NEW PROFIT inc.

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A Few Words from Our Founder

Seizing the Opportunity

There is nothing more rewarding than being a social entrepreneur in the non-profit sector, and yet, nothing more frustrating.

Over the past ten years, I have been a part of starting three non-profit organizations that have achieved varying levels of success from the grassroots to the national arena. I have had the privilege of going to sleep at night feeling I was making a difference in peoples lives. I have been fortunate to work with people from all walks of life and have had the opportunity to walk in other's shoes – from the street corners on Anacostia in Washington DC to the board rooms of corporate America. At times I have felt both fear and excitement about the tremendous responsibility on my shoulders. Being a social entrepreneur has required taking risks, breaking patterns and possessing strong leadership skills. It has also meant accessing resources, engaging stake holders, making mistakes and learning lessons while doing everything in my power to realize a vision.

Three years ago, my husband and I took a year to travel around the world and interview social entrepreneurs and citizen heroes. From villages in Vietnam, to Banjars in Indonesia, to the townships of South Africa, to the government offices of Moscow, we met amazing individuals who had large scale solutions to some of our more pressing social problems. These people were truly inspirational, but their challenges were so similar, I began to feel discouraged. Great ideas and driven social entrepreneurs with incredible potential continued to be underdeveloped because the environment in which they operate could not support the growth of their social innovations. There simply were not the mechanisms in the non-profit sector that exist in the for-profit sector to take proven ideas to scale.

More specifically, social entrepreneurs universally lacked access to second stage or growth capital. Furthermore, the non-profit sector was not governed by a disciplined financial environment that rewards success and allocates resources based on concrete performance measures. Social entrepreneurs also lacked access to more sophisticated technical expertise in areas such as accounting, management consulting, public relations and marketing. While limited in the non-profit sector, these resources were well developed, critical levers of healthy and thriving for-profit industries. And lastly, and most importantly, the sector we were dedicated to suffered from negative public opinion that often made us feel like second class professionals.

I could write more, but hopefully this has given you a glimpse of my personal motivation for starting New Profit Inc. Our ultimate vision is that we will play a role in creating a new space in our society, maybe even a new sector or market, that combines the structure, efficiency and impact of the for-profit sector with the vision, enthusiasm and problem-solving of the non-profit sector. New Profit Inc. is one small, but important, step toward modeling a new financing mechanism, knowledge foundation and community of builders for this new sector.

- Vanessa Kirsch, Founder and President

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Unleashing the Potential

Our Portfolio

New Profit Inc. has selected the following four high-impact, social entrepreneurial organizations for our pilot portfolio:

Citizen Schools

Big Vision: "Working toward the day when all children will have an opportunity, morning, noon and night, to get a world-class education through active, hands-on learning."

What They Do: Citizen Schools is a Boston network of after-school and summer programs that have engaged more than 1,200 students in seven schools and 1,000 volunteer citizen-teachers in a series of learning apprenticeships focused on developing teamwork, writing, analytical and problem-solving skills.

Social Entrepreneur: CS was co-founded by Eric Schwarz who was deeply troubled by a number of trends related to children and learning that he observed not only in Boston but on a national level as well. Eric developed the concept of Citizen Schools by drawing deeply on his experience in citizen service and education reform as Executive Director of City Year Boston, Public Service Fellow at Harvard's Kennedy School of Government and as consultant to Americorps.

Impact: Currently, only 6-13% of Boston 8th graders perform at grade level and spend less than 20% of their waking hours in school. CS plans to narrow this gap by augmenting the Boston Public School system with directed learning toward specific skills development. Students are evaluated against standardized tests (MCAS & Stanford 9), school performance requirements and the portfolio of their work. CS will expand to serve 20% of the 9-14 year old BPS population by 2010 and serve as a national model for after-school programming.

The Codman Square Health Center

Big Vision: "Working toward the day when Codman Square will be the best neighborhood in America."

What They Do: Codman Square Health Center is a community development organization that led the reinvigoration of a blighted urban neighborhood by using health care as a platform for launching economic, civic and educational development activities.

Social Entrepreneur: Bill Walczak, Executive Director, has stewarded the growth of both the organization and the neighborhood over the past 25 years. Bill has a lengthy track record advocating for and improving his community. He has lectured at universities, foundations, and multiple international organizations on his unique model of challenging the system and reviving blighted neighborhoods.

Impact: In 1979, Codman Square was a largely abandoned business district without a single physician practicing medicine. Today Codman Square is the primary source of health care for over 30,000 neighborhood residents. Codman Square has demonstrated that a comprehensive healthcare model which incorporates education and political participation also positively impacts economic development and housing stock. Representatives from Kosovo, Belfast, Bosnia and other countries have visited Codman Square to study its model. An investment in Codman's growth strategy will result in their ability to maximize their existing asset base, particularly in its civic health ventures and to formalize replication opportunities for dozens of other urban centers nationally and internationally.

Continued on reverse

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Jumpstart

Big Vision: "Working toward the day when all children will enter school prepared to succeed."

What They Do: In partnership with Head Start, universities, and Americorps participants, Jumpstart delivers an early childhood literacy program that works one-on-one with at-risk urban preschoolers to prepare them to read at competitive literacy levels by the time they enter kindergarten.

Social Entrepreneur: Aaron Lieberman, Founder and CEO, started Jumpstart as a direct result of his experience teaching in a Head Start program. His frustration with not being able to give the 12 children in his class the individual attention they obviously needed to prevent them from falling behind motivated him to launch an innovative solution. A graduate of Yale University, Aaron has won many awards and has been nationally recognized for his work on early childhood development.

Impact: The average low income child in this country starts kindergarten with a 500 word vocabulary compared to an average middle income child who begins with 1,100 words. Jumpstart's proven model closes this gap by raising the performance of the bottom 25% of a preschool class to the top 25% so that they are prepared to read at competitive levels by the time they reach kindergarten. Specifically, as a result of launching their national growth plan, they will expand to 15 sites over the next five years, affect 10,000 people directly and work on the national policy level to impact all young children.

Working Today

Big Vision: "All working people will participate in the kinds of associations that de Toqueville found so remarkable about America."

What They Do: Based on the labor guild model, WT has built a powerful constituency of contingency workers (temps, web designers, welfare to work graduates and part-timers) and created a safety net of benefits, advocacy and services to help keep them and their families intact.

Social Entrepreneur: Sara Horowitz, founder and CEO, is a labor attorney and union organizer who started Working Today to create the tools that independent workers need to attain pensions, health coverage, access to job training, legal protection and a sense of security in the mobile economy. Sara has been nationally recognized for her accomplishments and leadership. Acknowledged as a national expert by public policy leaders, she was recently awarded the MacArthur Genius Award.

Impact: Twenty percent of Americans currently do not have health insurance because they cannot afford it. The majority of these Americans are contingency workers who do not have access to benefits in the same way other American workers do. WT will close this gap by providing affordable insurance to thousands of workers in NY and CA this year and launching a national expansion plan. WT's advocacy work has a direct impact on the IRS Code and GAO accounting practices for the benefit of the growing contingency labor segment of the market. WT currently represents 92,000 individuals and plans to provide health insurance coverage to at least 120,000 workers as part of their growth plan.

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Investor Opportunities

creating community

New Profit Inc. provides investors with a community of like-minded and committed individuals.

NPI provides its investors the opportunity to maximize the impact of their philanthropic dollars while experiencing meaningful connections to a shared community of investors committed to changing the face of traditional philanthropy. NPI offers its investors and their families a number of ways to enrich their philanthropic experience.

Investors associate with peer experts through a variety of hands-on opportunities in venture philanthropy.

- *Investor Network:* Participate in outreach activities to educate new investors about venture philanthropy.
- *Due Diligence:* Assess potential portfolio organizations through site visits and sessions with management teams.
- *Investor Workgroup:* Work in teams to provide on-going support and access to networks in order to help portfolio organizations achieve high impact.

Connect with social entrepreneurs on the front line of social change.

- *Mentoring:* Share your knowledge, advice and expertise in a one-to-one, long-term mentoring relationship with a social entrepreneur or his/her management team.
- *Professional Expertise:* Provide your business and professional services to portfolio organizations.

Intellectual discussions around the bridging of for-profit and non-profit practices.

- *Intellectual Capital:* Challenge, discuss, form and influence the ideology and development of a new market in the non-profit sector. Work on the creation of case studies, new practices papers, policy work and strategy. Take part in meaningful events where fellow investors and promising social entrepreneurs network for greater social change. *Events include:* speakers on civic leadership; issue-oriented dinners; discussion groups on relevant readings; and events hosted by portfolio organizations.

NPI realizes that our investors and their families have limited time, and therefore, we invite and encourage investors to be active in areas most meaningful to them and where they can make the most impact.

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Join the Movement

We invite you to join us.

By making an investment in New Profit Inc.'s Venture Philanthropy Fund, you can impact the lives of thousands of under-served individuals and at the same time play a key role in making philanthropy more effective and powerful.

Despite the booming economy and the significant amount of dollars flowing into the non-profit sector, pressing social problems persist. Incredible social entrepreneurs are implementing innovative solutions to these problems and leading organizations that are making substantial differences in the lives of thousands. However, traditional philanthropy cannot support the large scale growth of these new practices, preventing many people from being well-served by these innovative models.

You can help us change this.

With New Profit Inc.'s investment of financial and intellectual capital these organizations can grow exponentially to both meet the demand and seize the opportunities to further social innovation. They can become the social change agents of the 21st century. They can reach all people needing their services. They can, finally, solve our social problems.

And because NPI plays an active, hands-on role with the organizations we fund and provides them access to significant strategic advise, management consulting and technical assistance, you can be assured that your philanthropic dollars will be leveraged to the greatest impact possible. Additionally NPI's unique blend of social, intellectual and financial capital provide a structure and network for those who want to practice engaged philanthropy and cultivate a community supporting innovative practice.

The average investor in New Profit Inc. makes a six-figure commitment over four years. Interested in a like-minded community of investors committed to high-impact social change, our investors have many opportunities for targeted and meaningful interaction with their peers and social entrepreneurs as together they tackle the substantial challenges that venture philanthropy invites.

If you believe in leveraging your resources for large scale social change, we invite you to join New Profit Inc.'s community of investors.

Together we can shape the future.

MANAGEMENT VIEWPOINT HENRY M. DRUCKER

Charitable business

The UK's hard-pressed not-for-profit sector could transform its fortunes by adopting the techniques of America's 'venture philanthropists'

A new concept has arisen in the US: venture philanthropy. This applies venture capital thinking to the not-for-profit sector. Intelligently adapted, this metaphorical creature is needed in Britain.

In 1995, Christine Letts, a Harvard lecturer, ran a seminar for fundraisers and business leaders to work out why it was so difficult to create strong non-profit organisations. If a for-profit entrepreneur had been able to turn a small Seattle coffee house into a company that put a Starbucks on every corner, why couldn't a social entrepreneur take an organisation devoted to, say, literacy from one site to 100?

Ms Letts concluded that the way not-for-profits were typically funded was one problem. In the US, as in the UK, donors such as charitable foundations and companies tend to give money only for new projects rather than for continuing programmes; only for a small proportion of recipients' needs (forcing them to expend energy finding other grants); and often only for one or two years. This might generate lots of "programmes", but at the cost of precarious, ineffective organisations.

Two forms of venture philanthropy have emerged: roughly the Boston and the Californian models. In Boston, Vanessa Kirsch has founded a venture philanthropy firm, New Profit Inc, to experiment with a contrasting approach. NPI invests most of what each organisation in its portfolio needs for the expansion of its programme for at least five years, develops management capabilities through consultancy and a seat on each board, monitors progress and plans an exit strategy.

NPI is managing a portfolio of four organisations devoted to inner-city education and health and to legal, pension and other advice for poorly paid workers. It chose organisations led by social entrepreneurs with proven records and good ideas ripe for expansion. Ms Kirsch had identified that while social entrepreneurs could find seed capital for small-scale experiment, they lacked access to growth capital or mezzanine funding.

NPI has raised an initial $2m (£1.2m) from foundations and wealthy individuals by emphasising they can both have an impact on the lives of thousands and make philanthropy more powerful. The average investor in NPI commits at least $100,000 over four years and can be as active in the programme as time allows.

On the West Coast, where the impetus has come from donors, the emphasis is less on process and more on raising money and getting out into the community. In Seattle, Social Venture Partners has more than 220 partners – half from Microsoft – who invest at least $5,000 a year for two years. The Partners work in small teams to make grant decisions and work directly with the non-profits on computing and legal problems, for example. In their own words they aim to "take risks, make a difference and use their brainpower, not just their chequebooks".

Why can't a social entrepreneur take an organisation devoted to literacy from one site to 100?

The Entrepreneurs Foundation, based in Silicon Valley, has taken a different route. Its mission is to wring stock options, typically of $100,000, from companies which have yet to launch on the stock exchange. Some of these options may turn out to be worth millions. And if they fail, the Foundation has lost nothing.

The time is surely right to take up the idea of venture philanthropy in the UK. The need is incontrovertible. In 1997, the most recent year for which figures are available, the National Council for Voluntary Organisations calculated that only 137 UK charities enjoyed an annual income of more than £10m; 1,500 charities had an annual income of between £1m and £10m. And for this group income had declined on average 15 per cent over the preceding three years. Far from scaling up, many were scaling down. Anyone who has acted as trustee for such a charity will be familiar with their exhausting and often inefficient operation as they struggle from one expedient to another.

At the same time, we have venture capitalists and other wealthy professionals, many of them young, to whom the traditional, deferential models of philanthropy seem unappealing.

Setting up venture philanthropy funds would have a notably beneficial effect in the UK. First the model, judging by the US experience, attracts the "swift rich". Inasmuch as our swift rich operate in the same fields – computing, deal-making, global banking and the law – it is likely to attract them too. It is active, direct, designed to focus on outcomes and to leverage contributions while licensing "networking" for the common good. It operates as they operate.

Second, the model unites features which are often kept apart. Individuals as well as companies can combine contributions of money, time and expertise. There are certainly UK examples of this, but these tend to involve large, blue-chip companies offering small, short-term grants plus staff expertise. Venture Philanthropy can make sense for small new companies and newly rich individuals. Some may make significant donations to a fund. Others may donate share options or offer professional skills.

Third, the timing is excellent. The UK has just adopted the single most tax attractive feature of US practice. UK citizens can now deduct from their income, for tax purposes, the full value of gifts of shares in quoted companies that they give to charities.

Finally, the British approach to philanthropy still tends to combine a reluctance to speak about money with (furtive) requests for it. One of the attractions of venture philanthropy is the shock it will deliver to the status quo. We are a long way from being able to talk as the Entrepreneurs Foundation does of seeking "500 companies generating $100m of stock appreciation to invest in 15 community ventures." But maybe British Venture Philanthropy will help get us there.

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VENTURE PHILANTHROPY

Holding charities to a higher standard

By Alexander Colhoun
Special to The Christian Science Monitor

CAMBRIDGE, MASS.

The last revolution in American philanthropy paralleled the creation of industrial fortunes made by the likes of the Carnegies, Rockefellers, and Mellons.

Today, a second philanthropic revolution is under way, driven in part by a turbocharged economy, but also by a desire to see greater accountability within nonprofit organizations.

The trend is called venture philanthropy, and it is revolutionizing the way foundations, nonprofits, and donors think about the rapidly expanding world of philanthropy in America.

According to some estimates, between $7 trillion and $8 trillion will flow between generations in the next decade. Combined with spectacular returns in the stock market, millions of Americans are poised to donate in ways unseen since the turn of the century.

But as the world has changed, generating thousands of new millionaires, so too has the vision of the people who generated this new wealth.

Today's millionaires are younger, have made their millions faster, and are more likely to give away money while they are alive, demanding the same performance for their gifts as from the companies that created their wealth.

Enter the venture philanthropists.

In a sleek new office building in Cambridge, Mass., Vanessa Kirsch, president of New Profit Inc. is hard at work, capitalizing on this new trend. New Profit is one of five true venture-philanthropy organizations in the United States. Their vision: to work with philanthropic organizations in the same way that venture capitalists deal with companies in the private sector.

Essentially, New Profit is a nonprofit venture-capital fund that grants money to nonprofits. To date Ms. Kirsch and her team have raised more than $3 million and aim to top $4 million by the end of this month.

Listen to Kirsch long enough and she begins to sound more like a banker than a philanthropist.

"I believe in investment, not charity," she says. "We hold organizations accountable to produce results. We want to see the return, not in dollars but social return."

The venture philanthropist's vision is all about accountability. And it is here that this idea begins to look revolutionary.

Traditional grantmakers often take a hands-off approach to their grantees, offering funding and letting them flourish, or fail, on their own.

In contrast, venture philanthropists like Kirsch get more heavily involved. Like a venture capitalist, Kirsch finds a pool of "investors." She then hunts for the best philanthropic "investments." New Profit uses a "balanced scorecard," a for-profit tool that measures performance. Ultimately, New Profit advises its chosen nonprofits in strategic planning and management and takes seats on their boards.

After much research, Kirsch whittled through 49 possible recipients, selecting four charities that now receive funding.

Too much control?

The approach sounds good. Accountability is always valid, right? Not necessarily, say some experts.

"I suspect there is some concern that in providing guidance [venture philanthropists] may direct a charity's efforts in ways different from where the staff and board may be going," says Bennett Weiner, vice president at the Council of Better Business Bureaus – a watchdog group that monitors charitable organizations. "Ultimately the decision for the charity is: if they accept the contribution, can they accept the conditions laid out with it?"

For Aaron Lieberman, president of Jumpstart, a nationwide nonprofit working for children, the answer to that question was a resounding "yes."

ALEXANDER COLHOUN

SELECTIVE: Vanessa Kirsch's company, New Profit, is one of a handful applying tough, venture-capital-style 'investing' standards to charitable funding.

Mr. Lieberman won a five to seven year commitment from New profit earlier this year, and his organization has received $1 million in financial resources and consulting services from New Profit to date.

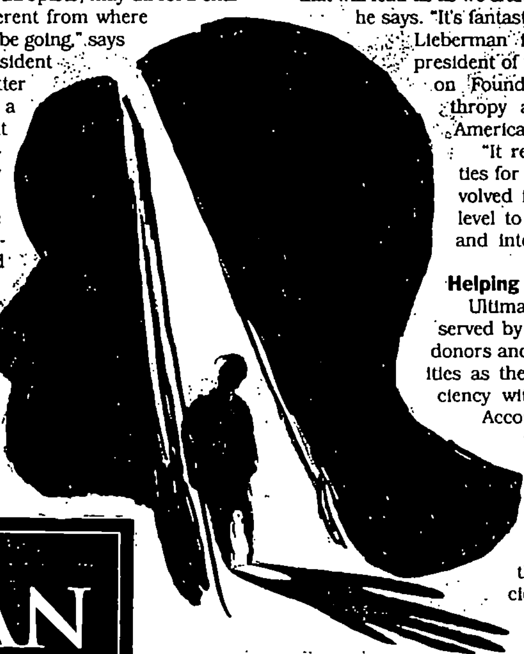
Lieberman wasn't concerned that New Profit's conditions might crimp his organization's style. Instead, he saw a golden opportunity. "Because of our association with New Profit, we have a world-class consulting firm that will lead us as we craft a plan for the next few years," he says. "It's fantastic."

Lieberman isn't alone. Dorothy Ridings, president of the Washington based Council on Foundations sees venture philanthropy as a valid new direction in American philanthropy.

"It really provides new opportunities for donors who have not been involved in philanthropy before at any level to have their skills, experience, and interests be realized," she says.

Helping those who need it most

Ultimately, the greatest interest served by venture philanthropy may be donors and those who get aid from charities as they begin to see improved efficiency within charitable organizations. Accountability, delivered under the watchful eyes of the venture philanthropists, means poorly managed charities that fail to deliver on their promises may no longer receive funding. And the groups that work with the most efficiency – delivering more benevolence for the buck – are likely to rise to the top.



THE CHRISTIAN SCIENCE MONITOR

'To injure no man,
...ut to bless all mankind'

...OSTON · MONDAY
...ECEMBER 6, 1999

FAST COMPANY

Who's Fast 2000

[illegible] TALENT SCOUTS, DESIGNERS, AND DREAMERS WHO ARE CREATING YOUR FUTURE

PLUS
THE WEB LEARNS TO LAUGH
THE MINT MAKES CHANGE
MAYBE-PROOF YOUR COMPANY
GIVE BACK FOR THE HOLIDAYS

Social Justice

Those with the talent to succeed in the new economy have a responsibility to address its harsh side effects.

Article by Cheryl Dahle Photographs by John Huet

"If you are exposed directly to an injustice or a need, you want to do something about it."

Alan Khazei and Vanessa Kirsch

If Alan Khazei ever forgets

why he set out to change the world, all he has to do is swivel around in his chair and survey the office wall behind him. There, in a golden frame, hangs a collage of snapshots from a 1995–1996 trip around the world that he and his wife, Vanessa Kirsch, took to meet other social entrepreneurs. The people in those photos believe in the same things that Khazei and Kirsch believe in. They've fought similar battles—for funding and for survival. And they've prevailed against great odds to reshape their respective corners of society. Included in the collage are Debashis Nayak, an architect in Calcutta who works with communities to preserve ancient landmarks; Ashraf Patel, a young Indian woman who heads a cultural-awareness program to bring Muslims and Hindus together; and dozens more.

Seeing their faces fills Khazei with a renewed sense of purpose. It reassures him not only that he chose the right path but also that he is not alone on that path. "We went on the trip looking for change agents—people involved in making a difference in all sectors: business, government, and nonprofit organizations," Khazei says. "We found that these were people with whom we shared common values, common desires, and common hopes—hopes for children, hopes for peace, hopes for what's possible in the 21st century. I came back from the trip even more committed to what we're doing."

Before their nine-month sabbatical, both Khazei and Kirsch had independently built visionary vehicles for social change in the United States. Khazei's brainchild was City Year, a sort of domestic peace corps that he cofounded with law-school buddy Michael Brown in 1988. The program had grown from 50 members in Boston to 1,000 members in 11 cities. Kirsch was no less accomplished. In 1991, she started Public Allies, a thriving national youth-service program based in Washington, DC. Both Kirsch and Khazei were looking for an answer to the question "What's next?" "We knew that what we were doing was extremely important work, but we felt like we were banging our heads against a wall," says Kirsch. "It's so hard to grow something. We thought that by taking a step back, we could ratchet up the work that we were doing—not only for ourselves and our own organizations but also for the nonprofit sector."

The trip around the world was one leg of a larger journey for both of them—a journey toward what Kirsch calls "high-impact" social change. "We want to make a big dent in history," she says. Their quest: to create a venture-capital mechanism for the nonprofit world—a system that would reward creativity and performance in the social sector with funding for growth. They want to help build the next generation of great, sustainable nonprofit enterprises. They aim to define the future for a new generation of social entrepreneurs.

PARALLEL UNIVERSES

In hindsight, it seems inevitable that Khazei's and Kirsch's lives intersected. Both were born into mixed-religion homes: Hers was Jewish and Protestant, his Catholic and Muslim. Both went to colleges in the Boston area—he to Harvard and she to Tufts. In 1988, she worked on Michael Dukakis's presidential campaign; he worked on Gary Hart's in 1984. And both had parents who inspired them. Kirsch remembers coming home from school to find her artist mother painting. "I loved watching her take a blank canvas and transform it," Kirsch says. "I would often run home from school so that I could paint with her. It gave me a sense of limitless possibility."

Khazei's immigrant father, who came to the United States from Iran, instilled in him the virtues of citizenship. "My father came from a country with a dictatorship, so he appreciated the value of democracy," Khazei says. "He said, 'The United States is the greatest country in the history of the world. It's the only country I could come to as a foreigner and be accepted and raise a family and contribute.' But he also raised me to have a critical eye. We Americans have these ideals that we don't always live up to."

Neither Khazei nor Kirsch knows how to take no for an answer. Shortly after Kirsch launched Public Allies, she got in her car and drove from Washington, DC to Chicago. There she waited outside a hotel to accost a program officer for the MacArthur Foundation. She offered the woman a ride to the airport, and on the way, pleaded her case. They parted with a noncommital "Come and see me the next time you're in Chicago" from the program officer. Weeks later, Kirsch road-tripped to Chicago again and called the woman. This time, Kirsch walked away with her first $25,000 grant. "She thought that Public Allies was extremely entrepreneurial," Kirsch says. "And probably crazy as well."

Kirsch is, by nature, a relentless battler. Dyslexic, she had to fight her way into college. "Everybody told me that I wasn't going to get into the school that I wanted to attend," Kirsch says. "I wrote to Tufts, 'Look, my scores are terrible. But I really want to go to Tufts.' It was a heartfelt letter. I just wanted them to know how badly I wanted to get in—and I did."

Khazei is no different. He wanted President Clinton to attend the festivities for City Year's 1998 annual convention. After all, it was a campaign stop at a City Year site that had inspired Clinton to launch the $250 million AmeriCorps program in 1994. But the president's staff said that he had no time for a trip to Boston. So Khazei pulled out all the stops, lobbying everyone he knew with a connection to the

White House and calling on City Year corps members to pen more than 700 letters to the president. When the day of the event arrived, "Clinton was there. Apparently, he found time for a trip to Boston," says former U.S. Senator Harris Wofford, who befriended both Kirsch and Khazei years ago, and who now runs the AmeriCorps program. "Alan Khazei got Bill Clinton to attend by sheer force of will."

YOUTH-SERVICE JUGGERNAUTS

Khazei's dream of starting a national-service program germinated while he was still in college. "We'd have late-night discussions about how to change the world, and about how the United States is the richest country on the planet but it still has homeless people and illiteracy and gang violence," says Khazei. "Why do we have that disparity? For me, national service makes so much sense because it gets to the root of the issue. It gets people involved at a young age so that they will learn what's going on in a direct way. It turns on what I call people's 'justice nerves': If you are exposed directly to an injustice or a need, you want to do something about it."

Khazei went on to Harvard Law School because, as his father advised, he could always find work with a law degree if all else failed. But after graduating, he turned down lucrative law-firm offers. Instead, with classmate Brown, he founded City Year. Their hope was that City Year would spark a movement, taking hold first in Boston and then spawning parallel efforts in other cities. The premise was simple: that national service could become both commonplace and obligatory, a bridge between high school and college. Young adults (ages 17 to 24) from all walks of life would dedicate 1,700 hours a year to working together on service projects all over the city. In addition to a modest living allowance, they would get partial college scholarships.

City Year began with 50 participants and funding from Bain & Co. and Timberland, among others. Today, wearing their red parkas, khaki pants, and City Year T-shirts, young corps members have become a fixture all across the country, doing morning calisthenics in the plazas and squares of their host cities. Teams of members take on community projects such as cleaning up vacant lots, providing HIV education, tutoring and mentoring other students, and helping the elderly. Nationwide, this year's contributions will look something like this: more than 1.5 million service hours; more than 22,000 kids educated about HIV; about 970 outdoor spaces renovated; roughly 150,000 kids tutored and mentored; and almost 3,000 elderly provided with support services.

What's fast

After spending roughly a year networking with other social entrepreneurs around the world, **Vanessa Kirsch** and **Alan Khazei** have a good sense of the future of civil society.

Get used to new profit. "In the future, change agents will have to be comfortable in all different sectors, both public and private," Khazei says. "They'll have to be willing to work with the government, to work with nonprofit leagues, to work with businesses. We saw that everywhere we went. Even in China, which is communist and very much government-controlled, we found that there were people doing borderline nonprofit work."

Say goodbye to big government. "The era of big government is over, and not just in America," Khazei says. "The issue of government corruption was everywhere. But it wasn't that people were against the government or ready to throw government away. They were recognizing that they needed more nonprofits and businesses involved in addressing issues."

Meet the new revolution. "Social entrepreneurs will lead change as politicians led change in the 1960s," Kirsch says. "But it's a different kind of revolution. It's not a revolt in the streets; it's institution building. But we don't have a system to take any of those innovations to scale—yet. While we have social innovation that we believe in, and that has been proven, there's no system to take that innovation to scale. That's the next battleground."

That vision thing. "America is in a transition period now," Khazei says. "Don't forget, for 50 years, when we were in the middle of the Cold War, it was very clear what our mission as a society was. And it was also very clear what the role of government was. Then the Cold War ended, and we didn't have an offensive mission. What are we trying to accomplish as a country? We have no idea. And the irony is that we sit atop the world. America is like a colossus: We have the resources to do so much. We just need to find the will."

As City Year was getting off the ground, Kirsch was working for Peter D. Hart Research Associates, canvassing young people about their attitudes toward citizenship. Depressed by the gloomy results, which painted her Gen X peers as slackers and poor citizens, she decided to find out for herself if that picture was accurate. Living off of a bonus from work, Kirsch took a month off and drove cross-country, interviewing young people along the way. She found that in many cases, young people were interested in doing public service, but they didn't know where to begin.

Kirsch then discovered many nonprofits that needed assistance. They were worried about the future leadership of their organizations, but they didn't have the resources or time to recruit new blood. Kirsch envisioned a solution that would help young people, nonprofits, and their communities. "We needed to create an infrastructure and organization that would bring those resources together. We'd help nonprofits and young people, and we'd create a whole notion of national service, of citizenship, of buzz about its potential. And we would begin to change the way Gen X was defined."

Public Allies, started in 1991, places young people in 10-month paid apprenticeships with local nonprofits. "Allies"—the teenage participants—get anywhere from $1,300 to $1,500 a month (depending on which city they live in), plus an educational grant from AmeriCorps of up to $4,725. One day a week, they work on team-based projects, such as a citywide forum for high-school peer health educators and violence-prevention programs. The notion has caught on: With an operating budget of $4 million, Public Allies now places roughly 200 youths each year with organizations in nine cities.

City Year and Public Allies became models for the national public-service movement. Both programs acquired steady funding, a healthy dose of media coverage, and, arguably, reasonable success—and that's when the frustration began.

Around 1992, both Khazei and Kirsch began to feel crunched: They had outgrown their startup phases, but they lacked the resources to grow. Kirsch had more requests than she could meet to expand Public Allies into new cities. Paradoxically, though, "Some of the foundation people were saying to me, 'Vanessa, you're getting too successful. We can't fund you anymore,' " Kirsch says. "And I was thinking, 'Now, that makes a lot of sense.' Others were saying, 'Vanessa, you're raising enough money, and you're showing surpluses. We can't give you money.' And I'm thinking, 'If I were showing deficits, then you'd give me money. But you're not going to give me money because I did what I said I was going to do?' "

Khazei, though extremely proud of City Year's success, had grown more impatient with its limitations. "I want to see a million young people in service. City Year's great, I love it, but it's only 1,000 people. AmeriCorps is great, but it's only 25,000 people. The money's there now, and the president just vetoed a $792 billion tax cut. Well, if there's $792 billion for a tax cut, then there's $10 billion for national service. There has to be."

In April 1992, Wofford suggested that Kirsch meet one of the founders of a service program similar to hers in Boston. Wofford started egging Khazei on as well. "He told me, 'This woman started an organization called Public Allies, and it's really hot. She's going to blow by City Year. You've got to watch out because she's young, entrepreneurial, aggressive, dynamic, beautiful, and talented,' " Khazei says, mimicking Wofford's teasing warning. "And so I said, 'Well, I've got to meet this person.' "

Fate collaborated with circumstance at a June 1992 conference for social entrepreneurs in Concord, Massachusetts. "I was a little late, so when I came in, everyone was already seated for dinner," Khazei remembers. "There was this incredibly beautiful, energetic woman at one of the tables. She was glowing with positive energy, and there was an empty seat next to her at that table. And I thought to myself, 'I bet that's Vanessa.' And lucky for me, it was. I sat down at her table, and we started talking. And we hit it off. She talked about Public Allies and what she was doing and how she started it. I talked about City Year. We both talked about the political campaigns that we had worked on. We ended up staying up until 2 AM. Dinner was long over, they'd closed down the bar, and everybody had gone to bed."

Soon after meeting, the two began a long-distance relationship. They kept it quiet, not wanting nonprofit-world gossip to overshadow their work. They commuted between Washington, DC and Boston, and scheduled flight layovers in the same city whenever their travels permitted. Their mutual travel agent was the first to guess. "He busted Vanessa," Khazei says, grinning. "He asked, 'Are you and Alan dating?' and she was shocked. She asked him how he knew, and he said, 'Because no one except you two ever requests layovers.' "

BREAKTHROUGH ON THE BEACH

Two years after they met, Khazei and Kirsch decided that they needed to step back from their cherished nonprofit projects to seek out new ideas and perspectives. Drawing on the experience of matchmaker Wofford, who had traveled to India with his wife shortly after the two were married, Kirsch and Khazei decided that a pilgrimage around the world would be the perfect tonic for their stagnation. The nine-month-long trip served as a celebration of their engagement—and of their shared mission. "We thought that this would be a great way to start our life together—by traveling abroad, trying to meet change agents and future leaders and learn from them," Khazei says.

They were on a beach in Thailand, two and a half months into their travels, when it came to them: They would create a second-stage capital market for nonprofits. During their travels, Khazei and Kirsch interviewed more than 350 social entrepreneurs, businesspeople, and government leaders in 20 countries. And after seeing their own difficulties mirrored in their compatriots' experiences and witnessing how far American capitalism had reached into even the developing countries that they had seen, the answer seemed obvious.

"There's lots of startup money for nonprofit work," Khazei explains. "There's lots of money for the really big, established groups. But there's almost no money for those organizations in between—those who need bridge money to sustain and to grow."

Because of that lack of second-stage funding, nonprofits and philanthropists remain locked into the startup-phase mentality—rewarding need and new ideas rather than performance and tested models. "With all of the effort and money that goes into the nonprofit sector, why aren't we solving more problems?" Kirsch asks. "Because the system is broken. This is not an intellectual argument. I'm talking about thousands of people not getting immunized or thousands of kids not getting access to childhood-development intervention so that they can learn to read. It's about how to have the greatest possible impact; how to effect large-scale social change."

Back home in 1996, Khazei returned to City Year, aiming to seed the organization in 10 new cities within five years. Kirsch, who had left Public Allies, began to lay the groundwork for a venture-capital fund that would serve nonprofits. She approached the project as she had any other in her life: with complete obsession. "By the time I got back to America, I couldn't think of doing anything else. When people say, 'Oh, I think you're off here. Maybe the timing's not right,' I think, 'We're doing the right thing because I know it,' " Kirsch says. "There's such a higher drive for me, because I've listened to voices in Russia, the Middle East, South Africa, China, and Japan, among others, all saying the same thing. I don't want to sound mushy—but this is my calling."

Kirsch, with Khazei's help, spent a year researching the idea, assembling a think tank of students, professors, social entrepreneurs, and business leaders. Kirsch and a coworker bulldozed their way into the office of Harvard accounting professor Robert Kaplan, who had invented the "balanced scorecard" method of evaluating companies' nonfinancial performance. Within an hour, they had persuaded Kaplan to adapt his method for Kirsch's venture, New Profit Inc. Kirsch then struck a deal with the Boston-based Monitor Group to provide mentoring and strategy consulting for the nonprofits that her company would choose to groom—as well as office space for her four employees.

Then Kirsch started raising money—$2 million to date from investors including the Knight Foundation, Mark Nunnely of Bain Capital, and Chris Gabrieli of Bessemer Venture Partners. Initially, New Profit will provide four entrepreneurial nonprofits, chosen from among 40 applicants, with consulting and financial services worth up to $1 million over three to five years. The inaugural investments: Jumpstart, which matches college-age tutors with preschoolers; Citizen Schools, a group that fosters community involvement in public after-school education; Working Today, a union, of sorts, for free agents; and Codman Square Health Center, a Boston clinic that serves the disadvantaged. Mirroring the for-profit venture-capital paradigm, a New Profit representative will sit on the board of each funded organization to advise and monitor its progress.

Like Public Allies and City Year, New Profit is intended to be a test case. If it's successful, Kirsch hopes and expects to witness the organization launch a whole new sector—not nonprofit or for-profit, but new-profit. In the new-profit world, investors will demand a strict accounting of strategy, operations, and results. They will seek a quantifiable return on their social investments—not a financial return per se, but one that is based on measurable social progress. New Profit grantees that meet certain standards will be rewarded with additional funding; those that fall short of meeting those standards will ultimately be dropped.

Competition, in other words, will arrive in the nonprofit world. "American industry wouldn't be the entrepreneurial mecca it is if it weren't for venture capital. In venture capital, a lot of the new ideas get the big grants. People take big risks on new ideas," Kirsch says. "But the nonprofit sector is stuck with a conservative, banking mentality. Funders don't take big risks on big new ideas. There are a few people who generally control what gets funded. My goal is to someday have hundreds of venture-philanthropy funds to fill in that green space that hasn't been developed." ★

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GLOBE STAFF PHOTO / TOM HERDE

Front (from left): Eric Dawson, Peace Games; Aaron Lieberman, Jumpstart; and Jennifer Sazama and Karen Young, Youth on Board. Back (from left): Earl Phalen, Bell Foundation; Karllyn Crockett and Denise Thomas, Mytown; and Katya Fels, On the Rise.

GENERATION EXTRA

They call themselves social entrepreneurs: young idealists in business to help others

By Irene Sege
GLOBE STAFF

When Earl Phalen graduated from Harvard Law School in 1993, his classmates went on to jobs that typically paid $67,000 a year. Not Phalen. He started a nonprofit organization to boost the academic skills of inner-city black children, and his parents helped pay his bills.

People assumed Aaron Lieberman would become a lawyer, like his dad, when he graduated from Yale in 1994. Instead, Lieberman went into preschool education like his mom and founded a nonprofit group that links college-student tutors with Head Start youngsters to help the children get ready for kindergarten.

Katya Fels was a blue-haired, multi-ear-ringed, into-Gothic-punk teenager who grew up to graduate from Harvard in 1993 with a degree in biology, and instead of going to medical school she founded a daytime shelter for homeless women.

Whoever decided that Generation X is apathetic and cynical never met 31-year-old Phalen, whose Bell Foundation President Clinton recognized last year with a President's Service Award. They never met 27-year-old Lieberman, who started planning Jumpstart in his dorm room with a friend and now heads the $4.2 million-a-year organization with sites in six cities. They never met 27-year-old Fels, whose On the Rise in Cambridge serves women ill-served by more traditional programs.

The way Lieberman sees it, "Generation X

GEN XERS, Page D6

Idealists go into business for others

■ GEN XERS
Continued from Page D1

should stand for Generation Extra."

These are not idealistic baby boomers out to change the world at a time when the government declared a war on poverty and young people mobilized to stop a war in Southeast Asia and the Civil Rights Act of 1964 was still new. They don't remember Martin Luther King Jr. and John F. Kennedy and Robert F. Kennedy.

No. They're idealistic Gen Xers who came of age when many perceive government as the problem, not the solution, and national heroes are people who play ball or died decades ago, and the world the boomers vowed to change is no paradise.

"The idealism of the baby boomers set the stage for us to say 'What you're saying isn't really happening,'" says Lieberman. "It'd be worse if nobody ever said this country should be about equality of opportunity. That's what we owe the baby boomers. They put the idea out there. We're trying to make it real."


GLOBE STAFF PHOTO / TOM HERDE

'If I'm 35 years old and the Bell Foundation is serving 500 children, then I will feel like I've failed because it's just not enough kids.'

EARL PHALEN

Lieberman and his peers call themselves social entrepreneurs. They marry their youthful passion with the practical experience of their years of student volunteerism and the private sector panache of an era when a whole new industry is springing from the ideas of young cyber-savvy entrepreneurs.

They count among them early graduates of the service learning movement of the past decade, and that pipeline is only growing. The Corporation for National Service now funds service learning programs for a million young people annually from elementary school through college. The four-year-old AmeriCorps has enrolled 100,000 members, and it claims roots in the youthful enterprise of two 26-year-olds who founded Boston-based City Year in 1987 as they graduated from Harvard Law School.

Lieberman's Jumpstart began as a college tutoring program. Likewise, Phalen's Bell Foundation was originally a tutoring program at Harvard Law School, and both now rely on cadres of college tutors to help low-income children. Fels learned about running programs for the homeless when she managed a shelter headed by Harvard's service-oriented Phillips Brooks House.

• • •

Offering fresh outlook

"They come out of college discontent with just serving," says Christine Kwak of the Michigan-based WK Kellogg Foundation, which over the past half dozen years has funded a growing number of young social entrepreneurs. "Many were seized with the notion that they would create something new and different that might tackle the problem in a way that works. They combine an entrepreneurial spirit with the impatience of being younger and saying, 'We want to make a bigger difference now.'"

"Youthful idealism is said to make something sound trite," says Fels. "Society loses a lot by not tapping into what 20- and 30-year-olds have to say and tapping into our energy. Often our ideas may be heretical and challenge what's out there. People who haven't been in the system for a long time come in with different eyes. If you come in without preconceived notions, you may be able to come up with something that works."

Consider Jumpstart, whose downtown office displays lists of quarterly goals like "complete assessment road trips" and "launch process for family involvement." Lieberman sounds like a businessman when he says, "Everything is driven by the school success outcomes," and "We're right on track" to meet the goal of 1,000 corps members helping 12,000 children by the year 2000.

The small and growing number of funders who give seed money to young social entrepreneurs also use the language of the private sector to liken themselves to venture capitalists. Of 300 social entrepreneurs given fellowships by the New York-based Echoing Green Foundation in its nine years, 23 are in Massachusetts, more than any state but California and New York. Three of 18 funded by the three-year-old Fund for Social Entrepreneurs at Youth Service America are from the Bay State.

"Our peers in the '60s were coming out of school and saying 'I want to work for the government' and 'I want to work for the Peace Corps,'" says 33-year-old Vanessa Kirsch, who calls her Boston-based New Profit Inc. a venture capital fund for social entrepreneurs in the Northeast. "This generation of leaders are focused not so much on being part of a movement but on building institutions that will last for the long haul."

That's how Phalen sees the Bell Foundation. He entered law school aiming someday to be mayor of a city, but now he sees building his organization as the way he'll have the most impact. "It's hard to build a business from scratch. Last year I said, 'Given all the things I'm blessed with, am I doing enough to impact our community?'" he says. "After a lot of quiet time I said yes. The Bell Foundation is the vehicle to provide strong leadership in the black community. But if I'm 35 years old and the Bell Foundation is serving 500 children, then I will feel like I've failed because it's just not enough kids."

Longtime activist Hubie Jones, who ran the Roxbury Multi-Service Center in the 1960s and now is special assistant to the chancellor for urban affairs at University of Massachusetts in Boston, calls these social entrepreneurs "spectacular" people with "this extraordinary set of skills." But at a dinner he hosted for 30 of them, he challenged them to reach outside their organizations.

• • •

Focusing on community

"I basically said to them, 'You've done terrific work but you're really disconnected from the challenges going on in this city beyond your organization,'" Jones says. "'I didn't have that luxury at your age. I was doing what I was doing in the middle of a civil rights revolution. If I was disconnected my organization would be irrelevant. There are major things going on in the community, whether it's the South Boston seaport, whether it's the schools, whether it's gentrification, and you folks are disconnected from the conversation. You have no collective voice around the challenges facing the city and you need to get one because you are the leaders of the future.'"

Jennifer Sazama was one of Jones's dinner guests. She cofounded the Somerville-based Youth on Board, which since 1994 has trained over 5,000 teens and adults in over 30 cities to enable youths to participate in organizations affecting their lives.

"I completely agree with him," says Sazama, 33. "But I don't want to blame us. Our generation hasn't had the civil rights movement, the women's movement, the Vietnam War. There's not been anything for us to rally around. There's a piece of hopelessness our generation carries about real change.

"Our generation is set up to be individualistic. In Hubie Jones's generation there was more encouragement to do community organizing," she adds. "Our generation hasn't figured out how to start that. But I think we're trying."

Whether it's Bell Foundation tutors working with more than 60 after-school "scholars" at the Lee School in Dorchester, or Jumpstart corps members mixing paint on waxed paper with preschoolers at South End Head Start, or On the Rise offering a quiet space where a homeless woman can read the Koran, these are ventures created with the energy and attitude of youth.

"I don't think I would be doing this at age 40," says Fels, of On the Rise. "I'd be far more jaded and cynical and I'm pretty cynical now. We're all people who had ideas and said I'm not going to change how I do it because you have $5,000 or you're older and you say so. We'll change if there's a reason, but not just because someone older says so."

Making a difference

Three more social entrepreneurs whose programs aim to aid urban youth.

ERIC DAWSON, 24
Occupation: Runs Peace Games, which uses 250 college tutors to lead weekly antiviolence lessons in eight urban grade schools.
Credentials: Began working on Peace Games as undergrad. Ignored professor who said he'd waste Harvard education if he taught.
The business: Annual budget, $1.7 million; staff, 40.
Book of the month: Observed reading "Martha Blah Blah" to second-graders at Mission Grammar School.
Power of youth: "There's a certain willingness to make mistakes that's harder when you're older."

KARILYN CROCKETT, 25, and DENISE THOMAS, 25
Occupation: Founded Mytown, which uses youth-led tours of historic South End to build teens' leadership and skills.
History: Dorchester-bred Crockett so moved by Freedom House neighborhood history program that she persuaded Thomas to cofound Mytown after they graduated from Yale in 1995.
Potato chip connection: Thomas learned how products, i.e., potato chips, were brought to market during internships at Frito-Lay.
The business: Annual budget, $170,000; other staff, 1 part time.
Thomas's "we" generation: "I can't imagine doing anything that benefits only one person – me."
Crockett's construction: "To think passion and skill can create structure is incredible."

SOURCE: IRENE SEGE

Globe staff chart

"I SEE HOW PROBLEMS CAN BE SOLVED, POTENTIAL RELEASED AND ACCOMPLISHMENTS MAXIMIZED BY BLENDING THE DISCIPLINE AND RIGOR OF THE BUSINESS WORLD WITH THE INNOVATIONS AND COMMITMENT OF THE SOCIAL SECTOR."

KELLY FITZSIMMONS
FOUNDING PARTNER, NEW PROFIT INC.

"THE NEW PHILANTHROPIST DOESN'T LOOK AT GIVING AS CHARITY, RATHER THEY LOOK AT IT AS AN *INVESTMENT* IN SOMETHING THEY BELIEVE IN."

VANESSA KIRSCH
FOUNDER, NEW PROFIT INC.

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Impact

Change

Results

NEW PROFIT inc.

Imagine, Venture Capital for the Non-profit Sector

What is New Profit Inc.?

New Profit Inc. is a venture capital fund for the non-profit sector. Our goal is to affect large-scale social change by applying venture capital practices to philanthropy. We do this by operating a performance-based fund that pools financial and intellectual resources and invests in a select group of social entrepreneurs with proven non-profit organizations. We believe this strategy, which has worked so well in the private sector, will result in greater social impact. New Profit Inc. is a registered 501(c)(3) non-profit organization.

"There is a silent revolution underway. Social Entrepreneurs are the change agents for the twenty-first century. What they need is a new form of philanthropy to help them succeed in creating large scale social impact."

Vanessa Kirsch
Founder, New Profit Inc.

What is the New Profit Inc. investment strategy?

New Profit Inc.'s investment strategy is designed to make philanthropy more effective by creating an incentive and management system that rewards organizations that meet their goals. It is comprised of the following key elements:

- Identifying proven social entrepreneurs from a rich pipeline of non-profit leaders
- Selecting a portfolio of organizations through rigorous due diligence
- Investing resources for organizational capacity building
- Providing strategic and growth counsel
- Managing the portfolio to deliver "social return" and accountability to investors
- Practicing performance-based funding
- Planning exit strategies that include revenue generation
- Attracting co-investors

NEW PROFIT inc.

Who are New Profit Inc. portfolio organizations?

NPI's portfolio organizations are led by social entrepreneurs. To NPI, social entrepreneurs are leaders dedicated to implementing innovative, pattern breaking solutions to complex social problems. They possess a rare perseverance, creativity and willingness to take the necessary risks to make their vision a reality.

In addition to entrepreneurial leadership, NPI portfolio organizations possess:

- A solid management team with well-balanced skills, backgrounds and expertise.
- An innovative, proven model that is operating successfully (beyond start-up phase), has a viable growth plan and is ready for second stage funding.
- A mindset geared towards accountability, results and operational stability.
- A clear understanding of the marketplace in which they operate.
- A clearly articulated plan for use of NPI's investment.

"Sparks begin to fly when you have an amazing social entrepreneur and a business leader working together on a growth plan for social change."

Bill McClements, Monitor Group

Who is in the New Profit Inc. network?

NPI has created a rich network of leading academics, business experts, philanthropists and entrepreneurs who contribute to the creation and application of this responsive model of philanthropy. Some examples of our network include:

- Monitor Group — a global strategic management consulting firm that has formed a multi-year, multi-million dollar partnership with NPI in which they provide management development and support services to NPI and its portfolio organizations.
- Balanced Scorecard Team — creators and developers of the Balanced Scorecard, Robert and Ellen Kaplan, are helping to implement this proven performance measurement tool for use by NPI and its portfolio organizations. This tool will enable each organization to consistently measure and report success.
- NPI Thought Partners — a panel of experts specifically focused on advising and developing key concepts related to growth, performance and social impact.
- New Profit Investors — philanthropists who commit both resources and intellectual capital toward NPI's goal of scaling non-profit organizations.

"The old paradigms have not fixed or even made a dent in many of our biggest social issues. The non-profit world has grown many small organizations or wild flowers; instead of concentrating on a few proven concepts and in essence, growing oak trees."

Mark Nunnelly, Investor

Who are New Profit Inc. investors?

Our investors are philanthropists who share a desire to solve pressing social, economic and educational inequities while applying more rigorous discipline to their philanthropy. They see charity as social "investing," expect a higher degree of accountability from the organizations they support and want to see measurable results from their investments. They are visionaries and risk takers who are eager to craft a new way of delivering social change and who offer NPI wisdom, connection, creativity, vision and capital. If you share this vision for creating large-scale social change through this model of venture philanthropy, we invite you to join us!

Working Today

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NON-PROFIT

Charitable Organization	Program Services ($ Millions)	Post-65?
YMCA	$ 2,332	
American Red Cross	2,058	
Catholic Charities	2,046	
Salvation Army	1,519	
Goodwill Industries	1,265	
Boys & Girls Clubs of America	609	
YWCA	493	
Boy Scouts of America	458	
Girl Scouts of America	425	
Planned Parenthood Foundation	414	
America's Second Harvest	392	
Vounteers of America	375	
National Easter Seals Foundation	369	
United Cerebral Palsy Associations	354	
American Cancer Society	351	
CARE USA	339	
American Heart Association	312	
Gifts in Kind Intl.	289	
Campus Crusade for Christ	279	
World Vision	273	
Smithsonian Institution	264	
Catholic Relief Services	236	
Habitat for Humanity	227	Y
City of Hope, Los Angeles	213	
Nature Conservancy	211	
AmeriCares Foundation	194	
Metropolitan Museum of Art	168	
March of Dimes	129	

FOR-PROFIT

	Company	Capitalization (12/31/99)	
		($ Billion)	Post - '65
1	Microsoft	602	Y
2	General Electric	507	
3	Cisco Systems	366	Y
4	Wal Mart Stores	308	Y
5	Intel	275	Y
6	Lucent Technologies	235	Spinoff
7	Exxon	196	
8	IBM	194	
9	Citigroup	188	
10	America Online	170	Y
11	American International	167	?
12	SBC Communications	166	
13	AT&T	162	
14	Oracle	160	Y
15	Home Depot	158	Y
16	Merck	157	
17	Yahoo!	153	Y
18	MCI WorldCom	151	Y
19	Procter & Gamble	144	
20	Coca-Cola	144	
21	Johnson & Johnson	143	
22	Dell Computer	131	Y
23	Bristol-Myers Squibb	127	
24	Pfizer	126	
25	Sun Microsystems	121	Y
26	Qualcomm	117	Y
27	Hewlett-Packard	116	
28	EMC	111	Y

NEW PROFIT inc.

An Overview

What is New Profit Inc.?

New Profit Inc. is a non-profit venture philanthropy firm. Our goal is to affect large-scale social change by applying venture capital practices to philanthropy. We do this by operating a performance-based fund that pools financial and intellectual resources and invests in a select group of proven non-profit organizations. We believe this strategy, which has worked so well in the private sector, will result in higher social impact.

What is New Profit Inc.'s investment strategy?

New Profit Inc.'s investment strategy is designed to make philanthropy more effective by creating an incentive and management system that rewards organizations that meet their goals. It is comprised of the following key elements:

- Identifying proven social entrepreneurs from a rich pipeline of non-profit leaders.
- Selecting a portfolio of organizations through rigorous due diligence.
- Investing resources for organizational capacity building.
- Providing strategic and growth counsel.
- Managing the portfolio to deliver "social return" and accountability to investors.
- Practicing performance-based funding by allocating resources to the highest performers.
- Planning exit strategies that include increasing revenue generation and attracting new capital sources for portfolio organizations.

Who is in the New Profit Inc. network?

New Profit Inc. is led by partners Vanessa Kirsch and Kelly Fitzsimmons who both have extensive experience with social entrepreneurs, non-profit board development, business development and operations. In addition, NPI has created a rich network of leading academics, business experts, philanthropists and entrepreneurs who contribute to the creation and application of this responsive model of philanthropy. Some examples of our network include:

- *Monitor Group* – a global strategic management consulting firm that has formed a multi-year, multi-million dollar partnership with NPI in which they provide management development and support services to NPI and our portfolio organizations.
- *Balanced Scorecard Team* – creators and developers of the Balanced Scorecard, Robert and Ellen Kaplan, are helping to implement this proven performance measurement tool for use by NPI and our portfolio organizations. This tool will enable each organization to consistently measure and report success.
- *NPI Thought Partners* – a panel of experts specifically focused on advising and developing key concepts related to growth, performance and social impact.
- *Investment Advisors* – individuals with backgrounds in venture capital, finance, non-profit management and management consulting that provide the rigor and diversity needed to make effective investment decisions.
- *Volunteer & MBA Student Teams* – available talent from local businesses including retired executives, professionals on sabbatical and Harvard Business School and graduate students. Extensive and well-managed use of these "consulting teams" enables us to leverage the NPI staff and network.

Continued on reverse

Who are New Profit Inc. portfolio organizations?

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In addition to entrepreneurial leadership, NPI portfolio organizations possess:

- A solid management team with well-balanced skills, backgrounds and expertise.
- An innovative, proven model that is operating successfully (beyond start-up phase) and has a viable growth plan.
- A mindset geared towards accountability, results and operational stability.
- A clear understanding of the marketplace in which they operate.
- A clearly articulated plan for use of NPI's investment.

Based on the above criteria, NPI has selected the following four organizations for our pilot portfolio:

Citizen Schools – a Boston-based after school program.
Codman Square – a Boston neighborhood health center and community development organization.
Jumpstart – a Boston-based national early childhood literacy program.
Working Today – a New York-based national advocacy and benefits provider for independent work

Who are New Profit Inc. investors?

Our investors are donors who share a desire to solve pressing social, economic and educational inequities while applying more rigorous discipline to philanthropy. They see charity as social "investing," expect a higher degree of accountability from the organizations they support and want to see measurable results of their investments. They are visionaries and risk takers who are eager to craft a new way of delivering social change and who offer NPI wisdom, connection, creativity, vision and capital to help build our pilot fund. If you share this vision for creating large-scale social change through new models of philanthropy, we invite you to join us!

For more information on New Profit Inc. or any of our portfolio organizations, please contact us at:

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"The most powerful force in the world is a new idea that can change society – if it is in the hands of a true entrepreneur." Bill Drayton, Founder of Ashoka

NEW PROFIT inc.

Our Network

Leveraging Key Partnerships

New Profit Inc.'s success is directly linked to the effective use of our extensive network. This network includes:

Monitor Group

Monitor Group, an international strategic consulting firm, and New Profit Inc. have crafted a landmark partnership between a for profit and non-profit organization. This partnership consists of a multi-year, multi-million dollar commitment from Monitor Group to NPI, highlights of which include:

- Monitor Group Coaches assigned to NPI portfolio organizations for 12-18 month engagements in order to help social entrepreneurs execute growth plans and support strategic choice making around expansion issues.
- Monitor Group Consulting Case Teams assigned to NPI portfolio organizations for key strategic and management consulting needs such as market analysis, stretagic planning, operational effectiveness etc.
- Monitor Group Case Team assigned to NPI for strategic planning, market research and other critical process design and strategic management issues.
- Monitor Group and NPI developing deep knowledge in social enterprise, scale and performance measures.

Balanced Scorecard Team

NPI is working with Robert Kaplan (Harvard Business School) co-creator of the Balanced Scorecard and his wife, Ellen Kaplan, to implement this tool for performance measurement at NPI and at each of our portfolio organizations. The Balanced Scorecard, successfully implemented at Mobil Oil and Cigna Insurance, enables NPI and our portfolio organizations to strategically measure and report performance over time. The Balanced Scorecard is based on criteria that measures social impact, customer satisfaction and retention, financial stability, improvement in business processes and capacity for organizational learning and growth.

Thought Partners

The following Thought Partners bring specialized expertise to NPI and our portfolio organizations:
Del Berrada (Fidelity Consulting), Joe Casey (Venrock), Allen Grossman (Harvard Business School), Elizabeth Harris (UNC Ventures), Peter Hart (Peter D. Hart Research Associates), D.A. Hayden (Arnold Public Relations), Dee Hock (VISA), Rosabeth Moss Kanter (Harvard Business School), Bill Nigreen (Fidelity Investments), Marcia Sharp (Millennium Communications), Bill Shore (Share Our Strength), Jack Vernon (formerly Russell Reynolds), Joan Wallace-Benjamin (Urban League of Eastern Massachusetts).

Foundation Support

Several foundations provide financial support to New Profit Inc. including the Ewing Marion Kauffman Foundation, Ford Foundation, Surdna Foundation, W.K. Kellogg Foundation and the Knight Foundation.

Board of Directors

New Profit Inc.'s Board is responsible for the governance and oversight of NPI during its launch. This Board is currently comprised of the following individuals:
David Feinberg (Foley, Hoag & Eliot LLP), Craig Kennedy (German Marshall Fund), Alan Khazei (City Year), Vanessa Kirsch (New Profit Inc.), Bill McClements (Monitor Company), Mark Nunnelly (Bain Capital, Inc.)

Staff

Vanessa Kirsch, Founder and President
Kelly Fitzsimmons, Founding Partner and Vice President
Victoria Wilde, Investor Relations
Caroline Graham, Operations Coordinator

NEW PROFIT inc.

Our Leadership

Vanessa Kirsch

Vanessa Kirsch is Founder and President of New Profit Inc. Vanessa has 10 years experience in developing innovative solutions to social problems and is widely recognized as a leading social entrepreneur. Her experience, combined with a trip around the world in 1996 when she met with other social entrepreneurs, citizen leaders, philanthropists and political officials, led her to start New Profit Inc.

As founder of New Profit Inc., Vanessa has spent the last two years taking a simple vision and a small staff of two and building an innovative venture philanthropy firm with a network of over 100 active participants spanning all sectors. Prior to launching NPI, Vanessa founded and led two non-profit organizations, Public Allies and the Women's Information Network. Public Allies, a youth development program based in Washington DC, grew to six cities under Vanessa's leadership and was named by the Bush Administration as one of eight model national service programs in America and by the Clinton Administration as an official Americorps national service model. The Women's Information Network (WIN), an organization which provides support, training and political access to young women, grew to a membership of 2000. Prior to launching these entrepreneurial organizations, Vanessa worked closely with Peter Hart of Peter D. Hart Research Associates and played a key role in several projects including a study on young people's civic attitudes. This study, combined with her experience as a convention manager and field coordinator for the Dukakis presidential campaign, led her to start Public Allies.

Vanessa has received numerous public service awards and has been recognized by both *Newsweek* and *U.S. News and World Report* as a leader of her generation; by *Harpers Bazaar* as one of 30 young women to be leaders in the 21st century; and as one of *Fast Company's* "Fast 2000." Currently, Vanessa serves on the boards of Jumpstart, Demos, and the Tufts National Advisory Board to the University College of Citizenship and Public Service, and on the leadership committee of the Independent Sector. Additionally, she is one of 30 national leaders selected to participate in the Saguaro Seminar, a three year program led by Robert Putnam of Harvard's Kennedy School of Government.

Vanessa is a graduate of Tufts University where she served as a TCU Senator and student member on the Board of Trustees and currently serves on the Alumni Council.

Kelly Fitzsimmons

Kelly Fitzsimmons is Founding Partner and Vice President of New Profit Inc. Drawing on 10 years of experience in both non-profit and for-profit business development and operations, Kelly brings strong expertise in building and sustaining viable business models to New Profit Inc. Her professional experience, combined with her geographically diverse background and exposure to a range of industries, led her to join in the building of New Profit Inc.

As a founding partner, Kelly has been with NPI since early 1998 and has led the creation and development of many of NPI's tools and processes including the portfolio selection process, performance measurement tools and the portfolio management system. She has also played a leading role in developing NPI's infrastructure and broadening the NPI network. Prior to joining New Profit Inc., Kelly was Chief Operating Officer of Crittenton Hastings House, a multi-service, community based non-profit organization serving low income families. There she was responsible for business development, strategic planning and program operations. As a result of her leadership in these areas, Crittenton expanded its revenue generating capacity in its core product areas including the evolution of its child care model into a multi-site, multi-million dollar program. This program achieved national recognition and increased revenues by close to 50% through an innovative mixed market rate model which served families at various economic levels. Before joining Crittenton, Kelly worked in marketing and development in the entertainment industry where, among other initiatives, she coordinated a record breaking product launch for Polygram UK.

Kelly has been involved in many social initiatives including the founding of an English speaking chapter of Oxfam in Quebec and leading Canada's largest student-based fundraising initiative in response to the Ethiopian famine crisis. Currently she serves on the Advisory Board of City Skills.org and is treasurer for the Irish American Peace Fund.

Kelly is a graduate of McGill University and holds an MBA with a concentration in Entrepreneurship from Boston University School of Management where she received a full scholarship.