF reviews evaluations with grantees, its Evaluation Advisory Committee, and its evaluation partner, MDRC. Then, as grantees apply evaluation findings, we provide capacity building supports when needed to improve implementation. We incorporate these findings into investment milestones and performance reports in order to track and drive continual program improvement. EMCF helped Citizen

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Schools, for example, initiate and recruit its own evaluation advisory committee, which has provided independent expert advice on evaluation design and staff, and will interpret findings from its upcoming evaluation and assist in guiding program model adjustments as necessary.

20. EMCF determines how its efforts contribute to grantee success by engaging independent researchers William Ryan and Barbara Taylor. Since 2003, they have worked on an annual basis to evaluate and document the effects of our grantmaking approach. Their interviews with key staff and stakeholders of every grantee have confirmed the overall effectiveness of EMCF's investment strategy. Grantee results cannot be attributed directly to any individual aspect of EMCF's comprehensive approach, because the degree and the elements of our engagement depend on a grantee's unique organizational needs. However, in interviews grantees have said the following factors have contributed to their success: top-grade planning and evaluation help, performance-based relationship management, size and timing of grant payments, and our emphasis on grantees' strategic objectives rather than on our own.

21. EMCF works closely with grantee leadership and evaluation partners from MDRC to set evaluation goals that are appropriate to a grantee's capacity and stage of organizational development. A randomized controlled trial provides the highest standard of proof that a program works, but an RCT may not always be feasible for several reasons, such as program maturity, service numbers, and the practicality or ethicality of differentiating program participants and a control group. Under some circumstances, a third-party, quasi-experimental evaluation relying on a comparison group that is not randomly assigned may represent the highest proof point a program is capable of reaching at that time.

Before EMCF supports an evaluation, an evaluation firm such as MDRC conducts an evaluation feasibility assessment that identifies the most rigorous evaluation design possible. EMCF's Evaluation Advisory Committee reviews all proposed evaluation designs and provides guidance to EMCF staff as

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well as, in many instances, directly to the grantee. If a grantee is at an early stage of organizational development or operating on a small or medium scale and rigorous evaluation is premature, our goal is to advance the program with capacity-building investments to the level where an RCT can be conducted.

22. At the beginning of each fiscal year, EMCF sets three kinds of milestones, all of which trustees review on a quarterly basis. These milestones are essential to ensuring continual improvement and growth with quality.

First, grantee performance milestones track individual grantees' progress toward goals, such as youth served, annual revenues and advancement toward evaluation, that they have established in agreement with EMCF and, when appropriate, other co-investors. These include key quality improvement milestones such as participation or attendance rates, length of stays in programs, retention data, etc.

Second, aggregate portfolio performance milestones assess how EMCF's portfolio is doing as a whole, so we can discern trends and challenges across multiple organizations.

Third, foundation performance milestones assess how we are performing as an organization on more than 20 metrics, such as numbers of new investments, endowment performance, and progress in capital aggregation campaigns.

23. To date, our evaluation advisors and we have determined that it is not methodologically feasible to conduct an impact assessment like the rigorous kind we encourage our direct service grantees to conduct. Nonetheless, we are committed to assessing how our investment approach does or does not add value. The independent evaluations by Ryan and Taylor described in Clarifications 16 and 20 have helped us understand what works and what doesn't, what areas of improvement EMCF needs to focus

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on, and what areas grantees need additional supports in that EMCF can provide. These findings are also reported to EMCF's trustees and Evaluation Advisory Committee, and complement the work EMCF does internally to monitor grantees' performance on an aggregate basis. They contributed to ongoing refinements of our investment strategy and ultimately to the development of our capital aggregation approach as we learned about the challenges our grantees faced in securing growth funding.

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Required Documents

Document Name

Status

Match Verification

Sent

Survey on Ensuring Equal Opportunity for Applicants

Sent

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2010 Social Innovation Fund

The Edna McConnell Clark Foundation

Section 2 – Clarification Questions

Round 1 Clarification Questions:

1. Describe how the Foundation distinguishes between growth and impact. How does the Foundation discern whether scaling has had a positive or negative effect on the quality of the programs it has invested in?
2. Provide examples of the impact that previous/current investments have yielded beyond increases in populations served. For instance, CEO is highlighted as a grantee with strong results that "nearly doubled the population it serves." Provide more detail about the impact of this investment (and others), such as the rate at which CEO participants were able to find and sustain employment, the nature of that work, and the impact on their livelihoods. While a reduced rate of recidivism is also cited for CEO, the causality is not explained. Please clarify.
3. The NOFA asked Issue-based SIF applicants to identify the specific geographies that they proposed to focus on. Explain how the Foundation selected Oklahoma, South Carolina, North Carolina, and California as geographic priorities for the SIF. While these states are identified by the Foundation as SIF targets, the application appears to suggest that they would be in addition to other national targets. Would SIF dollars be used by the Foundation to invest in communities outside of these four states? If so, which geographies would such investments include and how were those geographies determined?
4. The Foundation also mentions the potential of investments in New Mexico, Michigan and/or Mississippi. Explain how these locations were chosen, and when the Foundation expects to determine if these geographies would be included within its SIF plan? How would such a decision be made? Are these geographies proposed as potential Year One investments?
5. The Foundation describes work across a wide range of communities. Has the Foundation's investments in these communities led to the development and use of shared metrics across its grantees?
6. The Foundation proposes "to expand the pool of organizations with proven programs that can help ever-increasing numbers of low-income young people...make the transition to productive adulthood." Emphasis on increasing the numbers of disadvantaged youth that benefit from programs with proven or demonstrated effectiveness is made repeatedly throughout the application, yet the Foundation does not identify a target for the aggregate number of beneficiaries of its SIF investments. Please clarify.
7. The age range of disadvantaged youth that the Foundation proposes to focus on is 9 to 24, yet most of the examples of investment opportunities described focus on the older end of that age range. Provide examples of investments that would be made to address the younger end of this age range.
8. Tipping Point is identified as a potential co-investor with a commitment to "rigorous grantmaking, evaluation and impact." Yet, no evidence is provided to substantiate this statement. Please provide evidence.
9. Four funders are identified as supporters of investments in the geographic priorities. Are these pledges, recommendations and commitments contingent upon a SIF award to the Foundation? If not, is this work that the Foundation seeks to pursue with or without a SIF investment?

10. Describe the role of your partner funders in your SIF. Besides additional resources, what value do they bring? How will they be involved in selecting subgrantees? Historically, how do you engage major co-investors in your work?
11. What is the Foundation's experience investing in rural communities? Please describe and provide examples of rural investments that have succeeded as well as those that have not.
12. All SIF grantees are required to hold an open, competitive subgrant selection process within six months of award. The Foundation states that its Trustees would approve any selected subgrantees in September and December 2010. Describe the Foundation's plan to conduct a robust selection process in time for approval as early as September 2010, especially within new target geographies.
13. According to your application, under your current investment strategy investments are made only after a 3-4 year business plan is approved by a subgrantees board (page 19 of your application). How will this impact the openness and competitiveness of your proposed subgrant selection process, given that it must be completed within 6 months of award?
14. Describe the community relations that the Foundation will engage to support its expansion to the geographic priorities. Is there a network of stakeholders available to support the robust due diligence of subgrantees within those areas? If so, please describe. If not, please explain how the Foundation will ensure that this critical element is in place to allow a selection process as defined in the application.
15. Provide examples of how the Foundation incorporates and relies on the use of data from sources beyond those it has helped to produce in order to make investment decisions.
16. How does the Foundation currently assess or evaluate the impact and cost-effectiveness of its investments in Bridgespan and MDRC?
17. It is unclear at what point in your first year that Bridgespan will be engaged. Please elaborate. How will you leverage their work with multiple subgrantees to contribute to greater impact and knowledge sharing?
18. The Foundation states that "significant time allocations" will be required of program management, program support and administrative staff to carry out a depth of proposed activities (sourcing, capital aggregation support, management of relationships with subgrantees and co-investors, oversight of strategic partners, and coordination of knowledge development and participation in the SIF learning community). How much time will this require of staff, and what is the proposed staffing plan to support this level of activity?
19. What role does the Foundation play in enabling organizations to move from evaluation findings to action? Does the Foundation track the utilization of evaluations that it supports?
20. In the example of Youth Villages, the Foundation states that its investment in a planning process yielded "national stature and impact" for the organization. Elsewhere in the application, the Foundation cites the contribution of its investments in helping grantees "advance to higher levels" and achieve "major increases in scale, capacity, and effectiveness." How does the Foundation determine which elements of its model contributed to how much of this success? What changes in outcomes can be attributed to which parts of the model? Has the Foundation determined which proportion of

investments in which processes (planning, performance management, independent evaluation) yielded such results?

21. How does the Foundation determine which types of evaluation are more relevant when? Provide examples of this type of learning and its application to grantees.

22. The application states that the Foundation and its Trustees review performance and progress toward "annual milestones." What are these?

23. How does the Foundation apply the same degree of rigor and thoughtfulness to its own assessment as it does with review of grantees' performance?

Budget Questions:

1. Only costs related to evaluation and subgrants are currently reflected in the budget. Please submit a comprehensive narrative detailing how you plan to staff and monitor your SIF. In doing so, please explain how EMCF will ensure MDRC and the Bridgespan Group are managing the funds as outlined in the application and according to federal regulations. If necessary, you may add a line for staff time to perform this function. If your plan involves using CNCS or match dollars, please revise your budget accordingly.

Response:

EMCF Response: Our plan to staff and monitor SIF-related activities is described in Clarification #18 in Programmatic Issues for Clarification and in our original application. Our SIF budget includes only costs related to evaluation and subgrants. The cost of all EMCF staff time will be incurred by the Foundation and is therefore not included. We do not plan to use CNCS or match dollars for Foundation staff time, so we have made no changes to the budget in our application.

Since the Foundation does not plan to grant SIF or matching funds to The Bridgespan Group, we will monitor their use of funds as we normally do, but not according to federal regulations.

MDRC will report quarterly to EMCF, and we will review its reports closely to make sure it is in compliance with all federal regulations. MDRC has extensive experience with Federal grants and contracts. Over the past three years alone, it has received and managed nearly \$120 million in federal funding for 37 projects, including direct support of MDRC costs as well as funds granted or subcontracted to subrecipients, survey firms and vendors that are subcontractors. MDRC's accounting capacities draw on electronic timesheets (ET) and financial management/accounting software (Costpoint) developed by the Deltek Corporation, and a customized budgeting and resource management relational database system from KCI Computing. These packages were specifically designed for firms that have government contracts and requirements for project accounting, and facilitate timely and accurate financial management and reporting. MDRC's cost allocation system is reviewed by its Federal Cognizant Agency as part of its annual indirect cost negotiations. Every year, MDRC's external auditor completes and files an OMB A-133 Circular audit.

2. Under the Kennedy Serve America Act, all grantee and subgrantee staff include on the budget and funded under the grant (whether budgeted from Federal funds or matching funds) must go through a criminal history check as described in the Corporation's regulations at 45 CFR 2540.200. Please revise your budget to cover those costs. Costs for background checks vary significantly state by state. For information on national service criminal history checks, including Frequently Asked Questions with a list of designated state agencies who can advise you about costs for obtaining criminal history information from them, go to <http://nationalservicerresources.org/criminal-history>.

EMCF Response: EMCF will ensure that all subgrantee staff members included on the budget and funded under the grant (whether budgeted from federal or matching funds) undergo criminal history checks as described in the Corporation's regulations at 45 CFR 2540.200. We understand that we will not be required to complete criminal history checks for EMCF staff members if they are not included in the SIF budget. They are not included in the SIF budget because the cost of all EMCF staff time will be incurred by the Foundation.

Round 2 Clarification Questions:

1. Your response to clarification question #12 describes an insufficiently open and competitive subgrant selection process, based on the requirements of the SIF Notice of Federal Funds Availability (NOFA). In specific, offering potential subgrantees the opportunity to complete your on-line Youth Organization Survey is not an appropriate proxy for soliciting proposals through a publicly-available Request for Proposals (RFP) that details the criteria by which and the process by which proposals will be judged. In addition, the time frame to solicit proposals (late August/early September) offers eligible nonprofit community organizations an insufficient amount of time in which to discover the funding opportunity and respond with a high-quality proposal. Any SIF-funded subgrantee must be selected through an open and competitive subgrant selection process. Please revise your answer to question #12 to ensure that your selection process complies with the SIF NOFA. In doing so, address the concerns just cited and describe how you will work with your co-investors and other partners to publicize funding opportunities in new markets (California, North Carolina, Oklahoma, South Carolina).
2. Your response to clarification question #11 indicates an enthusiasm for working in rural areas, but does not describe a formal plan nor represent a formal commitment to do so. As a high-capacity national-scope intermediary under consideration for the maximum SIF award of \$10 million, we expect a more formal commitment to funding subgrantees in rural low-income communities. If you can offer this assurance, please modify your answer to question #11 and provide broad details.
3. Please expand your response to clarification question #18 to detail any staffing commitments made by your major SIF co-investors (example, Tipping Point Community).

2010 Social Innovation Fund

The Edna McConnell Clark Foundation

Section 3 – Budget

The Edna McConnell Clark Foundation
The Edna McConell Clark Foundation

Application ID: 10SI115503

Budget Dates: 08/01/2010 - 07/31/2015

	Total Amt	CNCS Share	Grantee Share
Section I. Program Costs			
A. Project Personnel Expenses	0	0	0
B. Personnel Fringe Benefits			
FICA	0	0	0
Health Insurance	0	0	0
Retirement	0	0	0
Life Insurance	0	0	0
Total	\$0	\$0	\$0
C. Travel	0	0	0
D. Equipment	0	0	0
E. Supplies	0	0	0
F. Contractual and Consultant Services	2,000,000	1,000,000	1,000,000
H. Other Costs			
Subgrants	18,000,000	9,000,000	9,000,000
Total	\$18,000,000	\$9,000,000	\$9,000,000
Section I. Subtotal	\$20,000,000	\$10,000,000	\$10,000,000
Section II. Indirect Costs			
J. Federally Approved Indirect Cost Rate			
Indirect Costs	0	0	0
Total	\$0	\$0	\$0
Section II. Subtotal	\$0	\$0	\$0
Budget Totals	\$20,000,000	\$10,000,000	\$10,000,000
Funding Percentages		50%	50%
Required Match		n/a	
# of years Receiving CNCS Funds		n/a	

2010 Social Innovation Fund

The Edna McConnell Clark Foundation

Section 4 – Budget Narrative

Budget Narrative: The Edna McConnell Clark Foundation for The Edna McConell Clark Foundation

Section I. Program Costs

A. Project Personnel Expenses

Position/Title -Qty -Annual Salary -% Time	CNCS Share	Grantee Share	Total Amount
None-All administrative costs donated by EMCF: - 0 person(s) at 0 each x 0 % usage	0	0	0
CATEGORY Totals	0	0	0

B. Personnel Fringe Benefits

Purpose -Calculation	CNCS Share	Grantee Share	Total Amount
FICA: None-All administrative costs donated by EMCF	0	0	0
Health Insurance: None-All administrative costs donated by EMCF	0	0	0
Retirement: None-All administrative costs donated by EMCF	0	0	0
Life Insurance: None-All administrative costs donated by EMCF	0	0	0
CATEGORY Totals	0	0	0

C. Travel

Purpose -Calculation	CNCS Share	Grantee Share	Total Amount
None-All administrative costs donated by EMCF: 0	0	0	0
CATEGORY Totals	0	0	0

D. Equipment

Item/Purpose -Qty -Unit Cost	CNCS Share	Grantee Share	Total Amount
None-All administrative costs donated by EMCF: - 0 x 0	0	0	0
CATEGORY Totals	0	0	0

E. Supplies

Item -Calculation	CNCS Share	Grantee Share	Total Amount
None-All administrative costs donated by EMCF: 0	0	0	0
CATEGORY Totals	0	0	0

F. Contractual and Consultant Services

Purpose -Calculation	CNCS Share	Grantee Share	Total Amount
Subgrantee Evaluation: Fees to MDRC to cover evaluation feasibility studies for 4-6 subgrantees, as well as first-year costs to start up four full-scale RCTs.	1,000,000	1,000,000	2,000,000
CATEGORY Totals	1,000,000	1,000,000	2,000,000

H. Other Costs

Purpose -Calculation	CNCS Share	Grantee Share	Total Amount
Subgrants:	9,000,000	9,000,000	18,000,000
CATEGORY Totals	9,000,000	9,000,000	18,000,000
SECTION Totals	10,000,000	10,000,000	20,000,000
PERCENTAGE	50%	50%	

Section II. Indirect Costs

J. Federally Approved Indirect Cost Rate

Calculation -Cost Type -Rate -Rate Claimed -Cos	10,000,000	CNCS Share	Grantee Share	Total Amount
: Other: None-All administrative costs will be donated by EMCF with a rate of 0 and a rate claimed of 0		0	0	0
CATEGORY Totals		0	0	0
SECTION Totals		0	0	0
PERCENTAGE		0%	0%	

BUDGET Totals	10,000,000	10,000,000	20,000,000
PERCENTAGE	50%	50%	

Source of Funds

Section	Match Description	Amount	Type	Source
Source of Funds	EMCF Investment Portfolio	10,000,000	Cash	Private
Total Source of Funds		10,000,000		