

Congreso: Building Nonprofit Partnerships and Determining Their Financial Costs

Jennifer Atlas and Iris Mireya Leon 01 February 2010

Summary

The social innovation surrounding Philadelphia nonprofit Congreso de Latinos Unidos relates to its new strategic paradigm of partnerships. By creating partnerships defined by a targeted goal, a philosophy that client outcomes are valued over organizational goals, and a well-articulated shared governance and financial structure, Congreso has defined a model for partnerships among nonprofits that creates higher-impact social change. This model is described in a case study format by analyzing the Harcum College, I-LEAD, and Congreso partnership. The Harcum at Congreso program targets those who traditionally do not enroll in higher education, such as impoverished or minority individuals, and redefines the model based on the students' needs.

The partnership model works for three reasons: (1) each partner focuses on its individual strengths to collectively design and implement a program with clear targets that help ameliorate the barriers related to student enrollment,

(2) all partners share governance authority and accountability, and (3) partners' financial costs are shared and built within the expected revenue projections. The innovative formation and implementation of this partnership can be used as a successful model for other organizations wishing to partner in order to increase their client impact.

Background

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Oftentimes, impoverished communities are unable to advance in terms of social indicators such as health, education, and employment despite quality services within their respective service industries. As a candidate for president, Barack Obama pledged to create the Promise Neighborhoods Initiative as a way to strengthen social services in 20 of the most impoverished neighborhoods across the United States, working with these communities to create business plans and establish youth, health, and case management programs (Harlem Program Singled Out 2000). Obama's initiative has recognized the sad truth that the individuals in these communities do not know how to access the available mainstream resources, and the mainstream organizations do not know how to access these communities.

Low-income populations generally have a 50 percent chance of graduating high school (Minorities Have 50–50

Chance 2004). According to 2008 American Community Survey data for the city of Philadelphia, only 21 percent of Philadelphians have a bachelor's degree or higher, and only 5.5 percent have obtained an associate's degree. As many as 16.9 percent of Philadelphians are categorized according to this survey as "having some college, no degree," meaning that they dropped out of college. The 2000 Census declared that Philadelphia has the highest poverty rate among Latinos among 23 cities analyzed (Philadelphia in Focus 2003).

Congreso de Latinos Unidos is a nonprofit social services organization working to correct the issue of accessibility to quality services by serving as the critical link to mainstream resources. Since 1977, Congreso has served the primarily Latino population of its highly impoverished North Philadelphia neighborhood through its holistic and comprehensive services, addressing issues of child and youth services, health, education, and workforce development. Congreso has been recognized at local, state, and national levels. Like Harlem Children's Zone (2009), one of the Promise Neighborhood organizations spotlighted by President Obama, Congreso was established over thirty years ago with the intention of walking its clients through an array of social services as they encounter difficulties in different life stages; both organizations aim to combat intergenerational poverty by rebuilding the surrounding community they serve through the creation of programs that help residents to meet their

full potential.

Under the leadership of current president Nicholas D. Torres, Congreso has identified poverty as the root cause of these social indicators and has been moving toward a new strategic paradigm that establishes a series of external partnerships to advance its mission. Because of low income and high unemployment, many of Congreso's clients are more likely to drop out of school, become a client of the justice system, or become a dependent of the welfare system than finish their high school degree or enter college. Congreso realized that only through defining and nurturing real partnerships with mainstream institutions would it be able to change the reality for impoverished individuals.

Framing the Partnership

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The key to Harcum at Congreso's innovation is its structure as a partnership model. Harcum at Congreso is the result of a three-way partnership among Congreso, Harcum College, and I-LEAD, a Greater Philadelphia nonprofit that has been working to increase higher education in low-income communities since 2005. The partners identified three main barriers to higher education among poor urban youth: finances, transportation, and a discomfort in being outside of their community. By bringing the associate's degree program to the

community, subsidizing tuition, and providing supportive services, the program is able to innovatively ameliorate all of these barriers. Although the partnership is only in its infancy, the program has had great initial success in enrolling individuals who traditionally do not participate in the higher education system.

Establishing the Goal

Having learned from previous unsuccessful attempts at partnership, Torres was understandably cautious when approached in 2005 by David Castro, CEO of I-LEAD, with the proposition to start a new partnership bringing an associate's degree program to North Philadelphia. I-LEAD, whose mission is to work "to improve local quality of life by helping to strengthen citizens as effective community leaders" in some of Pennsylvania's most impoverished neighborhoods, had already established associate's degree programs in other parts of Pennsylvania, but not in Philadelphia. Torres and Castro met initially as Eisenhower Fellows, but Castro had long admired Congreso's impressive history and commitment to improving its community and saw Congreso as an entrée into a large, underserved community that could benefit from I-LEAD's work.

Between 2005 and 2008, grants from the Knight Foundation and from the Edna McConnell Clark Foundation strengthened the capacities of both organizations. In Torres' eyes, if two organizations are

going to establish a partnership program, “the organizations have to be ready to do it.” With this newfound capital and focus, both I-LEAD and Congreso were ready. With any partnership, of course, there is always risk. According to Torres, there is never a right time to partner; “there is just a need and two people who say the social need is more important [than forgoing the potential financial risks of partnership] and we’ll go down this road together.”

The need in Congreso’s community could not have been clearer. Within Congreso’s service area in North Philadelphia, only 40 to 50 percent of individuals graduate high school within four years, and unemployment is rampant, as high as 13.8 percent (Congreso de Latinos Unidos 2009). Harcum College was a logical choice for the program not only because of its long-standing history with I-LEAD but because it is the oldest two-year college in Pennsylvania and one of only four accredited two-year colleges in the state. Being a two-year college was important to the success of the Harcum at Congreso program because “you are not in a competitive environment with a four-year program — the four-year colleges look at the program as a feeder program,” says Castro.

The goal of Harcum at Congreso is to graduate students with associate’s degrees in one of three majors (legal studies, human services, and leadership) so that they will have better job prospects or will continue their education

and earn a bachelor's degree, in turn further improving their earning potential. Both outcomes fulfill the ultimate vision of lifting communities out of poverty by providing residents with the opportunities and skills necessary to obtain gainful employment. [This distinguishes the partnership from a coalition \(see box\)](#) in that there is a program structured to meet a focused goal that has measurable outcomes, and all partners understand and agree on what they are working toward.

The key ingredient in the partnership design is that each partner provides a unique value to the partnership.

Congreso provides the long-standing history and community trust needed to attract (recruit) students, social support, facilities, and financial aid assistance; I-LEAD provides leadership curricula, professional training, and academic assistance; and Harcum provides the accreditation, professors, curriculum, and financial aid leverage.

Assuming the Risk: Valuing Outcome Over Organization Agenda

Another distinct component of Harcum at Congreso is in the diversity of proficiencies contributed by the partners: Harcum College is a junior college in the suburbs of Philadelphia; I-LEAD provides leadership development and training to individuals in and around Philadelphia; and Congreso is a health, education, workforce training, and social service organization within a community context.

According to Castro, "partnership works when people rely on others' strengths and leverage the strengths of others." This is certainly true of the Harcum at Congreso program, where all parties contribute to poverty alleviation through their program offerings, but each organization has a unique profile and services different constituents. In this way, a key strength of this partnership lies in each organization's ability to identify its own specialized skill while allowing the other partners to contribute theirs. The contributions of each organization create a three-way partnership whose pieces fit together like a puzzle. Congreso could have attempted to offer its own degree program and undergone the process of accreditation, curriculum design, and myriad other procedures. Congreso would have had all control over the program design and implementation and would not have been required to share any financial benefits. But to Congreso, the cause was more important than the need to have control over the program. If the program is successful, regardless of the contributions from other organizations, then Congreso has fulfilled its mission. If every nonprofit organization strives to render its mission obsolete by solving the social plight it exists to alleviate, this means being willing to step beyond the scope of the organization's perceived capabilities to not only strengthen its own work, but to effect lasting change in the community.

Assuming the Risk: Establishing Control

The trust and confidence bred among the partners illustrates the nature of the partnership, that is, the culture and ethos bred by the organizations' leadership that guides their working relationships. Once it was established that the social need was worth the risk of partnership, there needed to be some protections put in place. All too frequently formal partnerships fail because the agendas of individual organizations are placed above the outcomes of the community being served. To avoid such pitfalls, financial control within the Harcum at Congreso program needed to be addressed, as did governance. As a solution, the partnership is created as a separate entity in the form of a limited liability corporation (LLC) that outlines the governance structure, pecuniary responsibility and liability, and indemnification policy. This protects the organizations individually by clearly stating their legal accountability. If an organization no longer wishes to participate, the procedures and consequences are also defined.

The LLC distinguishes the Harcum at Congreso program site from the others that Castro oversees. According to Castro, "at Congreso, because of the scope of the organization and the level of investment, we have the ability to do something much bigger....The LLC was a great way of organizing a community interest between I-LEAD and Congreso." It was also a way of making sure that Harcum was clear about which nonprofit — I-LEAD or Congreso — it was partnering with and in what way.

The LLC gives Harcum College 50 percent of the revenue generated from the program, Congreso 30 percent, and I-LEAD 20 percent during the first year of the program, after which point revenue is split more equally. All invoices are submitted to the LLC so that there is a degree of transparency to the financial operations of the program. Each organization has equal representation in the governance structure. At the beginning of the partnership, meetings were biweekly; then the governance meetings became monthly.

Congreso also assumed a huge risk by contributing significant start-up investment to the program in the form of staff, marketing, and facilities. According to Torres, Congreso "realized we probably wouldn't get these dollars back, but without the start-up costs, we wouldn't be able to get the program off the ground." Castro recognized the financial sacrifice that Congreso made and for this reason, I-LEAD agreed to take 20 percent of revenue during the first year and let Congreso have 30 percent in order to reward Congreso's willingness to make a start-up investment.

In this way, the Harcum at Congreso program reflected Torres' innovative views on partnership from the outset. Torres believes that "most partnerships fail because they're driven by fear...or by control." The Harcum at Congreso partnership formation was driven by neither; Congreso was willing to take a chance through its capital investment, I-LEAD was willing to take a chance on a new

community, and Harcum College was “very progressive in their willingness to partner on the financial model,” something that Castro claims is rare for an institution of higher learning. All three organizations were motivated to engage in the partnership “not because of the revenue but because of the mission,” says Castro. “Harcum was able to see that I-LEAD and Congreso are in this from a mission perspective and are able to provide the program revenue,” and that motivated their willingness to partner on the financial model.

Partnerships that Have Failed: Lessons Learned

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The value added by partners is an important element in successful partnerships. Partnerships should be created between organizations that each can provide value added versus organizations who do the same thing. Many people assume that organizations that have similar overarching goals and confront similar challenges should partner to pool resources and yield a greater impact. However, the potential trap is that agencies become competitors rather than allies. Partnerships between organizations whose individual purposes are too well aligned seldom change the way problems are addressed because they lack the resources and the fresh insight from which true solutions

are created.

Partners can become competitors for funds as well as control. Partnerships between organizations that serve similar constituents through similar means can be unproductive as a result. Nonprofits always seem to be scrambling for funding, and what starts as a collaborative effort turns to competition for resources. This in turn breeds fear — fear that the needs of one's individual organization will not be met. A partnership driven by fear turns into partners competing for control. Even in a two-way partnership, each organization may demand the controlling interest, need the loudest and most influential voice, and seek to manage the use of funds. What was intended to expand the collective strengths and power across organizations ends up crippling those involved, breeding toxic relationships, and ultimately providing a disservice to the very people the entities wanted to help in the first place.

The Cost of Partnerships

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The following section outlines the cost of the Harcum at Congreso partnership from program design to implementation (September 2008 to June 2009). While many of the calculations were based on estimates, these calculations provide an insight into the quantitative value of partnership from its inception to day-to-day operations.

These calculations attempt to value the cost of implementing the program as a partnership model, not to document the program budget.

Step 1: Calculate hourly wage per partner including fringe and administrative costs

$[\text{Base salary} \times (\% \text{ fringe plus } 1)] + [\% \text{ admin time} \times \text{base salary}] / 52 \text{ weeks} = \text{Weekly salary}$

$\text{Weekly salary} / \# \text{ hours paid per week} = \text{Hourly salary}$



Step 2: Calculate the total number of hours spent on program per partner

$\text{Hours per week} \times \# \text{ of weeks} = \text{Total number of hours}$



Step 3: Calculate the total cost

$\text{Hourly wage} \times \text{Total} \# \text{ hours} = \text{Total Cost}$

Hourly
Wage

X

Total
Number
of Hours

=

Total
Cost

Design Costs: September–December 2008

Leadership Team Salary Allocated by Time:

Congreso	\$11,200
Harcum	\$5,450
I-LEAD	\$3,750
Total	\$20,400

Start-up Costs: January–June 2009

Capital Investment

(new hires — Program Coordinator and Assistant)	\$54,333
Marketing	\$3,000
Printing	\$1,000
Total	\$58,400

Operational Costs: January–June 2009

Developing Governance

Salaries by time (all partners combined)	\$8,400
LLC drafting	\$2,000
Bank account	\$100
Total	\$10,500

Ongoing Costs: June 2009–Present

Maintaining Governance — Monthly Meetings (salaries)

Congreso	\$800
Harcum	\$350
I-LEAD	\$350
TOTAL	\$1,500 per month

Total cost of the partnership through June 2009 (not including \$1,500 ongoing governance cost each month thereafter)

Design	\$20,400
Start-up	\$58,400
Operational	\$10,500
Total	\$89,300

As shown through the above calculations, the cost of the Harcum at Congreso partnership came to \$89,300, with the majority of these costs arising from salaries specific to Congreso personnel responsible for managing the day-to-day operations of the program. This cost is minimal considering the expertise and time needed if any one of the three partners attempted to create and implement this program on its own.

If Congreso had decided not to partner with I-LEAD and Harcum College, Congreso would have had to invest money in hiring faculty, creating a curriculum, and

establishing connections with other higher learning institutions. Furthermore, Congreso would have needed to invest time and money to develop the expertise and infrastructure to handle the magnitude of all of these different responsibilities. Castro told us that the process of seeking accreditation alone could take anywhere from four to seven years; developing the curriculum, hiring faculty, and developing the needed expertise would extend the timeline for program development and implementation even farther.

Congreso was not the only agency that avoided tremendous risk through the partnership. "What the partnership does is that it really reduces the risk for Harcum....Without the partnership Harcum would have to go into North Philadelphia, rent the facilities, buy into the community through community outreach,..." but because of the partnership, there is "zero risk investment for Harcum," says Castro. For I-LEAD, which is responsible for everything from curriculum development to supporting professors to expanding capacity technologically to providing a quality assurance function, without Congreso and Harcum, the organization would have nowhere to invest its 14 years of expertise.

Castro further highlighted that what makes the partnership successful financially is the underutilized capital at each agency, "the excess capacity that organizations don't often realize." For example, before the opening of the Harcum program, Congreso's facilities

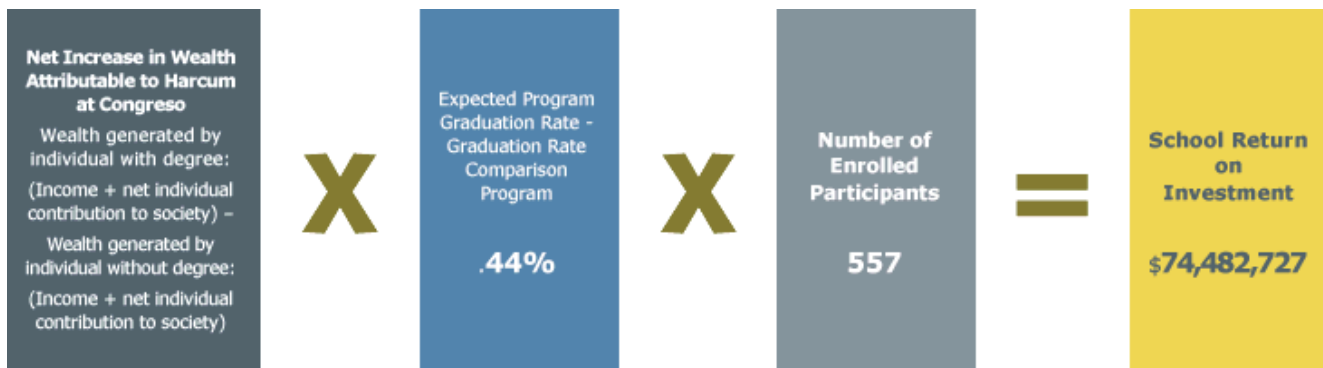
were not used to their fullest capacity and the buildings generally remained closed at night. But by making a small investment in a security guard and in food, Congreso was able to use its facilities in the evenings for a fraction of what it would have cost to rent space elsewhere or build a new facility. This philosophy has helped to reduce the costs of the Harcum at Congreso program and make the program a good fit in the strategic trajectory of the three agencies.

Outcomes and Significance: Social Return on Investment (SROI)

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Although the Harcum at Congreso program is still new, it has had incredible success thus far. From a quantitative perspective, the program has an 80 percent retention rate. According to Denise Kachin, Assistant Dean of Leadership Development at Harcum College, it is the largest off-site Harcum program, and according to Castro, it has been the fastest-growing program of the I-LEAD sites. A student with an associate's degree will earn \$405,000 more in his or her lifetime than someone with a high school diploma (Congreso de Latinos Unidos 2009). When future five-year social returns on investment from a societal level are examined, the Harcum at Congreso program has an estimated value of \$74,482,727.

Calculating SROI



Harcum at Congreso SROI Calculated over 5 Years

			Number of Students Served in 5 Years	
	Increase in Wealth Generated by Degree	Increase in Graduation Rate	Number of Participants Expected	Conservative Estimate of Students Achieving Impact (75%)
Harcum at Congreso	\$405,000	44%	557	418

From a qualitative perspective, the Harcum at Congreso program has put students on the path that they need to be on "to really access the labor market," according to Castro. According to Lisa Heredia, Senior Director of Operations for Harcum at Congreso, the Harcum program "has given students a sense of hope," enabling them to overcome personal emotional and psychological barriers, to realize that higher education is an option for them, and lifting them out of the depression so insidious in their communities. The program has broadened students'

perceptions of their world outside of their neighborhood and has improved their work readiness.

We were able to see the impact of this strong three-way partnership firsthand by sitting in on a Harcum at Congreso class in leadership development: "Negotiating, Building Relationships, Resolving Conflicts." Professor Louis Strachan was extremely dynamic, engaging each of the eight students in discussion about conflict resolution and negotiation. Strachan made every effort to relate the material to the students, from discussing the latest public transit strike as an example of negotiations gone wrong to asking the class, "how can we make our money work for us?" when going over class material, to providing his own personal experiences to make students feel comfortable. During a break, Strachan told us that he had shown up an hour early for class to provide help, and that four students had taken advantage of this opportunity.

The students we spoke with all enjoyed the Harcum at Congreso program. Many of them had full-time day jobs, but their employers, seeing the value of the program, had offered to work around their class schedules. Many students also expressed an interest in pursuing further education. When asked why he chose the Harcum at Congreso program, one student insightfully said, "if I was to go to community college, I would feel like I was in high school again...I wanted to do something different." Another student simply put it, "Carlos [Rivera, Community Outreach Specialist] and Lisa [Heredia] helped me out."

Currently, there are 65 students enrolled in the program, and Harcum at Congreso continues set the bar even higher, aiming to bring the student body up to 300 students. Kachin believes that “nothing succeeds like success” and that the students who will graduate from the program will go back into their communities and become change agents, as well as continue to attract new students.

In this way, Harcum at Congreso not only breaks the cycle of poverty by making students qualified to enter the workplace through a career that can sustain them and their families, but also inspires other community members to do the same. Congreso’s partnerships thus not only link Congreso’s well-established clients to new services and attract new clients to existing internal services but also improve the morale of the community as a whole and create a cohort of organizations who are invested in Congreso’s vision of a Latino community that is empowered and free from suffering.

Replicability

Replicability

The partnership model outlined below can be applied by any nonprofit or for-profit that wants to create social change. Harcum at Congreso serves as a shining example of a successful nonprofit partnership because the partners have leveraged their individual competencies

and balanced their power to work towards a common goal. This model can be replicated across sectors and will result in partnerships that can truly transform communities. No single organization is capable of addressing all aspects of a social ill as complex as poverty; thus partnerships serve to pool competencies and resources. The partnership inherent to the Harcum at Congreso program is a replicable model that has already demonstrated its ability to change lives for the better. Seven key elements of the partnership that contribute to its success can be applied to other partnerships.

Seven Essential Ingredients for Successful Partnerships

- Partners should understand the purpose of the partnership and trust the competencies of each member.
- Partners must agree on a focused and measurable goal.
- Organizations should consider partnering with other organizations that have different missions and proficiencies. In this way, organizations do not have to stretch limited resources to accomplish their goal, and partners complement the competencies of all involved.
- Organizations should formally establish a partnership (LLC or other) through a written contract. Each partner will be protected, and the contract helps

combat issues of control, since roles and responsibilities are formally adopted.

- Organizations should create a governance structure. Although it is natural for each agency to want to have the greatest amount of representation, each agency must be willing to cede control for a greater vision.
- Organizations should be prepared to invest start-up capital. Although this is always a risk, considering these guidelines will work to mitigate it. If the partnership is successful, the social return on investment will far exceed the cost.
- Organizations should start to think of the impact of their work in terms of a social return on investment. This presents a shift from thinking about program results as an output to thinking about them as an outcome. Outcomes demonstrate a social problem that is changed as a result of the organization's work, not just the number of constituents reached.

The Program's Innovation: [Ensuring America's Competitiveness by Enrolling and Graduating the Nontraditional Student in Higher Education: I-LEAD](#)

Jennifer Atlas graduated *magna cum laude* from Haverford College in 2009 with a bachelor of arts in Community and Population Health and in Latin American and Iberian Studies. She has worked extensively on improving cultural competence in health care and access to healthcare and legal services for Spanish-speaking immigrants through

the National Institutes of Health Clinical Center, Michigan's Mott Children's Health Center, and the Philadelphia nonprofits Puentes de Salud, Philadelphia Legal Assistance, Congreso de Latinos Unidos, and the National Nursing Centers Consortium. Iris Mireya Leon is pursuing an M.S. in Nonprofit Leadership from the School of Social Policy and Practice at the University of Pennsylvania. Ms. Leon comes from a long family tradition of public service; most notably her great-grandmother was the first certified teacher in Cuba. Ms. Leon is a 2005 *magna cum laude* graduate of Temple University.

Recipients of Goldring Fellowships and candidates for the degree of Master of Science in Non-profit/NGO Leadership, School of Social Policy and Practice, University of Pennsylvania.

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