

Report on Growth Capital for Nonprofits

**A Nonprofit Seminar sponsored by the
Center for Nonprofit Strategy and Management**

School of Public Affairs

Baruch College

City University of New York

Thursday, April 3rd, 2008

Featured Panelists:

George Overholser, Founder and Managing Director, NFF Capital Partners
Charles Harris, Co-Founder and Executive Partner, SeaChange Capital Partners
Gerald Chertavian, Founder and Chief Executive Officer, Year Up, Inc.

The Center for Nonprofit Strategy and Management at the School of Public Affairs presented a seminar on "Growth Capital for Nonprofits." This event took place on April 3, 2008, at the William and Anita Vertical Campus at Baruch College. To address this important topic there were three engaging panelists:

- Gerald Chertavian, Founder and Chief Executive Officer, Year Up, Inc.
- George Overholser, Founder and Managing Director, NFF Capital Partners
- Charles Harris, Co-Founder and Executive Partner, SeaChange Capital Partners

Michael Feller who is a Substitute Associate Professor at Baruch College was instrumental in bringing this dynamic panel together. Mr. Feller stated “an interesting characteristic that all the panelists share in common, is that at one stage in their career they have each been involved with banking. They all share a tremendous knowledge and understanding of finance and the financial world, how deals are done, what makes them successful and what you need to watch out for. Each panelist has taken their knowledge and passion into the nonprofit world to bear on issues of social importance, where they are focused on tapping into the global wealth that has been created in the last few years.”

Mr. Chertavian the Founder and Chief Executive Officer of Year Up, commenced the panel by outlining the importance of planning and executing a concise plan to address the following three key growth areas:

- Human Capital
- Process Capital
- Financial Capital

Mr. Chertavian further highlighted the difficulty in simultaneously raising growth capital, as well as developing and managing the organization. Raising financial capital can be time consuming and involves building sustainable relationships that can take the executive away from the office for extended periods. Once the organization decides to raise capital, then a growth model needs to be developed. A successful growth strategy adopted by Mr. Chertavian's organization, Year Up, developed three (3) clear strategies:

1. Allocate a substantial timeframe to develop the organizational strategic plan.
2. Develop a financial plan, to keep the organization on track.
3. Design a document to take to funders that outlines the plan, expectations, outcomes, goals and overall structure of the organization.

To achieve this growth strategy Year Up tried to contact 100 people in their network, of those, they were able to successfully reach 50 people, of which 20 confirmed their financial support and commitment. Through this strategic process, Year Up was able to raise \$20 million of unrestricted funds to help finance their growth plan over a 4 year period.

Throughout the process of acquiring capital Mr. Chertavian learned four (4) crucial points:

1. Someone needs to look after the organization while you are trying to secure the funding.
2. Utilize your network to reach potentially philanthropic individuals.

3. It is vital to have a long-term financial and strategic plan.
4. Always strive to obtain unrestricted capital.

George Overholser, the Founder and Managing Director of NFF Capital Partners stated that “Later stage organizations, in particular, need a large amount of growth capital to keep their organization on track and following their strategic and financial plan. In order to develop your organizational growth model nonprofit leaders need to fully understand their business model and be able to communicate this to funders.”

Charles Harris, the Co-Founder and Executive Partner of SeaChange Capital Partners, explained that he was surprised “that a small team of grant writers would create programs to satisfy the donor’s agenda. The question I ask myself is why we can’t fund this like you do a business at a similar stage of development, with a multi-year, multi-million dollar round of funding, based on the business plan.” Mr. Harris admitted that his sole mission is to get a much broader group of wealthy individuals in America to think like equity investors with their philanthropic efforts.

Philanthropists want transparent reports of results on an ongoing basis; they also want to be able to provide advice on strategies and tactics. When presenting to donors the process needs to combine testimonials, site visits, volunteer opportunities, and the exposure to inspirational leaders within the organization. Market orientated philanthropists are attracted to a realistic presentation, including the discussion of risks, rather than an optimistic view of the nonprofit. Mr. Harris states that “in order to gain capital for the

nonprofit; the mission of the organization must be clear, the results should be measured objectively and shared transparently, the management and the board needs to be strong and committed, the plan should be realistic and stress tested, informed by successes and failures, and overall the organization is committed to a credible path of ongoing sustainability.” Once these steps have been achieved then the organization is on the right path to achieving the required financing.

Biographies

Gerald Chertavian

Founder & CEO

Year Up



Gerald Chertavian is dedicated to closing the Opportunity Divide that exists in our nation. Determined to make his vision a reality, Gerald combined his entrepreneurial skills and his passion for working with urban young adults to found Year Up in 2000. An intensive one-year training and education program that serves low-income youth ages 18-24, Year Up is providing the technical, professional and communication skills needed to empower urban young adults to make successful transitions to careers and higher education. Year Up is recognized by Fast Company and The Monitor Group as one of the top 25 organizations in the nation using business excellence to engineer social change.

Gerald's commitment to working with urban youth spans more than 20 years. He has actively participated in the Big Brother mentoring program since 1985 and was recognized as one of New York's outstanding Big Brothers in 1989. The recipient of the 2003 Social Entrepreneurship Award by the Manhattan Institute and the 2005 Freedom House Archie R. Williams, Jr. Technology Award, Gerald has been featured in many publications, including Time Magazine, The Boston Globe, The Boston Business Journal, BusinessWeek, Fortune Small Business and The Christian Science Monitor. The Boston Business Forward magazine recognized him as one of "Boston's 40 most promising

individuals under the age of 40.” In 2007, Gerald was elected as a Fellow with the Ashoka Global Fellowship of social entrepreneurs for his innovative approach to social change and as a member of the Young Presidents’ Organization. He currently serves as a Trustee of Cambridge College and Bowdoin College and is on the Board of Directors for The Boston Foundation. In addition, he serves on the Board of Advisors for the Harvard Business School Social Enterprise Club, New Sector Alliance, The GreenLight Fund, Adolescent Consulting Services and Boston Scholars.

Gerald earned a B.A. in Economics, Phi Beta Kappa, summa cum laude, from Bowdoin College and an M.B.A., with honors, from Harvard Business School. He began his career on Wall Street as an officer of the Chemical Banking Corporation and then moved on to become the head of marketing at Transnational Financial Services in London. Gerald co-founded Conduit Communications in 1993 and fostered its growth to \$20M in annual revenues and more than 130 employees in London, Amsterdam, New York and Boston. From 1993 to 1998, Conduit ranked as one of England’s fastest growing companies. Following the sale of Conduit to i-Cube in 1999, Gerald turned his full attention to opportunities for others.

A model for social change on a broad scale, the Year Up program gives companies a cost-effective solution for recruiting entry-level employees, while providing young adults with the essential “stepladder” for success. Results are excellent with 87% of graduates placed in positions that average more than \$15/hour within four months of graduation. The program will serve more than 650 students in 2008 with sites in Boston, Providence,

New York City, Washington DC and soon San Francisco. Year Up works with more than 80 corporate partners including AOL, Bank of America, Blue Cross Blue Shield, Boston Medical Center, Children's Hospital, CVS/pharmacy, Digitas, Dunkin Brands, Fidelity Investments, Freddie Mac, Lehman Brothers, Merrill Lynch, Partners HealthCare, Putnam Investments, and State Street Corporation.

George Overholser

Founder and Managing Director, NFF Capital Partners

A Division of the Nonprofit Finance Fund

George Overholser is an expert in helping companies grow. In addition to his role as Founder and Managing Director of NFF Capital Partners, he was founder of North Hill Ventures, and a member of Capital One Financial Corporation's original management team. During his seven-year tenure as head of strategy/new business development for Capital One, earnings grew by more than ten-fold. Presently, he continues to serve as a part-time advisor to Capital One and as a board director for Vistaprint. The bulk of his time, however, is dedicated to forming a capital market that serves the nonprofit sector. Prior to 1994, Mr. Overholser was a principal at Mercer Management Consulting, Inc., where he participated in a wide range of strategy consulting assignments. He earned a B.S. in Physics from Harvard University and an M.B.A. from the Stanford Graduate School of Business.

Charles T. Harris

Co-Founder and Executive Partner,

SeaChange Capital Partners

Chuck Harris is the Co-Founder and Executive Partner of SeaChange Capital Partners, a newly-formed nonprofit financial intermediary designed to enhance the flows of growth capital to outstanding social change organizations. He is a former Partner and Managing Director of Goldman, Sachs & Co. Chuck is President of the Trustees of Phillips Exeter Academy, where he is also chair of the Exeter Initiatives, the school's \$305 million comprehensive capital campaign. He is board chair of College Summit, where he also worked as interim VP of Business Development from April through September 2004. He is a co-chair of the New York City Advisory Board of Teach for America and a leader of the NYC sponsor group. Chuck serves on the board of the Alliance for Young Artists & Writers, Inc., which administers the Scholastic Art & Writing Awards. He is a Director of IPValue Management, Inc. and SeaCloth, LLC.