

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### Ashoka

Nonprofit Investor Rating:

**NEUTRAL**

#### Mission Statement

Ashoka endeavors to create an *Everyone a Changemaker* world—one where each person is equipped with the skills, drive and resources to push forward solutions to pressing social and environmental problems, and each organization is designed to maximize the changemaking potential of its members.

#### Financial Overview

\$ in MM, Fiscal Year Ended August 31

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue and Support	\$42.2	\$28.8	\$55.9
Operating Expenses	\$40.6	\$34.5	\$38.1
% of Total:			
Program Expenses	86.2%	84.2%	88.8%
G&A	7.7%	8.1%	6.5%
Fundraising	6.1%	7.7%	4.7%

**Year Founded:** 1980

#### Contact Details

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#### Publication Date

September 10, 2012

#### SUMMARY

Ashoka identifies and develops the world's leading social entrepreneurs to serve as catalysts for change by providing them with the financial support, technical guidance and robust network for collaboration. The organization focuses on developing effective models that advance the field of social entrepreneurship and inspire everyday citizens to become powerful changemakers.

#### STRENGTHS

▲ **Scalable impact on the national level.** Ashoka has expanded beyond its core fellowship program to include system and framework change. Within ten years of election, 83% of fellows have achieved system change at the national level.

▲ **Extensive network of partnerships/multi-sector approach.** In addition to the global network of fellows, Ashoka also fosters longstanding relationships with some of the leading companies in the world, such as McKinsey & Company and Google. These partnerships scale social innovation by ensuring the flow of talent and resources between the business and citizen sector.

#### CAUTIONS

● **Difficult to measure Ashoka's direct impact on fellows.** It is difficult to determine how much a fellow's success is attributable to one's participation in the organization. Though Ashoka does provide annual impact studies, additional metrics on services provided to the fellows would help potential investors better understand the correlation between election as an Ashoka Fellow and social impact.

● **Potential misalignment of incentives due to three year financial stipends.** Fellows working on deep-rooted social issues in early stage markets will not generate profits until years or even decades later. Ashoka's average three year commitment may pressure fellows to abandon lower-revenue projects with greater social impact for short term revenue strategies to ensure program viability.

#### RECOMMENDATION: NEUTRAL

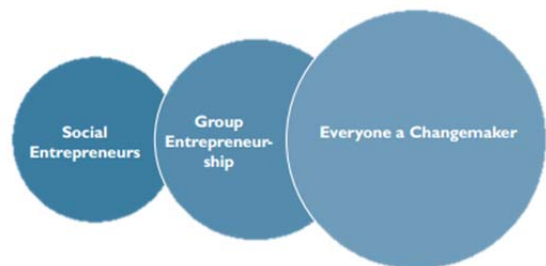
Since the Ashoka approach addresses societal change on an individual, system and framework level, direct impact is difficult to measure. Though Ashoka has made significant contributions in building the citizen sector, additional impact metrics are needed to establish a clear understanding of program effectiveness.

## OVERVIEW OF ASHOKA'S ACTIVITIES

Founded in 1980, Ashoka has been at the forefront of societal transformation and a leader in the global citizen sector. The organization was created to ensure positive, social change by investing in passionate social entrepreneurs with innovative and sustainable solutions. Rather than waiting for governments or businesses to address societal needs, social entrepreneurs are filling that gap by delivering extraordinary results to improve the lives of millions of people around the world.

### Program Overview

Originally focused exclusively on supporting the endeavors of leading social entrepreneurs through its fellowship program, the organization has evolved to not only identifying fellows but also promoting group entrepreneurship and an Everyone A Changemaker™ world. In the 1990s, Ashoka launched a series of global programs and initiatives to establish



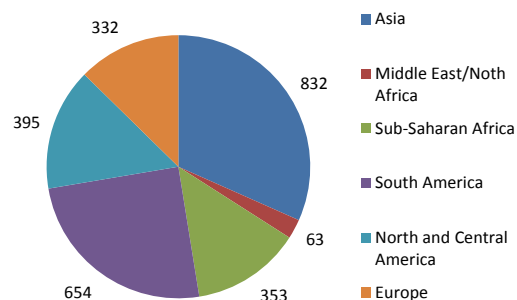
the structural support to transform the citizen sector. These programs were designed to accelerate social impact by connecting entrepreneurs working on similar causes together. The Everyone A Changemaker™ component bridges the “citizen sector” with businesses and academics to access smarter financing and capital. The end result is “a world that responds quickly and effectively to social challenges, and where each individual has the freedom, confidence and societal support to address any social problem and drive change.”<sup>1</sup> Ashoka’s key initiatives

(highlighted below) complement each other to support social entrepreneurs, promote group entrepreneurship and build the sector’s infrastructure.

### Venture & Fellowship

- Founded in 1980 and remains the heart of the organization
- Identifies, launches and supports leading social entrepreneurs globally by offering fellows living stipends, mentorship and access to the Ashoka’s global network
- Elects new Ashoka Fellows, visionaries who develop innovative solutions with positive societal impact, based on a stringent selection process
- Provides on average three years of financial support so fellows may focus full-time on spreading their ideas
- Makes available pro bono consulting and mentoring through Ashoka’s extensive network of corporate partners

#### 2011 Fellows by Region



### Changemakers

- Open source application of social problem solving by hosting collaborative online competitions
- Former topics include: nutrition, prevention of violence against women, maternal health, mental health etc.

### Youth Venture

- Invests in youth teams to create social ventures while expanding the network of young changemakers
- Over 75,000 youth globally in over 4,000 youth-led teams since 1996
- Example includes teaching youth the meaning of empathy as part of Ashoka’s movement for framework change

### Full Economic Citizenship (FEC)

- Strives for global citizen access to essential products and services such as food, water, shelter, energy, etc.
- Serves the lowest income populations in the world by providing the operating framework

<sup>1</sup> Ashoka Vision & Mission.

## Ashoka U

- Spreads social entrepreneurship knowledge through partnerships with college campuses
- Showcases top innovations started on college campuses on the Ashoka U Exchange



## Globalizer

- Provides the most effective international fellows with opportunities to grow their ideas on a global scale
- Offers contacts in the private and social sectors to cultivate rapid growth through the Accelerator Panel

## Executive in Residence

- Implements social change by matching corporate executives with Ashoka Fellows
- Expanded program by partnering with another 5-10 executives with Ashoka Fellows in 2011

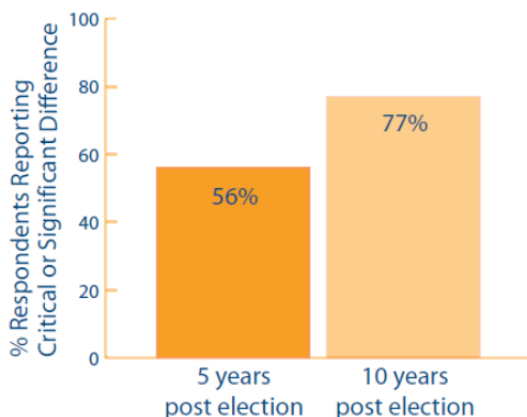
## Social Investment Entrepreneurs (SIE)

- Engages major financial institutions to collaborate with Ashoka to ensure large-scale social change
- Highlights effective social investment models for Ashoka SIE Fellows

## PROGRAM RESULTS AND EFFECTIVENESS

It is important to keep in mind that Ashoka does not provide direct support to social innovations, but rather focuses on providing the foundation for success by investing in the changemakers of the world. Thus, Ashoka's impact on the citizen sector is contingent upon the success of the fellows and the spread of their ideas. Since the election of the first fellow in India in 1981, Ashoka has expanded to nearly 3,000 fellows in over 70 countries. The organization has experienced a steady growth in membership (~5% annual growth for the past two years) and has evolved to meet the growing needs of the social visionaries by developing programs to facilitate collaboration in the citizen sector.

### Ashoka's Overall Impact



Although it is difficult to accurately assess the amount of influence the organization had on each fellow's personal development and the spread of their innovations, the organization conducts annual studies to attain program feedback. According to the 2006 Measuring Effectiveness Study, fellows five years post-election obtained different benefits from fellows ten years post-election. However, regardless of the number of years of participation in Ashoka, a majority of the fellows believed that Ashoka had a critical or significant impact on the development of their innovations.

The survey quantifies and solicits feedback from the fellows on Ashoka's impact on several different aspects, such as financial stipends, communication, moral support, etc. Election as an

Ashoka Fellow provides the vote of confidence and encouragement needed to overcome obstacles. 70% of the fellows benefited significantly from Ashoka's moral support. Recognition by the organization oftentimes leads to greater access to capital, since the Ashoka brand suggests quality and trustworthiness. For example, Fellow Pati Ruiz of Mexico was able to attain GEF funding—now the cornerstone for her impact—through her association with Ashoka and a personal reference from President Bill Drayton.

Other lifelong benefits of Ashoka include networking and fellowship collaboration. Ashoka has an unparalleled, global network of support. Fellows are encouraged to exchange ideas with other fellows working on similar issues. According to the Measuring Effectiveness Study, 49% of fellows (post five years of election) reported the collaboration efforts as

critical/significant to the development of their projects. Ashoka also has numerous strategic partners such as McKinsey & Company, Hill & Knowlton, Latham and Watkins, Senior Lawyers Project (ILSP) and Ernst & Young. In 1996, Ashoka and McKinsey together created the first Center for Social Entrepreneurship in Brazil through the launch of an integrated Business Plan Competition.

Given Ashoka’s operating model, the effectiveness of the organization needs to be evaluated on three levels—success of individual fellows, system wide impact and framework change. Framework change is more challenging to quantify since it is still in its infancy. For example, one of Ashoka’s major goals is to instill empathy in the youth through the Youth Venture programs and Ashoka U. Though Ashoka is setting up the rippling for framework change, the results may not be measurable until five years later. However, the table below demonstrates Ashoka’s progress on system changing ideas.



According to the Ashoka Global Study conducted in 2009, 83% of Ashoka Fellows have changed a system at the national level in at least one way within 10 years of election.

It is also important to note that social entrepreneurship is not measured by profitability like typical businesses. Social entrepreneurs are often faced with the task of addressing society’s most pressing problems—issues that could take years to resolve. Therefore, an Ashoka Fellow tackling tough problems in early stage markets may not be able to generate financial returns until decades later. In such cases, it might be more beneficial to extend funding beyond the average three years to ensure that the highest impact strategy is selected over quick revenue solutions. Ashoka currently does not grant exceptions for additional funding beyond the three years. Survey results indicate that 80% of the respondents believed the living stipends made a critical difference by allowing them to focus full-time on their innovations.

## TRANSPARENCY

Ashoka provides links to the latest annual reports, audited financial statements and Form 990s on the organization’s website. The website also provides annual impact studies, links to all of its affiliated programs and stories that detail the work of each Ashoka Fellow. For the past three decades, Ashoka has undoubtedly made significant contributions in the development of the global citizen sector. However, given the organization’s size and age, NPI believes that Ashoka could improve by better tracking and reporting its program effectiveness. The organization could provide a breakout of which program expenses roll up into the four program services listed in the audited financial statements. Clearer disclosures on expense allocation would provide investors with insight on how Ashoka utilizes its donations. Additional information highlighting Ashoka’s advances on a system-wide or framework level would help ratings agencies, grant makers and donors better evaluate the organization’s progress. It is also recommended that Ashoka dedicate a section of their website to their program impacts to augment the success stories of the Ashoka Fellows.

## FINANCIAL OVERVIEW

Ashoka operates on an August 31<sup>st</sup> fiscal year end and reports its annual financial position in conformity with U.S. generally accepted accounting principles. The organization is audited by Cleveland & Gotliffe, a private accounting firm headquartered in Reston, Virginia.

## Revenues

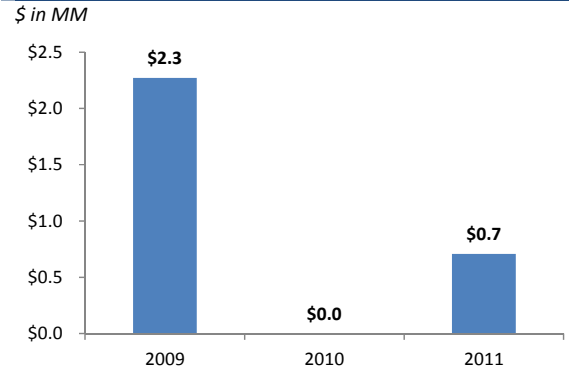
Initially funded on a budget of \$50,000, Ashoka now receives over \$30MM in support from individuals and businesses alike. The organization's total revenues grew 94%, from \$28.8MM in 2010 to \$55.9MM in 2011. Aside from the inherent variability in funding, 2011 growth was particularly high due to a unique opportunity between Ashoka and Boehringer Ingelheim. Furthermore, 2010 proved to be a tough year to attain funding given the economic instability in the markets.

To ensure funding stability, Ashoka relies on the support of its 35 specific endowment funds, which totaled \$21.5MM as of August 31, 2011 (9% year-over-year growth). These endowments are critical to supporting Ashoka's programs and fellowship stipends. Trustees invest and distribute funds to Ashoka on a five year timeframe while maintaining the inflation adjusted real value of the endowment. Interest and investment income earned on endowment funds in excess of the inflation adjustment remain under the control of the Trustees as unrestricted net assets. \$0.7MM was set aside in 2011, marking a rebound from the prior year's endowment investment portfolio decline due to 2010 market performance. The organization's primary revenue stream comes from individuals, entrepreneurs and organizations roughly accounting for nearly two-thirds of all funding since inception. According to Ashoka's 2010 Summary of Results, foundations (25%) and corporations (12%) contribute the remaining funds. The organization does not accept any funding from governmental entities, limiting its exposure to political influences.

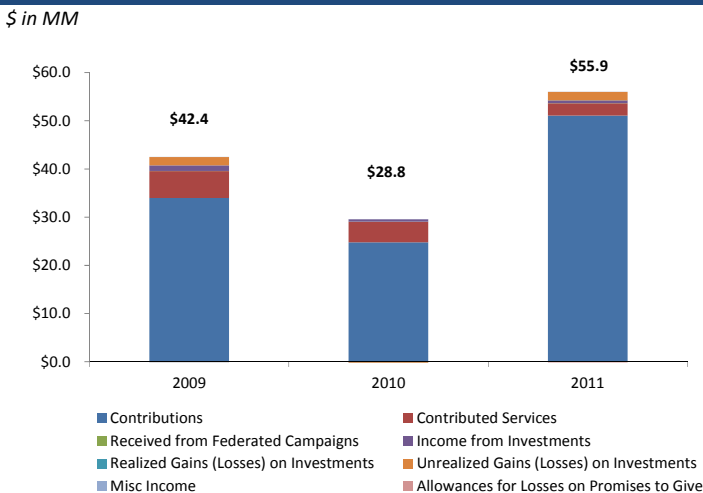
## Expenses

Program expenses totaled \$33.9MM in 2011, accounting for 89% of total expenses. Since 2009, program expenses as a percentage of total expenses ranged from 84% to 89%. Primary uses of program expenses involve supporting leading entrepreneurs and developing infrastructure for social innovation. G&A and fundraising expenses have trended downwards as the organization grows increasingly more efficient. G&A and fundraising costs as a percentage of total expenses were 6.5% and 4.7%, respectively. Fundraising costs were 9% of related contributions, donations received as a result of fundraising activities. Methods used include direct mail, special events, grant proposals, Internet appeals, planned giving and membership appeals. Additionally, overseas cash increased as a result of successful overseas fundraising campaigns. As of August 31, 2011, cash on deposit with various financial institutions globally totaled \$13.6MM compared to \$7.1MM in 2010.

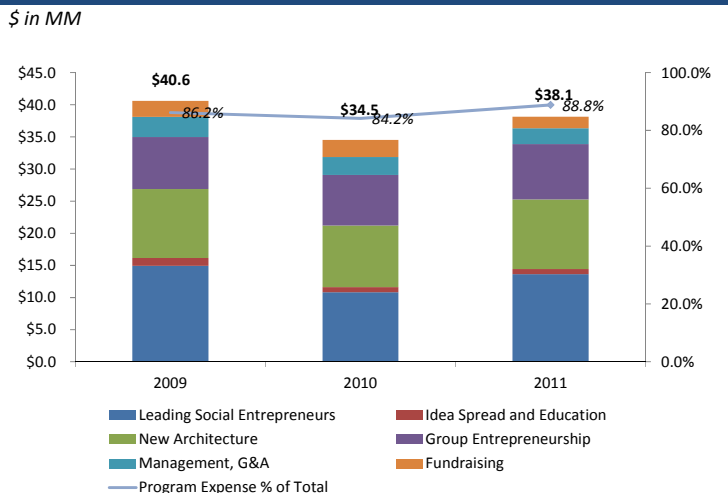
### Endowments Beyond Inflation Adj. Value



### Revenue Breakdown



### Expense Breakdown



## Detailed Financial Information

Fiscal Year Ended August 31

### Revenue and Expenses (GAAP Accounting Basis)

#### Support & Revenues:

	2009	2010	2011
Contributions	\$33,970,836	\$24,790,856	\$51,068,017
Contributed Services	5,576,891	4,257,948	2,574,121
Received from Federated Campaigns	20,430	23,009	18,830
Income from Investments	1,189,113	468,893	568,147
Realized Gains (Losses) on Investments	(77,057)	(133,147)	1,180
Unrealized Gains (Losses) on Investments	1,700,715	(646,858)	1,763,769
Misc Income	15,517	2,964	11,532
Allowances for Losses on Promises to Give	(5,000)	0	(145,319)

#### **Total Support and Revenues**

**\$42,391,445    \$28,763,665    \$55,860,277**

*% Growth*

(32.1%)    94.2%

#### Expenses:

##### Program Services:

Leading Social Entrepreneurs	\$14,937,081	\$10,806,571	\$13,631,698
Idea Spread and Education	1,211,225	815,836	776,923
New Architecture	10,741,954	9,592,858	10,845,790
Group Entrepreneurship	8,072,773	7,843,654	8,612,159

##### Supporting Services:

Management & General	3,139,253	2,794,035	2,463,759
Fundraising	2,476,805	2,673,067	1,799,755

#### **Total Expenses:**

**\$40,579,091    \$34,526,021    \$38,130,084**

*% of Revenue*

95.7%    120.0%    68.3%

#### **Increase in Net Assets from Operations**

**\$1,812,354    (\$5,762,356)    \$17,730,193**

Foreign Exchange Gains / (Losses)

(460,590)    (617,069)    679,435

#### **Change in Assets**

**\$1,351,764    (\$6,379,425)    \$18,409,628**

#### **Change in Assets**

**\$1,351,764    (\$6,379,425)    \$18,409,628**

Net Assets, Beginning of Yr

58,970,172    60,321,936    53,942,511

#### **Net Assets, End of Yr**

**\$60,321,936    \$53,942,511    \$72,352,139**

<b>Program Costs as a % of Total Expenses</b>	<b>86.2%</b>	<b>84.2%</b>	<b>88.8%</b>
<b>G&amp;A as a % of Total Expenses</b>	<b>7.7%</b>	<b>8.1%</b>	<b>6.5%</b>
<b>Fundraising as a % of Total Expenses</b>	<b>6.1%</b>	<b>7.7%</b>	<b>4.7%</b>

Source: Audited Financial Statements (GAAP)

**Balance Sheet****Current Assets + Other Assets**

	2009	2010	2011
Cash and cash equivalents	\$8,344,887	\$8,163,860	\$13,881,753
Investments - Unrestricted/Temporarily Restricted	12,871,212	9,660,088	7,764,573
Unconditional Promises to Give			
Unrestricted	3,676,891	3,812,961	4,195,905
Restricted	33,972,417	27,168,010	38,794,844
Other receivables and advances	428,171	430,411	183,942
Prepaid expenses	26,382	115,843	97,267
Security Deposits	63,375	70,702	70,702
Permanently Restricted Investments	19,365,258	19,077,637	20,381,918
Total current + other assets	<u>78,748,593</u>	<u>68,499,512</u>	<u>85,370,904</u>

**Property and Equipment**

Furniture and equipment	1,092,194	1,101,906	965,387
Less: Accumulated depreciation	(786,088)	(888,451)	(808,379)
Net property and equipment	<u>306,106</u>	<u>213,455</u>	<u>157,008</u>

**Total Assets**

<b>Total Assets</b>	<b><u>\$79,054,699</u></b>	<b><u>\$68,712,967</u></b>	<b><u>\$85,527,912</u></b>
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**Current Liabilities**

Accounts Payable	\$279,073	\$47,173	\$147,519
Accrued Expenses	\$92,687	\$620,340	\$659,353

**Noncurrent Liabilities**

Fellowship Obligations	18,361,003	14,102,943	12,368,901
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**Net Assets**

Unrestricted	2,270,899	132,657	183,516
Temporarily Restricted	38,685,779	34,732,217	51,786,705
Permanently Restricted	19,365,258	19,077,637	20,381,918

**Total Liabilities and Net Assets**

<b>Total Liabilities and Net Assets</b>	<b><u>\$79,054,699</u></b>	<b><u>\$68,712,967</u></b>	<b><u>\$85,527,912</u></b>
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Source: Audited Financial Statements (GAAP)

**OTHER THIRD PARTY RATINGS**

- Charity Navigator rates Ashoka 3 out of 4 stars.
  - Overall 56.00 of 70
  - Financial 50.43 of 70
  - Accountability and Transparency 67.00 of 70
- GreatNonprofits rates Ashoka 5 out of 5 stars based on 1 user review.
- Ashoka is currently not covered by Philanthropedia or GiveWell.

## GET INVOLVED

- Donate (<https://www.ashoka.org/donate>)
- Volunteer (<http://www.ashoka.org/volunteer>)
- Become a Partner (<https://www.ashoka.org/become-our-partner>)
- Join the Ashoka Team (<http://www.ashoka.org/getinvolved/team>)
- Nominate a Fellow (<http://www.ashoka.org/nominate>)
- Subscribe to the Ashoka Newsletters (<https://www.ashoka.org/signup>)

## DISCLOSURES

Jennifer Qian certifies that she does not have any affiliation with Ashoka and has never made a donation to the organization. Additionally, Jennifer has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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