

Count What Counts: Improving Charitable Investor Access to the Community Development Sector with Better Data and Better Analytical Models

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Imagine choosing a mutual fund or securities investment based on a telemarketer or one-paged postal solicitation. Imagine learning the fund's strategy and peer-rating exclusively from its own homepage and marketing material. And, finally, imagine determining a prospective investment's future financial potential exclusively from the ratio of one year of revenue to one year of administrative costs. Yet, this is what investors are asked to do every time they make a charitable contribution. The existing evaluative system for charity currently fails large and small donors, the high-net-worth as well as UNICEF's Halloween contributors. Unfortunately, the consequences for nonprofit organizations are even worse.

Without an easy-to-use evaluation system, the steady flow of smart investment capital to nonprofit organizations may begin to dwindle. With \$260 billion in the U.S. economy flowing annually to nonprofit organizations, and with more than \$199 billion of that coming from individual households, the nonprofit sector must make its operations and achievements easier to understand and supported by accurate data.¹

There was an explosion in thought and effort regarding social venture development and investment in the 1990s. The work is far from consistent, however, and mostly fails to find a critical analytical balance between measurement and industry insight. Although we acknowledge that people working in community development and finance, foundation program officers, and even private donors to nonprofit organizations large and small have all learned the language of "metrics," "outputs," and "return on investment," concepts foreign to nonprofit and community work twenty years ago, we suggest that our field needs to do both more and better.

A number of new ventures, ranging from online search engines to donor circles and venture philanthropy funds, are emerging to provide donors immediate access to information on which to base their decision to make a contribution. The community development field, however, remains fragmented and does not yet have a viable system for providing standardized, timely, and easy-to-understand information on their organizations and their work.

1 Sources for the size of this sector are numerous, with its size stated variously. One of the more compelling arguments for volume in the nonprofit sector, however—one that in part started the debate that we discuss in this essay—is Bill Bradley, Paul Jansen, and Les Silverman, "The Nonprofit Sector's \$100 Billion Opportunity," *Harvard Business Review* (May 2003).

Although tools that meet the needs of most investors, especially those who work online, are so far limited, some excellent comprehensive tools have been developed. Venture Philanthropy Partners, working with management consultants McKinsey & Company, has developed a deep matrix for the purpose of assessing nonprofit performance.² The Opportunity Finance Network (OFN) has also developed its CARS™ rating system for nonprofits, “a comprehensive, third-party analysis of community development financial institutions that aids investors and donors in their investment decision-making,” the purpose of which is to provide efficiency and uniformity as Community Development Financial Institutions (CDFI) are working to claim a place in secondary-market financing for their investments.³ The Blended Value Map, which Jed Emerson developed in his work with the Hewlett Foundation and Stanford University (and after a decade of proselytizing for social entrepreneurship), offers a comprehensive assessment of socially responsible investment (on issues of measurement, silos of interest, cross-cutting impact, and analysis on an international scale).⁴

Responding to What Donors Want

We have discovered some common themes among donor interest and donors’ needs for pre-investment research. For example:

- Most charity stays in the community in which the donor resides or works. Donors seek local examples of best practices, but they want to mimic the big foundations such as Gates, Rockefeller, and Ford.
- Although the Internet offers a wealth of information, we have not found a complete solution to sorting across or within sectors based on strategy and performance.
- Among younger high-net-worth individuals, donors seek innovation and technologically-savvy outlets for giving.
- Although peer circles are helpful, most donors invest individually.
- It is hard to find good information on or off the Internet about long-standing U.S.-based antipoverty and community development organizations. The successes and innovations in this policy area are known only to a relatively small number of policy insiders, academics, and professionals in the nonprofit arena.

In this environment, nonprofits need their own “Morningstar”—a tool that can cross silos of interest and illustrate capacity, performance, leadership, and the potential for return on social investment.

2 See an early version at “Effective Capacity Building in Nonprofit Organizations” (August 2001). (www.venturephilanthropypartners.org).

3 (www.opportunityfinance.net)

4 See www.blendedvalue.org, which includes a 360-page annotated bibliography on the issues.

Who Makes It Happen?

The responsibility for creating a useful evaluatory tool is still up for grabs, but we would argue that the nonprofit sector must produce it. Happily, though, production is under way. The reach of the Internet, for instance, has empowered new ventures to create charitably-oriented search engines and directories designed to help a donor find, contribute to, or volunteer with a charitable organization. Online examples include Global Giving, Donors Choose, and Heifer International.

On the Internet, it is far easier to find a “charity” providing microcredit to social-venture enterprises in Third World countries than to find community-based housing and community development corporations in the United States.⁵ Citigroup is launching a fund for its ultra-high-net-worth private banking clients for microcredit organizations operating in Third World countries. Although a community banking division exists within the bank, no such fund exists for domestic investment.

Finally, then, the responsibility for creating a pre-investment analytic tool of this kind also rests with those financial institutions that manage donors’ trusts, donor-advised funds, and other charitable investment instruments. Until recently, these multi-billion-dollar institutions have not been called upon to help implement the “content,” as opposed to the financial or legal structuring, of a donor’s strategy. However, this is beginning to change. “Financial advisors are realizing that they need to provide philanthropic advice that goes beyond creating financial and legal structures for giving,” according to the analyst Renata J. Rafferty in an article in the *Wall Street Journal*. “In addition to managing financial investments . . . advisors can help clients evaluate altruistic options, forge alliances with like-minded clients, and connect with experts.”⁶

These changes arise because charitable giving has become an enormous growth opportunity for financial institutions, as well as for proprietary donor-advised funds. Recently, Fidelity’s \$5 billion mutual fund lowered its minimum contribution to \$5,000 and reduced its fund management fees as well.⁷ With the inevitable shift of donor-advised funds from community foundations to banks, allowing investors to manage their profitable and charitable funds in one location, as well as the phenomenal growth in individual wealth in recent years, the community and economic development sector must ensure that donors have access to quality sectoral information that is now available primarily to foundation program officers and policy insiders.

5 Other resources also exist. Two of the more notable are Kiva (<http://www.kiva.org>), a well-regarded and well-supported microfinance program that advertises changing the world “for \$25,” and EBay, which has recently partnered with the Calvert Foundation to create MicroPlace, a new microfinance aggregator (www.microplace.com). According to its press release, MicroPlace will offer investment opportunities from around the world, including Africa, Eurasia, Latin America, and Southeast Asia. Individuals can visit www.microplace.com to research investment opportunities, make investments, and learn more about microfinance and global poverty.

6 *Wall Street Journal*, October 8, 2006, 1.

7 The fund is now advertised in magazines such as *The New Yorker* next to ads for upscale consumer goods.

The Current Landscape for Evaluating Charitable Investments

Table 1 offers an overview of the existing evaluative tools for market evaluations by nonprofits.⁸

Area of focus	Sectoral example	Access	Reach
Financial accountability and Form 990 data	Guidestar, Charity Navigator, Foundation Center	online	U.S.-based organizations with global reach
Strategy and analytic engines tied to individual sectors	Community Giving Resource, Pangea, PROI	online	U.S.-based organizations with global reach
Funds: social venture or “best in class”	Omidyar Network, Growth Philanthropy Network, Tipping Point, New Profit, PangeaGiving	online, in print, and personal staffing	Local, national, and international
Online donation portals	Global Giving, Greater Good	online	Local, national, and international
Publications and publication hubs	Philanthropy online, Journal of philanthropy	online and in print	Local, national, and international
Individualized quantification of donor’s gift performance	Newdea	online	Local, national, and international
Charitable consultants	Rockefeller, TPI, IFF, Arabella	in person	Local, national, and international

Financial Accountability

At least three organizations offer an encyclopedic approach to basic information about nonprofit organizations with a focus on the nonprofit’s own financial accountability. The preeminent engine is Guidestar, which publishes the single largest database of more than 1.5 million nonprofit organizations. Guidestar obtains its data from Form 990, the return submitted annually to the IRS by nonprofits. Most of Guidestar’s rich data and analytic tools, except for the most basic organizational identifying data, are available for a monthly subscription fee. Guidestar allows organizations to enter their own program goals and accomplishments in narrative form. Less well known and well populated, with more than

⁸ This at best is a representative sample. Resources of this kind continue to grow at a pace that quickly dates an article such as this one. The purpose here is not so much to cover the entire field as list representative samples by type, then critique the strengths of weaknesses of each.

5,000 closely analyzed organizations, is Charity Navigator. It provides users with more robust tools and rankings free of charge and offers additional services for subscribers. The Foundation Center offers a third catalog of nonprofit organizations and foundations, but it does not provide rankings or analytic tools.

Guidestar and Charity Navigator have made a single metric nearly universal to serve as the barometer of an organization's financial accountability: the ratio between an organization's expenditures on "program" and its expenditures on administration. In addition, both organizations publish information on executive director (or CEO) compensation, and both review historic budget and fund-raising data to determine growth and future potential for financial solvency. Finally, both offer the donor the ability to search for an organization by sector, using the taxonomy created by the Urban Institute. Most nonprofit organizations across sectors find these ratios oppressive at best and not a good indicator of financial management. Regardless, the analysis fails to assist a donor in answering the following questions: (1) Is the organization effective at what it does? (2) Does the organization meet its projected goals? and (3) Beyond its goals, does the organization use the most effective and up-to-date strategies in its sector?

Sectoral Analysis

Two organizations exemplify early sectoral approaches to evaluative tools for donors: Community Giving Resource (CGR) and the New Progressive Coalition's Political Return on Investment tool (PROI). CGR is a Web-based information portal designed to enable donors to understand the effective tactics used by national and community-based nonprofit organizations operating in low-income communities. CGR equips the donor with best-practice knowledge against which to evaluate specific organizations nationwide. CGR's expertise spans the range of low-income urban and rural America in education, health care, environment, jobs/microenterprise, housing/home ownership, financial stability, and family security. Within each of these "modules," CGR offers at least five tactical approaches, including solving immediate needs, offering entrepreneurial approaches, organizing and advocating for change, and organizational capacity-building. CGR also has begun to build a unique donor community by allowing large donors to share their experiences in building private foundations.

Although CGR does provide examples of best practices nationwide, it focuses on those issues within the mission of its parent organizations, the Aspen Institute and the Neighborhood Funders Group. It also lacks a more instantaneous and direct tool that can connect users from leading strategies to local organizations. CGR's management team, interviewed for this article, notes that this feature will be added.

PROI was launched in early 2007.⁹ It was created by the New Progressive Coalition (NPC) as an online marketplace that links donors with progressive start-up nonprofits. The PROI tool, which intends to use the rigorous measures that venture capitalists use in evaluating private start-up companies, features a single set of “core metrics” and at least six “sector metrics.” NPC will also rank organizations based on a combined score. Although data integrity is a concern, the PROI tool allows organizations to self-enter most of the data. PROI focuses on advocacy organizations working for change that typically use, at least in part, political means to achieve their goals. Core metrics and some examples of their subdeterminants include:

- Organizational goals and innovation
- Organizational leadership (including average years of experience, relevance of board experience, and rates of staff turnover)
- Program growth, replicability, and scalability (including increases in funding from year to year)

Sector metrics and some examples of their subdeterminants include:

- Advocacy/Organizing (including winning issue position, mobilization, membership and volunteers, change in awareness/opinion, and network and coalition building)
- Electoral (including voter turnout, contacts, demographics, fund-raising, volunteer engagement, and cost)
- Idea generation (media coverage, adoption/impact on legislation, and change in perception/awareness and influence)
- Leadership development (including successful placement of aspiring leaders)
- Media metrics (including audience reach and characteristics, new content produced and disseminated, and influence on opinion leaders)

The value of NPC’s system will depend entirely on the integrity of the data self-entered by each organization, but the rigor and depth of the tool is encouraging.

⁹ NPC has just launched three mutual funds, centered on energy independence and the environment, health care, and nonpartisan civic engagement and election-related issues, which use the PROI methodology to screen portfolio investments. Investors follow a five-step process to define their investing preferences and then can chart the progress of their investment using the PROI tool. According to NPC, its “Political Mutual Funds” will be continuously managed. Depending on the performance of the first round of holdings, or to take advantage of opportunities that arise, organizations may be added or removed to improve the “political return” of the fund. Contributors will have access to “Impact Reports” in order to constantly monitor how their contributions are making an impact. As Andy Rappaport, a Silicon Valley venture capitalist and political donor and, with his wife, Deborah, the major investor in NPC, has said, “By providing a mechanism for every citizen to make informed decisions about where to make donations, to measure and track the effectiveness of these donations, and to be able to join with other contributors to have a real impact no matter what they can afford, NPC is contributing in a very real way to welcoming citizen participation back into the political and policy making process.” See <http://blog.newprogressivecoalition.com>, as well as articles in *The New York Times* and the *San Francisco Chronicle*, November 19, 2007.

Charitable Funds and Aggregators

Some funds are taking targeted giving to a new level and pooling charitable contributions in organizations that demonstrate effectiveness. The New Philanthropy Network and New Profit Fund, for example, are both dedicated to increasing philanthropic investment in local organizations they deem effective and capable of being scaled and replicated at the national or regional levels.

Others, including the Tipping Point and the Robin Hood Fund, aggregate charitable contributions to those organizations deemed to be entrepreneurial and effective, whether new or long-standing. Interestingly, Tipping Point funds only operating expenses because its management team believes that too often organizations can only attract philanthropic capital to new initiatives that are flashy, which sometimes drain resources away from core operations. Social Venture Partners and Full Circle Fund, two donor circles, make investments in organizations that members select based on the ability of members to improve organizational capacity through volunteerism.

An Optimal Evaluative Tool

In our survey, we asked both what investors needed and what they hope the industry will produce. We sketch out its parameters here.

Simplicity and availability of data

The best evaluative approaches are simple and those that work turn on a few basic questions: What does the organization do? Is it successful at what it does? They also assess its capital need and the return that it can offer on an investment.

The ability to evaluate depends on accessing information across organizations and sectors, whether privately held or public. On the one hand, IRS Form 990s (the tax-exempt organization's equivalent of a tax return), annual reports, and press accounts available on the Internet are most of what a complete outsider to an organization can find. But as our discussion of Guidestar shows, using only these resources leaves significant gaps in the analysis.

On the other hand, accessing privately held information is often difficult without at least a soft promise of a favorable outcome—such as new capital—for a nonprofit organization. The \$5 billion Gordon and Betty Moore Foundation, for instance, conducted multiple interviews of dozens of organizations in its start-up phase. It asked tough management and strategic questions and tested on a range of analytical metrics. At the end of the process, all the participating nonprofits received was a sincere thanks from the foundation. The foundation's staff has stated that, while communication as to their intent could have been better, many organizations retained some bitterness about the experience.¹⁰

¹⁰ *San Francisco Business Times*, November 13, 2006 (www.sfbizjournals.com).

Narrowing the field by organizational size and longevity

Our preferred approach is to narrow the field to organizations that have a \$10 to 30 million balance sheet, a \$3 million minimum operating budget, and 3–5 years of operating history. These organizations are large enough that they can contemplate an investment, yet they are not so big that a small investment will not make a difference. In other words, they are still hungry enough that they will be willing to put up with a deeper third-party analysis, even as they might be grateful for a more personal analytical approach.

Measuring leadership

Beyond the numbers, the energy and experience of the management team are important. These characteristics are not precursors to analysis, but in our view they are necessary components of success. And while the lack of either does not exclude the team from making the grade, we believe they are fundamental.

Business planning and strategic direction is uneven in the nonprofit world. In the community development sphere, this direction is in its infancy, while in other aspects of nonprofit work it is well developed. Yet it can be safely asserted that financial size and history, coupled with the energy and experience of the senior management team, take on meaning for most nonprofits when they result in a clearly articulated strategic direction for the organization at the staff and board level. As a result, we believe that analysis of nonprofits is now far beyond receiving a well-written mission statement. Rather, an organization needs to demonstrate that it is engaged with its history and capacities and adequately equipped to assess and act upon them, that it can say not just who it is, but what it can and will do, and how that is effective, innovative, and sustainable.

Measuring accountability

Measuring accountability comes mostly from the audit practice. Are controls in place, understood, and maintained? Are audits and management reviews clean? Are reports and filings complete and timely? If there are findings or other management criticisms, are they addressed quickly and thoroughly? These questions are familiar to an organization that has undergone a few audits. They also underscore another criterion of inclusion in our evaluative universe: no audit, no investment.

Measuring outcomes

With regard to performance, the first test is one of self-discipline. Assuming the group has a plan, do they meet their own stated goals? And if they don't, why not?

A common tool used to measure organizational effectiveness (though not necessarily goal-attainment) is the amount of operating revenue spent on overhead versus program. While this can be a helpful test, it quickly becomes useless across markets and organizations, let alone sectors. Overhead to run a soup kitchen in San Francisco is hardly the same as running one in Fargo, and both are absolutely negligible compared with the overhead it takes to run a museum anywhere.

This is where best practices and sectoral analysis come in to play. A useful tool in the context of a soup kitchen, for instance, might be a comparison of senior management compensation across the sector, or the number of volunteer hours an organization is able to generate relative to total hours worked by staff, or the percentage of fund-raising that comes from individuals versus corporate support versus local community foundations.

With that knowledge, the essential overhead metric begins to take on some sector-specific meaning. Likewise, outputs and throughputs are helpful, but necessarily only with the combined view of industry standards and organizational goals. As an example, measuring participants in a job-training program or cost-per-participants is an interesting metric, but it is irrelevant if none of those participants are acquiring or retaining real jobs. The analysis needs to be smart enough to measure the right outputs, based on best practices, industry standards, and thinking around innovation.

Count what counts

The stated purpose of the analysis, the attempt to evaluate potential for return on investment, becomes especially interesting when it is asked to be smart about our work. Subject to financial accountability, we in the nonprofit sector have become very good at counting. In community development in particular, where the authors have the most expertise and where we are interested in finding ways to stimulate investment, we have learned how to tie every dollar we get to something: number of clients served; number of units built; number of meals prepared; number of jobs created. With regard to sectoral analysis, some of us have also shown a talent for situating those numbers in larger trends: improvement in test scores in our charter school versus improvement districtwide; job retention for our service population in income deciles across a census tract; savings accounts as a percentage of income for our program participants as compared to marketwide savings rates as tracked by the Commerce Department.

But the point of the analysis, what is termed double- or triple-bottom-line analysis in some contexts, is that there is something more to this investment. This poses some interesting questions. Do you get your money back? Maybe. Do you see a return on your investment? You certainly can. Can you quantify your return? Well, yes and no.

The binocular view

The last element of our analysis thus looks at two things. The first we call the “binocular view,” an analogy one of us learned from birdwatchers. Birders typically spot distant birds with the naked eye, then focus in with binoculars. After glimpsing the “little black dot,” the observers can get a sense of depth and scale with binoculars, which allow them to identify a bird at a distance. After they think they know they have identified the bird, however, the pros will often turn to a spotting scope, which provides a more powerful monocular view, to confirm their judgment. Similarly, we think that a binocular view of a prospective investment is needed before the more intense monocular, and typically more metrically oriented, view is warranted.

Investing in nonprofits requires making a judgment based on strategic plan, staff commitment, past financial commitments, and success in meeting its mission (i.e., that an organization can provide not just a return on investment but also a social return). The judgment of what that is will vary depending on the investor and the analyst. And while we have our favorite analysts, we are nonetheless suggesting that the same fundamental criteria can be used to make an assessment of any nonprofit business and program that is being considered for an investment. After the desire to invest in a nonprofit is identified, two views of any prospective investment are required, one for each of the two sides of value: the fundamentals as described above and the judgment that the work makes a difference.

The binocular view best describes our definition of social equity analysis. Although discussions of the double bottom line, a view to both financial and social return, or even the triple bottom line, an impact assessment including “people, profits, and planet” promulgated through the United Nations, which also takes into account environmental and other factors, are helpful in understanding the issues involved, their analysis can remain too binary for the analysis we call for. The blended-value approach, led by Jed Emerson and supported by others in academic and foundation settings such as Gregory Dees and Michael Porter, has also been productive. In this context, the binocular view attempts to be both simple and comprehensive. The analysis seeks an enterprise that shows capacity and mission. The organization considered for investment must demonstrate positive financial and organizational return and productive social change.

One extra test that we like to make—a kind of tiebreaker—is to look for what one investor has called the breakthrough initiative. We like to see what, when all the assumptions above are in place, is that extra activity the organization in question has proposed or accomplished. What have they done that really sets them apart from their peers? This can take numerous forms and it can be large or small. A breakthrough initiative is something that combines the two sides of value in a creative way. Capacity meets mission and does so with style. We feel it is imperative for organizations to define and for investors to seek out those opportunities that, with all the essentials in place, set one organization ahead of another. This can provide the basis for real return on social investment.

An example from the field

Madison Street Apartments is an 82-unit mid-rise mixed-use low-income housing project being developed in downtown Oakland by Affordable Housing Associates (AHA) in Berkeley, California. AHA has been working in Berkeley for more than ten years, with about 500 units of housing it manages itself, almost 300 of which it developed, as either acquisition and rehabilitation or new construction projects. The membership of its board of directors is stable and diverse. It is financially solvent and, after a few tough years, is currently in a stable, asset-favorable position on its \$30 million consolidated balance sheet, and is showing an operating surplus on its \$3 million income statement. Its relatively new executive, Susan Friedland, is well educated and experienced, and it has a thin but experienced development team with demonstrated capacity.

When the project was presented to prospective investors, seeking equity in return for the provision of low-income-housing tax credits, its costs and development timelines appeared reasonable. It was to be built in a strong market with a quantifiable need. Other project financing, including local government soft debt and conventional permanent debt financing, appeared reasonable and stood up to diligence.

Several equity investors bid on the project and one secured the deal for two reasons. Enterprise Community Investments, the for-profit tax-credit investment arm of the nonprofit Enterprise Community Corporation, saw all the fundamentals of a good deal. This was reason enough to bid aggressively on the investment. But the project also presented a breakthrough—one that Enterprise was willing to pay the “extra dollar” to support. On the Madison Apartments, AHA partnered with First Place Fund for Youth (FPFY), an organization serving emancipated foster youth, to provide one of the first permanent housing solutions in the market with social services on site for this underserved population. Further diligence on FPFY demonstrated further social return than an investment in their efforts would make. According to Rich Gross, Enterprise’s Acquisitions Director for California, once the fundamentals had been established, the investment was irresistible. They took a binocular view of the investment and won the opportunity to make a social return.

Although this example comes from a highly developed and robust market for a certain kind of equity investing in what has become a very complicated business, it is directly analogous to the case we are making here for a typical individual donor’s charitable gift. Fundamentals plus breakthrough, analyzed with a binocular vision, yields measurable social return.

Conclusion

We believe that the community and development economic sector in which we work is called upon to create a tool capable of allowing individual investors to examine collective data regarding performance outcomes, strategy, financial accountability, peer ratings, innovation, and leadership. This tool should enable charitable investors to evaluate a prospective investment for its potential social return on investment. Moreover, we would suggest that donors would find charitable giving more meaningful, more powerful, and more effective if they were offered a comprehensive tool that allowed a comparison among prospective investments. And we wholeheartedly believe that smarter investments can lead to more sustainable improvements in how community development organizations do their work.

This sector’s capital needs, the retail financial world’s market opportunity in charitable giving, and the customization demands of individual donors and investors have all conspired to create a unique opportunity; the time is ripe to create and launch an evaluative tool for community and economic development.

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Further Reading

Many CDFI leaders have worked to define the issues. In working with some of them as consultants or staff, the authors have benefited significantly from their insights. In addition to the sources mentioned in the notes, the following have been important to us.

On capital issues, see Nancy Andrews, “Equity with a Twist: The Changing Capital Needs of the Community Development Field,” *Capital Xchange*, The Brookings Institution (April 2001). Involvement in the early development of LIIF’s underwriting practice informs much of our fundamental analytical approach. The extensive work of Clara Miller in recent years is also informative, e.g., “Capital Structure Counts,” a publication of the Nonprofit Finance Fund (NFF) in 2001 (www.nff.org), or “Linking Mission and Money” (2002). Our definitional focus on the relationship between capacity, mission, and capital owes much to Miller’s perspective. NFF has also recently extended a deeper program capacity of its own on the issue of performance measurement and investment. See its recent report on the symposia held at Harvard’s School of Business in early 2007, detailing the work of staff member George Overholser, whose leadership of NFF Capital Partners is putting into practice many of the ideas we discuss here. The Aspen Institute also continues to lead in this field as facilitator and advocate. See Kirsten Moy and Alan Okagaki, “Financial Innovation and Infrastructure: New Pathways to the Capital Markets for Communities,” *Capital Xchange*. The Brookings Institution (July 2001), as well as many symposia and projects that have followed. The work of Pacific Community Ventures is extremely promising (www.pacificcommunityventures.org). Other articles of note on the capital markets include: Allen Grossman, “Philanthropic Social Capital Markets: Performance-Driven Philanthropy,” Harvard Business School, Social Enterprise Series, no. 12 (1999); Christine Letts, Allen Grossman, and William Ryan, “Virtuous Capital: What Foundations Can Learn from Venture Capitalists,” *Harvard Business Review* (March–April 1997); and Gregory Stanton, “Unblocking the Obstacles to the Capital Markets for Community Development Financial Institutions,” Capital Markets Access Program (January 2003).

The other factor essential to the analysis is organizational leadership and development. The literature on these topics is far-reaching and comprehensive. Some pieces that caught our eye in the context of the work for this piece, however, include: Jeffrey L. Bradach, “Going to Scale,” Harvard Business School Working Papers, Social Enterprise Series, no. 9 (1999). Bradach is the founding partner of Bridgespan Group, a nonprofit management-consulting arm of Bain and Company, which has worked productively with community development educational groups we know. Carol De Vita and Cory Fleming, “Building Capacity in Nonprofit Organizations,” The Urban Institute (April 2001) makes an interesting argument about stages of growth (www.urban.org). Social Venture Partners has an excellent Website listing of capacity-building resources (www.svpseattle.org/resources.) And a new book by Leslie R. Crutchfield and Heather McLeod Grant, *Forces for Good: The Six Practices of High-Impact Nonprofits* (San Francisco: Jossey Bass, 2008), complements and more deeply elucidates work along the lines of Jim Collins. Collins’s 2007 monograph, *Good to Great and the Social Sectors*, applies his work in the for-profit sphere to the nonprofit sphere. The two efforts have been, respectively, supported and endorsed by the Stanford Center for Social Innovation (www.gsb.stanford.edu/csi), which has also served as a locus of discussion and dialogue on these issues.