

Objective and Summary

[TechSoup](#), a growing, well-managed 501(c)(3) public benefit corporation with healthy financials, has delivered value to more than one million non-governmental organizations (NGOs), nonprofits, charities, community organizations, and libraries in 236 countries and territories since 2002. TechSoup’s award-winning technology donation program has grown to reach more than 159,000 organizations a year, helping more than 100 corporate donors distribute an annual retail volume of more than \$1.9 billion in donated or specially-discounted technology and other critical resources. TechSoup has now created a next-generation giving platform that has facilitated over \$10.7 billion of in-kind product philanthropy and an increasingly diverse set of philanthropic services and giving programs.¹

TechSoup is successfully managing paradigm shifts in the technology sector affecting its operations, including the transition to cloud computing. TechSoup is investing to diversify its offerings to support civil society based on long-range strategic planning, while simultaneously protecting the income generated from its core product donation programs to ensure ongoing sustainability.

The leadership team and Board of Directors at TechSoup seek to raise \$11.5 million in growth capital over the next three years to support the execution of its strategy. TechSoup has a proven track record of taking relatively modest investments and turning them into successful, highly leveraged offerings. These offerings have generated earned income, strong repeat business, and social impact.

This summary describes several ways that philanthropic funders and TechSoup’s community of stakeholders can participate in this Growth Capital Campaign. One way is by making a grant to TechSoup. Stakeholders can also elect to participate as an impact investor in TechSoup’s debt financing, receiving their principal investment back after five years plus a financial return.

Investments will generate significant social impact. TechSoup estimates that this \$11.5 million in growth capital enables it to increase the resources it distributes to organizations globally to \$4.8 billion per year by 2021. TechSoup estimates that for every \$100 invested, it will be able to distribute more than \$47,000 of additional resources to the nonprofit sector. TechSoup also anticipates that it will nearly double the number of nonprofits it serves, getting the resources of its product philanthropy partners into the hands of an estimated 1.7 million organizations. The growth enabled by this investment campaign will accelerate the important impact of TechSoup's product philanthropy partnerships with its corporate donors.

TechSoup Overview

The nonprofit/NGO sector is a large and growing economic presence in countries throughout the world, currently representing 4.5% of global gross domestic product (“GDP”). The NGO sector’s contribution to the global economy was approximately \$3.58 trillion in 2017. This is roughly equivalent to the GDP of Germany, or the contribution of the global construction industry. And the NGO sector was forecasted to grow faster than the

¹ Impact metrics current as of September 2018.

global economy overall, with projected growth at 3.6% in 2017. The sector is made up of more than 12.3 million

NGOs and has an estimated workforce of 251 million people, a larger workforce than several major industries, including transportation and finance.

This important and impactful sector is woefully under-resourced and under-represented in an increasingly digital world. These organizations serve billions of the most vulnerable people addressing the world's most critical problems. Most of these organizations, ranging from small grassroots nonprofits serving their local communities to larger civil society organizations, are tightly budget constrained and struggle to access the technology they need to accomplish their missions.

In 2000, TechSoup realized that organizations working for social good could leverage technology to create greater impact, but lacked funding support for software, hardware, and know-how. TechSoup also found that technology companies were willing to donate software to these organizations, but lacked the staffing and infrastructure to properly vet, fulfill, and support requests. TechSoup saw the enormous opportunity to close these gaps by leveraging the emerging trends of online communities, the World Wide Web for information sharing, and e-commerce marketplaces.

TechSoup created a "triple win" business model leveraging these technology trends. Corporations willing to donate their technology through TechSoup were enabled to outsource the outreach, vetting, education, and support of their in-kind philanthropy if they allowed TechSoup to charge recipient nonprofits a low administrative fee to sustain the costs to operate the program. TechSoup provided nonprofits an online space just for them to read articles, ask questions of experts, share best practices, and register their organizations for a "one stop shopping" experience for donated and specially discounted technology offers. Suddenly, what had been a significant gap between organizations seeking technology and donors willing to help but having limited resources, became an easy path with boosted value for all parties involved -- and an indispensable sector resource.

TechSoup's platform launched in 2002 and has grown today to include more than 100 long-standing relationships with leading corporations, including Microsoft, Adobe, Symantec, Cisco, Dell, Intuit, and Sage -- with connections to cloud offers by Microsoft, Google, and other leading Software as a Service ("SaaS") companies. Nonprofits spend an average of about \$264 a year with TechSoup to obtain more than \$4,000, valued at retail, of state-of-the-art technology with full support.

This highly innovative social enterprise model has provided consistent and growing revenue for TechSoup and its TechSoup Global Network ("The Network") partners. The collaborative Network is made up of 70 independent nonprofits around the world that deliver an estimated \$2.7 million worth of resources to their local communities outside the United States daily. This Network operates local programs and delivers globally-sourced resources in nearly every country and territory. TechSoup's Global Network meets the corporate social responsibility and philanthropic goals of over 100 corporations, 200 philanthropic foundations, numerous government agencies, and thousands of individual activists across the globe to secure critical resources for the more than one million NGOs in its database. Since establishing this Network in 2006, more than \$50 million has been generated, retained, and locally reinvested by Network partners, over and above TechSoup's direct contributions to the Network and its partners.

Nonprofits can access donated and discounted offers through TechSoup in one of two ways:

(1) Through TechSoup's online catalog - The TechSoup catalog offers hundreds of technology products to nonprofits. In TechSoup's 2017 fiscal year ("FY17"), nonprofits accessed about \$648M (retail value) of in-kind technology philanthropy from TechSoup's catalog.

(2) Directly from donors - Increasingly, a diverse set of donors and suppliers with charity offers can use TechSoup's APIs to create their own direct offers for cloud technology, product donations, volunteer programs, employee giving, philanthropic programs, and services. In FY17, TechSoup provided an estimated \$917 million (retail value) of products and services via these APIs.

The list of resources TechSoup connects to the sector – and the associated social impact – are growing at a rapid pace, as indicated by:

(1) The value of resources delivered to the sector annually is expected to increase four-fold between FY14 and FY21, from approximately \$1.2 billion to \$4.8 billion.

(2) The number of organizations in the TechSoup database is projected to almost double during the same period.

TechSoup has invested heavily over the past four years in strengthening and building new infrastructure, assets, capabilities, and a truly global distribution network bringing software, hardware, services, and content to civil society organizations. The underlying capabilities built to support TechSoup's product donation program now enable a wider range of stakeholders to give, receive, and share a more diverse set of resources. TechSoup's best-in-class validation solutions, matching algorithms, and front-end application development are bridging the gap between the supply of resources and the unmet needs of those working for social good.

Financial Performance

TechSoup's revenue, surplus, and the value of resources distributed to NGOs have all grown steadily over the last 15 years. Annual net revenues consistently exceeded operating expenses over that period. In addition to the more than \$44 million in grant funding it raised, TechSoup generated \$273.3 million in earned revenue, enabling stable cash flow for operations and innovation. TechSoup has sustained 100% of its operations, R&D, and investment in new programs over the past 15 years through its innovative business model, in addition to retaining \$6.33 million in cumulative surplus.

TechSoup's earned revenue in FY17 was approximately \$29.4 million, or 88% of the total revenue generated that year. Of that \$29.4 million, \$25.1 million was generated from its product donation programs in the NGO Technology Marketplace, and \$4.3 million was generated from new services. An additional \$9.7 million was generated and retained in the same period by TechSoup's global network of NGO partners, which is not reflected in TechSoup's net earned revenue but is a part of the social impact of its business model. In total, TechSoup and its global network of independent NGO partners generated gross earned revenues of \$39.1 million in FY17.

TechSoup has managed its cost base well over the last 15 years, resulting in positive net surpluses in 12 of those years and a cumulative net surplus of \$6.33 million. That 15-year period covered several years of rapid growth and several global economic declines. Starting in FY13, TechSoup experienced a period of major changes in the technology sector affecting TechSoup's operations, including the transition to cloud computing. During that

period, TechSoup’s ability to manage costs through improved expense controls, decisions to slow hiring, and strategic decreases in headcount when needed, was critical to its ongoing sustainability.

The investment raised through this Growth Capital Campaign will be used primarily for product development for new service areas that have high growth potential for both earned revenue and social impact. The investments planned for new growth will also help to significantly lower the transaction costs of TechSoup’s core business of in-kind technology distribution, while enabling new features and improvement in user experience.

Use of Proceeds

Five long-term, strategic initiatives have been identified to support TechSoup’s rapid growth, focusing on growing both its core business and new lines of business and programming, scaling its internal capacity, and developing a nimble platform for the core product.

Initiative 1: NGO Technology Marketplace: Scale the quantity and breadth of donated and specially discounted technology offers in TechSoup’s catalog; expand outreach to NGOs globally; connect NGOs with curated support resources to accelerate their ability to adopt and optimize their use of new technologies to accomplish their missions.

Initiative 2: Global Validation and Data Services: Expand resources delivered to the NGO sector and impact through validation services and data solutions; facilitate international giving at scale.

Initiative 3: Apps for Good: Design, build, and distribute scalable social sector technology apps and introduce low-cost, low-code, secure Platform-as-a-Service (“PaaS”) offerings that enable impact beyond TechSoup branded offers.

Initiative 4: Processes and Systems: Test, build, and refine new marketing, sales, distribution, and support strategies.

Initiative 5: Cooperative Technology Platform (CTP): Complete product development of the CTP to support the social businesses outlined in Initiative 1, 2, and 3 as well as the business processes outlined in Initiative 4.

The CTP is TechSoup’s next-generation technology platform and underpins its strategic vision. The CTP provides a secure, scalable platform supporting resource-matching across the social sector to generate the network effects that are possible within a multi-sided platform. The CTP allows a vastly larger set of validated civil society stakeholders to connect and exchange value.

Through these initiatives, TechSoup will deliver a suite of multi-stakeholder services which, when integrated, will form a platform for innovative, scalable, capacity-building resource programs across the globe. A tremendous opportunity now exists to generate business value as well as impact by shifting TechSoup’s “value-added online reseller” business model to that of a “two-sided,” or “multi-sided,” business model. TechSoup can create, deliver, and capture value in new ways for both of its major stakeholder groups – givers and recipients.

Growth Capital Campaign Summary

TechSoup is planning to raise \$11.5 million in growth capital over the next three years through a combination of debt, and grants and donations.

Direct Loan / Program Related Investments (PRIs) We anticipate that a large portion of the growth capital campaign will be loans from institutions like Nonprofit Finance Fund (NFF) that specialize in lending to nonprofit organizations like TechSoup based on better terms than are typically available from commercial lenders, as well as foundations that lend money to nonprofits as Program Related Investments (PRIs). TechSoup borrowed \$1.6 million from NFF in the past to scale its core systems, and TechSoup repaid the loan ahead of schedule.

Direct Public Offering (DPO) One component of the growth capital campaign is our debt securities offering, our “Direct Public Offering” or “DPO.” The DPO is a community investment campaign embodying our belief that TechSoup should be financed by people and entities of *all* economic backgrounds who want to support our mission and help create an innovative, sustainable and community-funded approach to TechSoup’s next level of growth. The DPO will engage both philanthropic funders and TechSoup’s global community of stakeholders, including the non-profits we support and the technology companies we serve. The DPO enables us to offer debt as an impact investment not just to institutional funders, but also to US-based individuals and smaller organizations in our community with investment minimums as low as \$50. There are several different regulatory pathways for DPOs. We will be doing a Regulation A+ Tier 2 offering, which requires filings with the Securities and Exchange Commission (SEC). We have chosen this approach because it enables us to reach out to our stakeholders in multiple states without having to get approval at a state level.

Grants and Donations We expect that some foundations and individual donors will prefer to participate through a grant or donation, rather than by investing via PRI or through our DPO.

How Foundations and Corporate Partners Can Participate

TechSoup is excited to partner with foundations and corporate partners in implementing our strategic plan and Growth Capital Campaign. There are several ways that foundations and corporate partners can participate.

Investment in Direct Public Offering: Foundations and corporate partners can invest directly in our Direct Public Offering. Our DPO was qualified by the Securities & Exchange Commission in September 2018.

Grant: Foundations and corporate partners can participate in our Growth Capital Campaign by providing an operating support grant, if they prefer a grant structure to doing an investment.

Loan Guarantee: TechSoup hopes to partner with a philanthropic funder in providing a loan guarantee that provides risk mitigation to investors participating in our Growth Capital Campaign. Several foundations provide loan guarantees to nonprofits they support to catalyze financings to help them grow.

For more information about TechSoup’s Growth Capital Campaign, please contact Ken Tsunoda at +1.415.633.9328 or ktsunoda@techsoup.org.