



Venture Philanthropy: Untapped Potential or Unintended Consequences? Exploring Venture Capital Approaches in the Philanthropic Space

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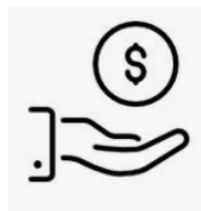
Executive Director
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Traditional Philanthropy

Inspired by donor intent, informed by the tax code, achieved primarily via grantmaking



Private foundations,
corporate foundations,
public charities,
Philanthropic individuals

IRS Section 501(c)(3) Exempt Purposes:
Charitable, religious, educational, scientific,
literary, testing for public safety, fostering
national or international amateur sports
competition, and the prevention of cruelty
to children or animals.



Charitable Purposes:
Relief of the poor, the distressed, or the
underprivileged; advancement of
religion; advancement of education or
science; erection or maintenance of
public buildings, monuments, or works;
lessening the burdens of government;
lessening neighborhood tensions;
eliminating prejudice and discrimination;
defending human and civil rights secured
by law; and combating community
deterioration and juvenile delinquency

Disruptive Forces

Inspired by donor *urgency*, informed by the tax code, achieved via an expanded toolkit that leverages financial and other resources to accelerate change



Grantmaking
& Program
Delivery



Convening &
Patient
Engagement/
User-Centered
Design



Advocacy



Innovation



Investing



Communications

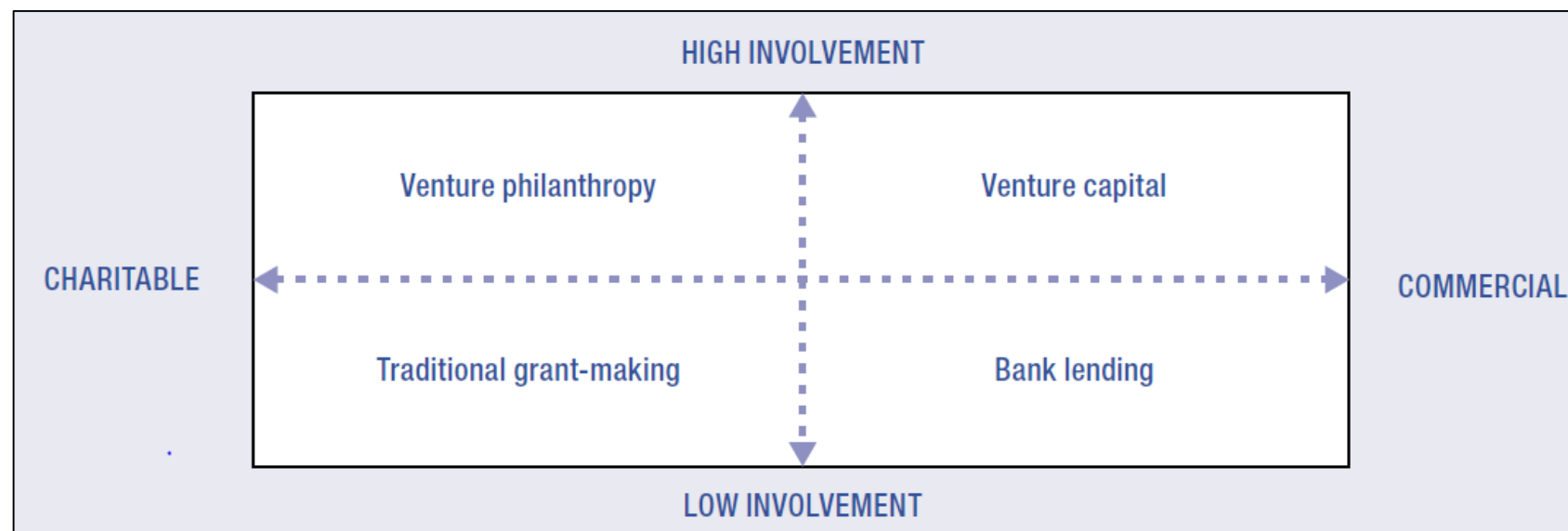
“If we wanted to get therapies to patients faster, we needed to be partnering with the industry that actually brings those drugs to patients.”

*– Louis J. DeGennaro, CEO
Leukemia & Lymphoma Society*

**Disrupting traditional
philanthropic models to
accelerate progress.**

Venture Philanthropy

- Venture philanthropy (VP) may be best thought of as an evolving practice of the application of aspects of venture capital or business practice to the undertaking of philanthropy.¹
- Both the providers and users of philanthropic capital are evolving under this approach:
 - Venture philanthropies may invest to commercialize and scale solutions; engage in other public-private partnerships to accelerate commercialization; and diversify revenue through investment gains and monetization of data from research
 - Nonprofit organizations may evolve into social enterprises that seek earned revenue



Venture Philanthropy

While there is no single definition of venture philanthropy, characteristics that many venture philanthropy efforts share include:¹

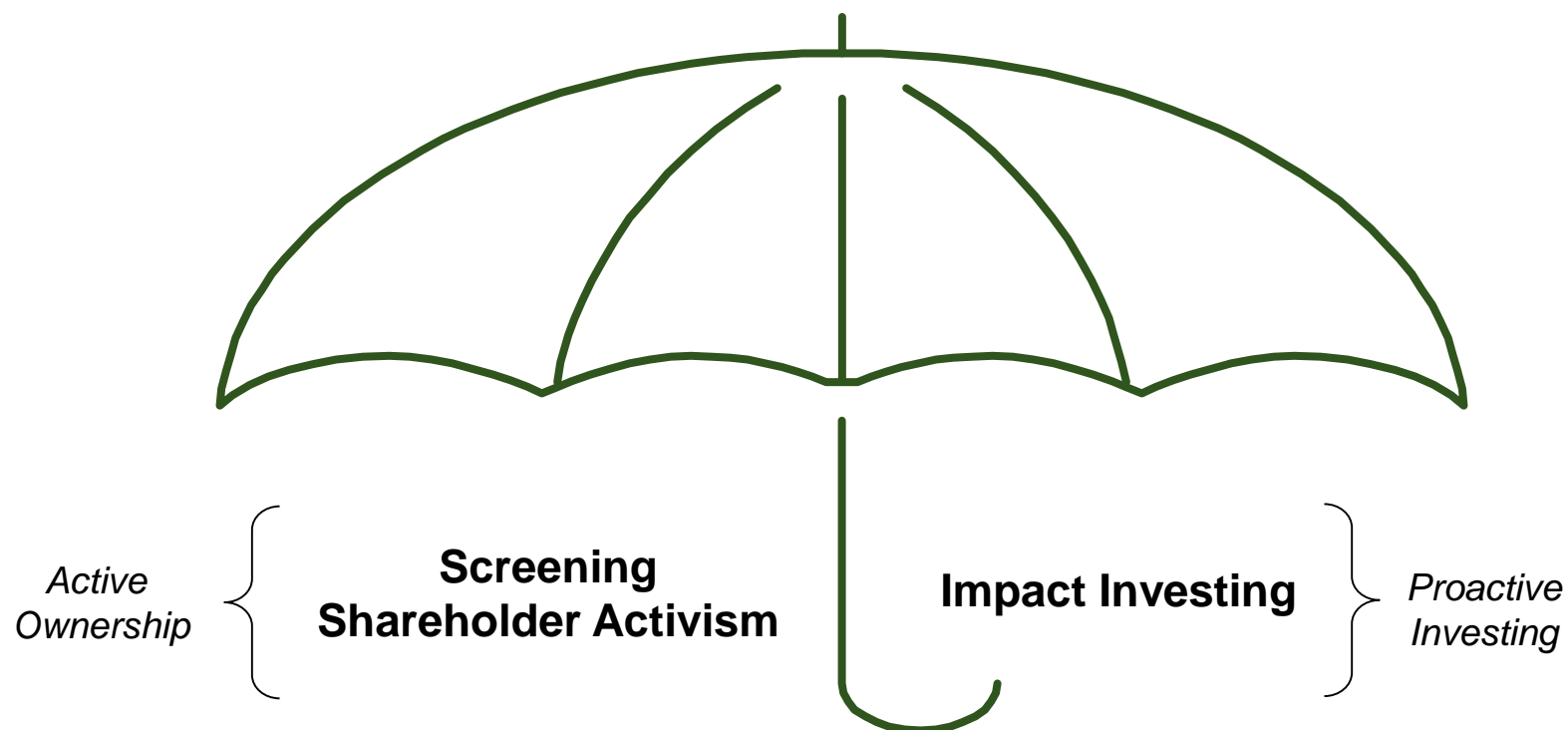
- Strategic framing which coordinates targeted resources (grants and/or investments), so that collectively they create systemic change
- Scales of intervention that address systems and sectors, rather than individual organizations or projects
- Sector focuses that tend to be cross-sectoral, engaging civil society, markets, and/or governments as needed
- Funding mechanisms that blend grants and investments, as appropriate to the theory of change
- Engagement styles that are more hands-on, using extended interactions with and sometimes between grantees
- Engagement periods that reflect the goal of systems changes, often five to ten years rather than one to two years
- Culture and capabilities that are focused on innovation and experimentation
- Monitoring and evaluation that allows quick adaptation and focuses on outcomes and impacts.

Venture philanthropists may practice impact investing—one of several investment approaches that seek to drive positive social change

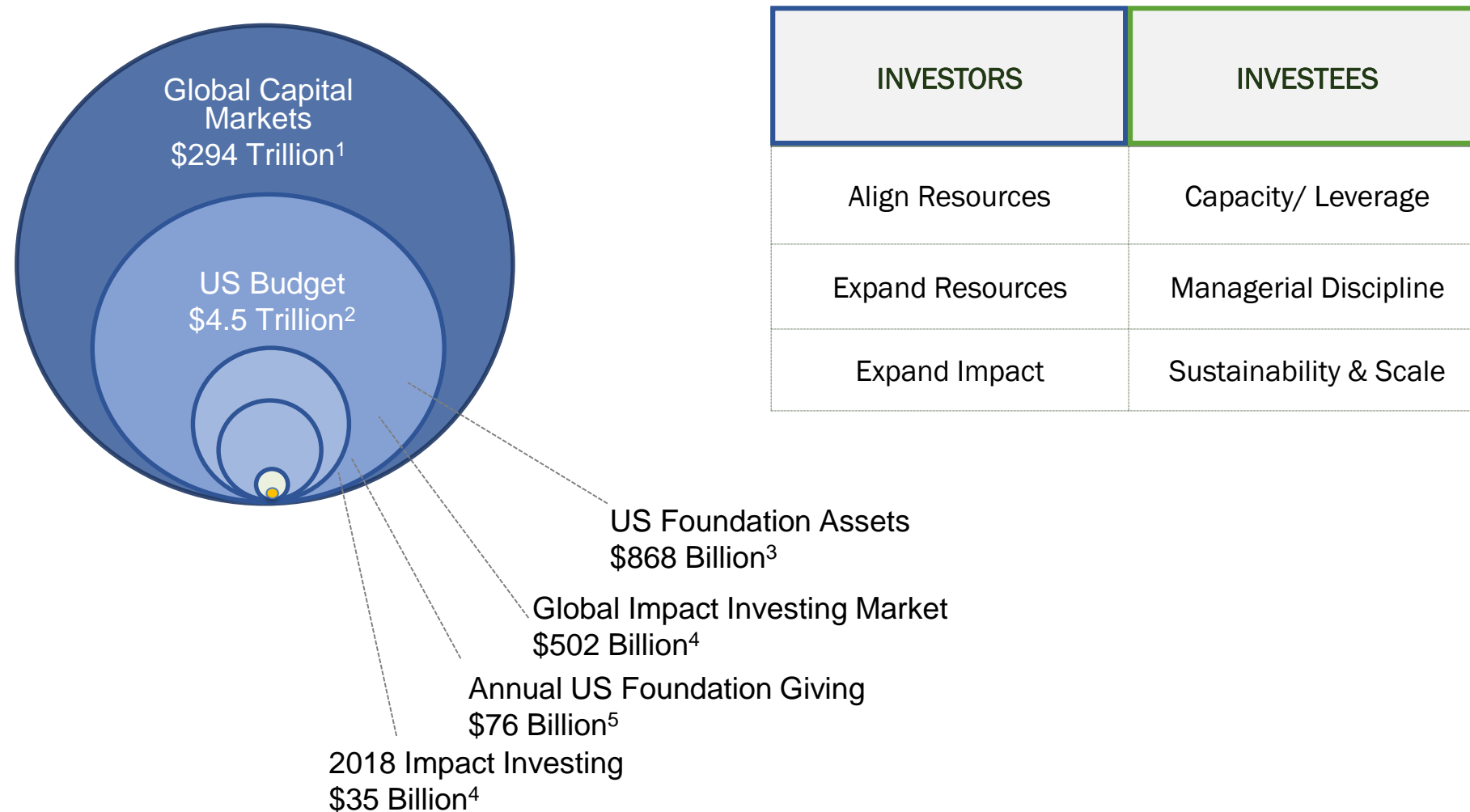
Social Investing

SRI: Sustainable, Responsible & Impact Investing

ESG: Environmental, Social & Governance Criteria



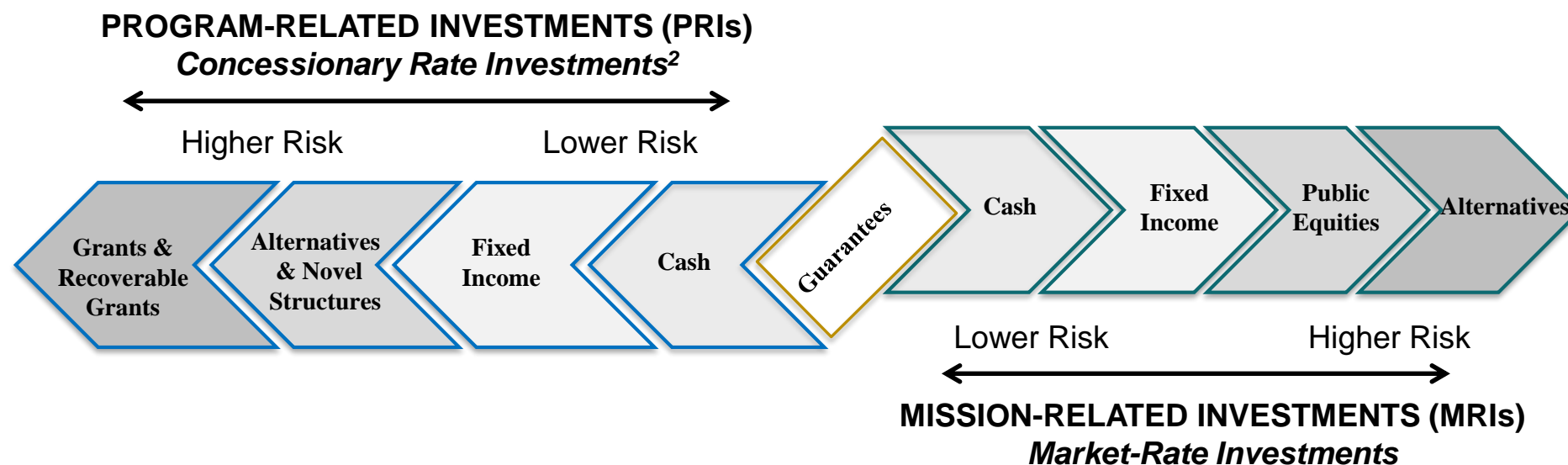
Why are philanthropies making impact investments?



Impact investing is defined as...

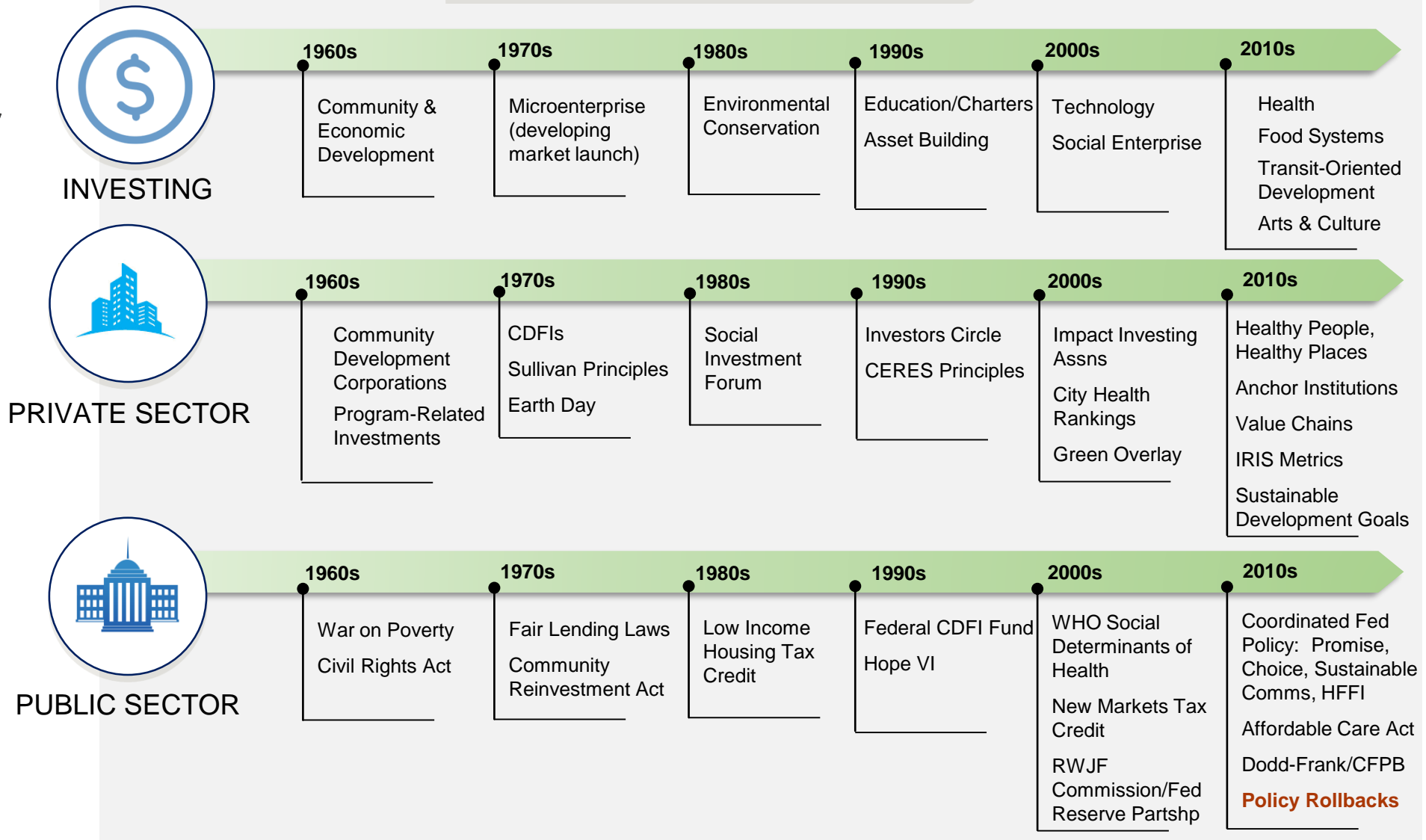
Investing into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.¹

- Any asset class or structure (cash, fixed income, equity, etc.)
- Any expected financial return (interest rate, dividend, capital gain)
- Same fiduciary care as any institutional investment



Innovation in the capital markets is supported by complementary civic and policy efforts

Transformation vs. Transaction



Venture philanthropy and impact investing can better work together to accelerate solutions

Venture Philanthropy

- Deep content/sector knowledge to formulate change strategy
- Lead investor capacity
- Long-term, cross-sectoral partnerships to reinforce change agenda, including through advocacy
- Coordination of innovation and patient care/beneficiary services

Impact Investing

- Interest in venture capitalist's pipeline
- Ability to identify additional aligned investors
- Potential complementary investment activities that benefit venture philanthropy's target population(s)
- Commitment to benefitting underserved populations
- Potential complementary grant resources

"Change has always been achieved between the private, philanthropic, public, and commercial sectors."

*–Katherina Rosqueta, Executive Director
University of Pennsylvania Center for
High Impact Philanthropy*

Venture Philanthropy brings the financial and management resources to bear on solving philanthropic problems.