

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### TechSoup Global

Nonprofit Investor Rating:

**BUY**

#### Mission Statement

TechSoup Global's mission is working toward a time when every nonprofit and NGO on the planet has the technology resources and knowledge they need to operate at their full potential.

#### Financial Overview

*\$ in MM, Fiscal Year Ended June 30*

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$17.6	\$20.0	\$22.7
Total Expenses	\$17.6	\$19.9	\$21.9
% of Total:			
Program Expenses	79.9%	82.3%	81.5%
G&A	12.3%	10.6%	11.4%
Fundraising	7.8%	7.1%	7.1%

**Year Founded:** 1987 (founded as The CompuMentor Project)

#### Contact Details

TechSoup Global  
435 Brannan Street, Suite 100  
San Francisco, CA 94107  
(415) 633-9300

<http://www.techsoupglobal.org/>

EIN: 94-3070617

**Analyst:** Tom Hutchins

**Peer Review:** Kent Chao, Emily Wang

#### Publication Date

May 29, 2012

#### SUMMARY

TechSoup Global ("TechSoup") is a 501(c)(3) nonprofit organization that was founded in 1987 on the belief that technology is a powerful enabler for social change. Based in San Francisco, the organization provides technology assistance to other nonprofit organizations in the United States and in 39 total countries.

#### STRENGTHS

- ▲ **Majority of revenue is generated by programs rather than through donations.** TechSoup runs many successful programs such as TechSoup Stock and the GreenTech Refurbished Computer Initiative. In total, the programs are profitable on a stand-alone basis.
- ▲ **Proven track record.** TechSoup was founded in 1987 and has reached more than 175,000 organizations and distributed more than 9 million technology products in 39 countries.
- ▲ **Financially secure.** Expense management seems to be under control as revenue growth has outpaced expense growth over the last three years. TechSoup has over \$4 million in cash.

#### CAUTIONS

- **Effectiveness of fundraising efforts.** Contributions and grants meaningfully decreased in 2010 while fundraising expenses continued to rise. The overall effectiveness of fundraising efforts is an area to continue to monitor.
- **GAAP financial reporting is not publicly available on website.** TechSoup reports financial results in the Form 990 but does not make their audited GAAP financial statements available on the website.

#### RECOMMENDATION: BUY

TechSoup Global is the premiere provider of technology assistance to other nonprofit organizations in the U.S. and around the world. The organization has developed a model which requires limited outside funding to generate a large impact. TechSoup has partnered with many leading technology companies including Microsoft, Adobe, Cisco, and Symantec to help achieve their mission. The organization's transparency, leadership, and impact are effective. TechSoup offers individuals a number of ways to contribute their knowledge, technology, and/or money.

## OVERVIEW OF TECHSOUP'S ACTIVITIES




TechSoup Global is a 501(c)(3) nonprofit organization that was founded in 1987 on the belief that technology is a powerful enabler for social change. Based in San Francisco, the organization provides technology assistance to other nonprofit organizations in the United States and manages product donations to more than 80,000 organizations in 39 countries. Alongside its partners, including foundations and corporations, governments and non-governmental organizations (“NGO”), social entrepreneurs, and volunteers, TechSoup offers a wide range of programs and services that help nonprofits use technology to achieve their missions. Today, TechSoup Global has 214 employees, an annual operating budget of \$30 million, and operates programs in Africa, the Americas, Asia-Pacific, Europe, and the Middle East through a network of independent capacity-building NGOs.

Daniel Ben-Horin founded TechSoup Global (originally founded as The CompuMentor Project) in 1987 by tapping volunteer resources on the WELL, one of the first online communities. Over the past two decades, he guided the TechSoup evolution from a small, local nonprofit to a globally respected organization. With support of leading technology companies, including Microsoft, Adobe, Cisco, and Symantec, TechSoup and its network have reached more than 175,000 organizations and distributed more than 9 million technology products in 39 countries, enabling participants to save more than \$3 billion in IT expenses since 2002.

TechSoup Global is proud to have built and retained a talented and experienced team. The staff is a mix of highly-skilled technologists, seasoned business professionals, and long-time nonprofit sector leaders and visionaries. Daniel Ben-Horin, Rebecca Masisak, and Marnie Webb serve as co-CEOs and have a long track record in the industry.

TechSoup has a number of programs and affiliates, including the following:

### TechSoup Programs and Affiliates

	<p>TechSoup.org, TechSoup’s flagship program, is a website that connects and serves nonprofit organizations and libraries to the resources and knowledge they need to operate at full potential. The website provides training webinars, community forums, and other resources about the use of technology in nonprofit organizations. Visited by over 250,000 individuals monthly, this online community is a place for organizations to build capacity, make connections, and share solutions.</p> <p>In 2009, TechSoup completed a three-year project funded by the Bill &amp; Melinda Gates Foundation to promote sustainable best practices for the technical support of public access computing in America’s public libraries. The project, which created a vibrant nationwide community of librarians and library staff, allowed TechSoup to demonstrate the efficacy of an open platform for peer-to-peer learning and collaboration.</p>
	<p>TechSoup Stock is an online product donation service which connects nonprofits and libraries with technology product donations. TechSoup Stock operates in the United States and internationally through a growing network of partners who are part of TechSoup. TechSoup currently works with a wide array of corporate and nonprofit technology partners that donate hardware, software, and services to help organizations achieve more with their budgets. Recipients pay TechSoup a small administrative fee for the services; however, TechSoup is not an online store or a reseller of products. The service is an international distribution platform for technology product philanthropy.</p> <p>Since TechSoup Stock’s launch in January 2002, the organization has registered and qualified more than 120,000 nonprofit organizations in North America and saved the sector over \$1.2 billion in IT expenses.</p>
	<p>The TechSoup Global Network is working towards ensuring that NGOs around the world have access to the technology they need. The organization partners with independent NGOs around the world, delivering the relationships, technology, and expertise necessary to allow them to become</p>

access points to information and donations for their communities. Partner NGOs customize these offerings, allowing their beneficiaries to receive the best local and global technology resources. TechSoup partners with NGOs in 35 countries and serves 39 countries in Europe, South America, North America, the Middle-East, Asia, Asia-Pacific, and Africa.



In November 2008 TechSoup launched its GreenTech Initiative to increase environmental awareness and encourage better choice-making amongst nonprofit and social benefit organizations worldwide. GreenTech provides both information and opportunities for organizations to reduce their impact on the environment.

The Refurbished Computer Initiative (“RCI”) Program gives nonprofits nationwide a chance to get high-quality refurbished computer systems at a discount. As the first nationwide refurbishing program geared strictly to nonprofits, RCI also provides an environmentally friendly alternative to used equipment disposal. TechSoup offers only high-quality computers formerly used by large corporations. These are machines that are typically phased out after two to three years of use and are in very good condition. Each one is loaded with a new Microsoft Windows operating system and a Microsoft Office suite and comes with a 90-day swap warranty.



GuideStar International (“GSI”) is a U.K.-registered charity that promotes transparency and reporting for civil society organizations (“CSO”). CSO’s refer to the wide range of citizens’ associations that exist to provide benefits, services, or political influence to specific groups within society. In May 2010 TechSoup teamed up with GSI to strengthen their capacity-building programs for civil society. The two organizations share a mission to benefit global civil society through the provision of technology, information, and resources. GSI works with civil society leaders worldwide to develop GuideStar services for their own countries. A GuideStar service provides a detailed catalogue of reports on a country’s CSOs on a public website. GSI supports this growing network through the provision of a shared Common Technology Platform as well as advice and support in each country’s development process. Today, GuideStar International works with national partners in six countries to develop and launch GuideStar services for CSOs in these countries.



Netsquared is a global network of local communities that empowers individuals to build and share their solutions to social problems and challenges, identifying and accelerating the most innovative of those projects. With over 27,000 members registered online and events in 52 locations and 23 countries around the world, NetSquared is a vibrant on- and offline community.



In 2008, TechSoup was selected by the Council on Foundations, a national nonprofit association of more than 1,700 grant-making foundations, to host and manage NGOsource. NGOsource is an equivalency determination service that will help U.S. grant-makers streamline their international grant-making process. NGOsource will simplify the often expensive, complicated, and duplicative task of evaluating whether a non-U.S. organization is equivalent to a U.S. public charity. This process is known as equivalency determination (“ED”).

The service is expected to launch in 2012, pending regulatory approval by the U.S. Internal Revenue Service. Upon launch, NGOsource will be a reliable and easy-to-use online service backed by a database of detailed information about non-governmental organizations around the world. By simplifying and centralizing EDs, NGOsource will increase the efficiency of international grant-making for both grant-makers and their grantees.



TechSoup operates a community of nonprofits using the 3D virtual world Second Life. The Nonprofits in Second Life community seeks to create a community of practice for nonprofits to explore and learn about the virtual world, and to investigate the many ways in which nonprofits might utilize this unique virtual environment. TechSoup’s focus is on providing an accessible entry-point to Second Life and on creating a community of nonprofit organizations for effective collaboration and support.

## PROGRAM RESULTS AND EFFECTIVENESS

Impact		Reach	
\$3 billion	Retail value of technology product donations distributed & Potential savings for NGOs	175,000	Organizations that received product donations
9 million	Technology products distributed	41,000	Organizations outside North America that received product donations
454	Technology donations available through the TechSoup catalog	39	Countries served across Europe, Middle-East, South America, North America, Asia, Asia-Pacific, and Africa regions
52	TechSoup Global donor partners including: Adobe, Cisco, Microsoft, and Symantec	257,900 (19.3% from outside U.S.)	Unique monthly website visitors from 190 countries

### Case Study: Early Childhood Mental Health Program

The Early Childhood Mental Health Program (“ECMHP”) started in 1974 as the first mental health agency for small children in California’s Contra Costa County. Teachers, parents, social workers, and community activists had found that children were entering kindergarten too emotionally disturbed to benefit from school. Today, the program offers an extensive range of mental health services to children from birth to six years old along, with their families, and consultation to day care providers and other child-serving professionals. ECMHP remains the only agency in the county that exclusively provides mental health services for this age group.

Executive Director Arlette Merritt has been with ECMHP for 25 years. When Merritt first started with ECMHP, they didn’t have computers. But the demands of their funding activities highlighted how important it was to find a way to do documentation quickly, efficiently, and accurately. The first step was to create a network of computers. Merritt hired a "wonderful" IT person to help them put in a server and network. She also sought out donations and bargains. Hearing about TechSoup Global through a previous job, she decided to give it a try.

Resources Received from TechSoup Global	
Software	Hardware
Mailshell	5 desktops
Adobe	2 laptops
Microsoft	2 monitors
Symantec	
Cisco	
GrantStation	

ECMHP acquired new software and hardware through TechSoup. Microsoft Office has made processing and delivering documentation much more efficient. The Adobe resources they’ve received have allowed them to graphically enhance their event invites, newsletters, lecture presentations, and flyers. They’ve also been able to receive Symantec, Cisco, GrantStation, and Mailshell products through TechSoup Global.

"I can’t tell you how we would have managed without [help from TechSoup Global]." She explains that their funding is for direct services only, which means no money exists for upgrades or any type of supplement technology systems.

Most recently, ECMHP has obtained refurbished computers through TechSoup Global’s Refurbished Computer Initiative Program, which provides high-quality refurbished computer systems at very competitive prices. They have received both desktops and laptops, using the laptops to make presentations in the community.

Explains Merritt, "Our volunteers and therapists want to spend their time helping children and families; not working on paperwork that is particularly difficult and time-consuming. Now we can see many more children and families and keep the waiting list small. And that's what we're about. TechSoup Global has been magical for us and we could not possibly afford the technology we need without them."

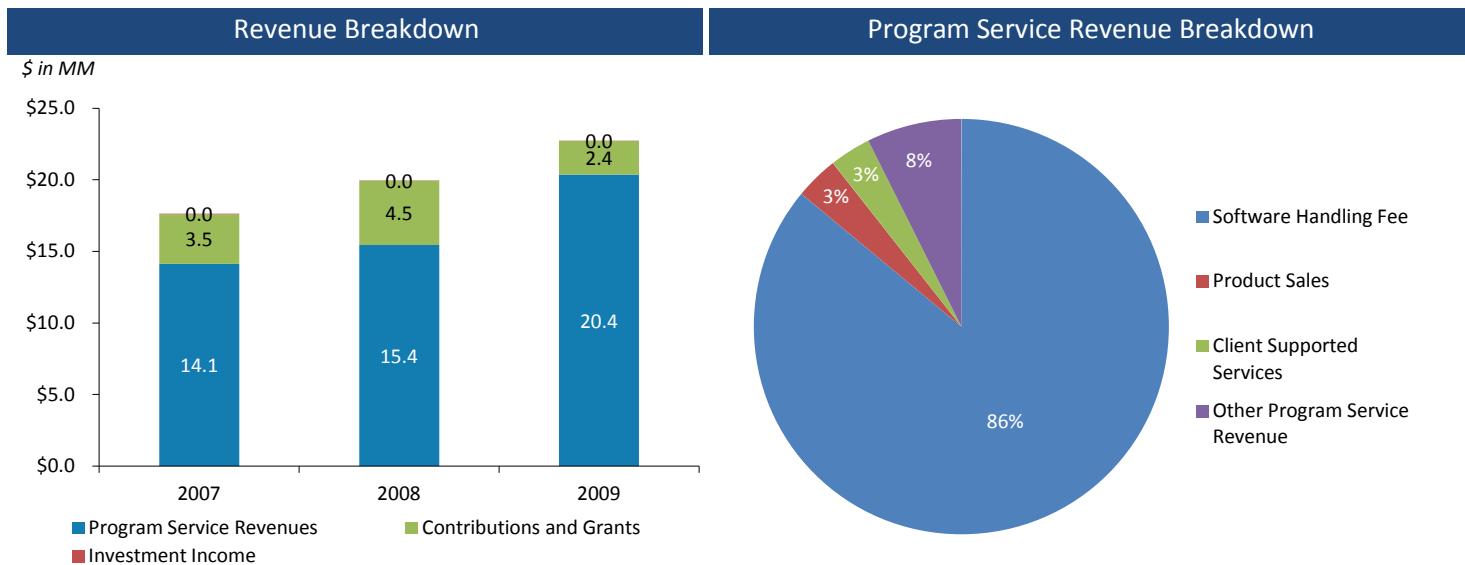
For additional case studies, visit TechSoup's website at: <http://www.techsoupglobal.org/casestudies>

### FINANCIAL OVERVIEW

Approximately 90% of TechSoup's revenue comes from program services, with nearly all of the remainder coming from contributions and grants. Support from program services increased from \$15 million in 2009 to \$20 million in 2010, and also increased as a percentage of total revenue in 2010 partially due to lower contribution and grants. It is unclear what is driving the increase in program service revenues and decrease in contributions and grants. Contributions and grants continue to exceed total fundraising expenses, however, the margin decreased significantly in 2010. The effectiveness of fundraising efforts will be an area to continue to monitor.

Expenses have increased along with revenues over the past three years, but expense management seems to be under control as revenue growth has outpaced expense growth. From 2008 to 2010 program service revenues increased 44% while program service expenses were up 27%. Likewise, total revenues increased by 29% while total expenses were up 25% over the same time period. Program costs make up 82% of total expenses, management, and general expenses are 11% of total expenses, and fundraising expenses are 7% of total expenses. The three co-CEOs all receive over \$150,000 in compensation; however, this is normal for an organization the size of TechSoup. The TechSoup management team is strong and has a long track record with the company which has resulted in meaningful growth and expansion. Additionally, the technology industry and nature of the work at TechSoup requires high-performing talent in order to execute on their mission.

TechSoup's balance sheet is strong as they have over \$4 million in cash and investments. The organization can cover outstanding liabilities, and the \$4 million in cash and savings could cover approximately 20% of annual expenses. Receivables increased from 6.3% of program service revenues in 2009 to 7.7% in 2010. In 2009 a portion of cash was moved from a non-interest bearing account into a savings/investment account. Despite the increase in the savings balance, investment income has decreased. This is likely a result of the current economic and interest rate environment as TechSoup is presumably experiencing a lower return on the cash balances.



## Financial Statements

Fiscal Year Ended June 30

	2008	2009	2010	Source:
<b>Income Statement</b>				
Revenue				
Program Service Revenues	14,134,288	15,442,861	20,359,734	IRS Form 990 (Tax)
Contributions and Grants	3,450,223	4,501,693	2,357,659	IRS Form 990 (Tax)
Investment Income	49,146	18,700	23,332	IRS Form 990 (Tax)
<b>Total Support and Revenues</b>	<b>\$17,633,657</b>	<b>\$19,963,254</b>	<b>\$22,740,725</b>	IRS Form 990 (Tax)

<b>Program Service Revenues as a % of Total Revenues</b>	<b>80.2%</b>	<b>77.4%</b>	<b>89.5%</b>
<b>Contributions and Grants as a % of Total Revenues</b>	<b>19.6%</b>	<b>22.5%</b>	<b>10.4%</b>
<b>Investment Income as a % of Total Revenues</b>	<b>0.3%</b>	<b>0.1%</b>	<b>0.1%</b>

<b>Expenses by Function</b>				
Program Service Expenses	14,049,588	16,352,098	17,882,864	IRS Form 990 (Tax)
Management and General Expenses	2,166,748	2,097,484	2,501,988	IRS Form 990 (Tax)
Fundraising Expenses	1,368,319	1,410,225	1,561,749	IRS Form 990 (Tax)
<b>Total Expenses</b>	<b>17,584,655</b>	<b>19,859,807</b>	<b>21,946,601</b>	IRS Form 990 (Tax)

<b>Program Costs as a % of Total Expenses</b>	<b>79.9%</b>	<b>82.3%</b>	<b>81.5%</b>
<b>G&amp;A as a % of Total Expenses</b>	<b>12.3%</b>	<b>10.6%</b>	<b>11.4%</b>
<b>Fundraising as a % of Total Expenses</b>	<b>7.8%</b>	<b>7.1%</b>	<b>7.1%</b>

<b>Revenue Less Expenses</b>	<b>\$49,002</b>	<b>\$103,447</b>	<b>\$794,124</b>	IRS Form 990 (Tax)
------------------------------	-----------------	------------------	------------------	--------------------

## Balance Sheet

<b>Assets</b>				
Cash - Non-interest Bearing	2,132,007	887,336	832,491	IRS Form 990 (Tax)
Savings and Temporary Cash Investments	282,463	2,295,434	3,520,550	IRS Form 990 (Tax)
Pledges and Grants Receivable	729,854	1,039,072	288,386	IRS Form 990 (Tax)
Accounts Receivable	885,666	970,960	1,564,518	IRS Form 990 (Tax)
Prepaid Expenses and Deferred Charges	373,003	564,382	532,528	IRS Form 990 (Tax)
Land, Buildings and Equipment	4,194,441	4,636,857	6,730,027	IRS Form 990 (Tax)
Less Accumulated Depreciation	(2,400,985)	(3,448,602)	(4,634,446)	IRS Form 990 (Tax)
<b>Total Assets</b>	<b>6,196,449</b>	<b>6,945,439</b>	<b>8,834,054</b>	IRS Form 990 (Tax)
<b>Liabilities</b>				
Accounts Payable	1,541,027	1,908,210	1,049,383	IRS Form 990 (Tax)
Deferred Revenue	29,368	20,791	50,066	IRS Form 990 (Tax)
Other Liabilities	0	286,937	1,703,176	IRS Form 990 (Tax)
<b>Total Liabilities</b>	<b>1,570,395</b>	<b>2,215,938</b>	<b>2,802,625</b>	IRS Form 990 (Tax)
<b>Net Assets</b>				
Unrestricted Net Assets	2,937,977	2,124,807	4,712,045	IRS Form 990 (Tax)
Temporarily Restricted Net Assets	1,688,077	2,604,694	1,319,384	IRS Form 990 (Tax)
<b>Total Net Assets</b>	<b>4,626,054</b>	<b>4,729,501</b>	<b>6,031,429</b>	IRS Form 990 (Tax)

## RESULTS AND TRANSPARENCY

TechSoup has an extensive website with abundant information on their programs and affiliates. The organization's annual reports are available on the website. Form 990s have been filed (fiscal year end June 30) and are available through the IRS or through GuideStar, however, the documents are not available on the organization's website. Audited financials and performance updates are not available to the public, making it difficult to evaluate TechSoup beyond the information within the Form 990s. Individual program case studies are thorough and helpful and there are numerous case studies available on the website (<http://www.techsoupglobal.org/casestudies>). Overall TechSoup is transparent in the information provided on their website and there is sufficient media coverage on the organization that provides additional insight as well.

## THIRD PARTY RATINGS

- GuideStar covers TechSoup Global under its former name, The CompuMentor Project. TechSoup received a "GuideStar Seal" for its commitment to transparency by being registered with the IRS, having annual revenue and expense data, filing Form 990s with the IRS, and providing a Mission Statement. GuideStar does not have an impact statement from TechSoup. The average rating from nine personal reviews was five out of five stars.
- Great Nonprofits covers TechSoup and has user reviews on their website.

## GET INVOLVED

- Donate Money: <http://www.techsoupglobal.org/contribute/money>
- Donate Technology: <http://www.techsoupglobal.org/contribute/technology>
- Contribute Time and Knowledge: <http://www.techsoupglobal.org/contribute/knowledge>
- Job Openings at TechSoup: <http://www.techsoupglobal.org/jobs>

## DISCLOSURES

Tom Hutchins certifies that he does not have any affiliation with TechSoup Global and has never made a donation to the organization. Additionally, Tom 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. NPI is an ordinary course client of TechSoup.

This report is for informational purposes only and does not constitute a solicitation for donations. While the reliability of information contained in this report has been assessed by NPI, NPI makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of the report. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. NPI has no obligation to update, modify or amend any report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject organization is withdrawn.

Opinions and recommendations in our reports do not take into account specific reader circumstances, objectives, or needs. The recipients of our reports must make their own independent decisions regarding any organization mentioned by NPI.