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The business of giving

Non-profit capitalism

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An initial public offering with a difference

"WE RUN a business here—but instead of selling cars or candy to kids, we're selling hope and leadership," says Nancy Lublin, the chief executive of Do Something, a non-profit group which promotes volunteerism by teenagers. On September 17th she is launching an initial public offering (IPO) to raise the \$8m needed to double Do Something's activities by 2011, by which time it plans to be engaging with around 21m of America's 32m teenagers.

The IPO prospectus, put together by Do Something's board of chief executives and technology entrepreneurs, contains the usual market data, a description of the 15-year-old organisation's activities, an overview of the competitive landscape and bold claims about its qualities ("Do Something is also one of the most efficient organisations in the United States"), all designed to convince investors that it can achieve its ambitious goals. The only thing that stops it from being a typical IPO prospectus is the absence of any pledge to make a profit. On the contrary, the opening boilerplate explains that "units offered in conjunction with this prospectus represent a perpetual interest in Do Something; this interest is strictly philanthropic, with no provision for cash returns at any time."

This imitation of the for-profit IPO process may seem gimmicky, but in fact it is part of a new trend to improve how non-profits are financed, so that they can escape the obsession with short-term fund-raising that is pervasive in the charitable world. With money in the bank to finance the next three years' operations, Ms Lublin and her team will be free to focus on reaching Do Something's goals.

Other non-profits have done something similar, including Teach for America, which puts recent college graduates into needy schools, and College Summit, which aims to increase the number of poor children going to college. [VolunteerMatch](#), a sort of eBay for volunteers, is in the process of raising \$10m. George Overholser of Nonprofit Finance Fund, one of the pioneers of this trend, reckons that around \$200m of "philanthropic equity" has been raised by non-profits in the past few years, and another \$100m is sought.

Do “investors” get anything for their money? Do Something promises “a significant social return on investment”, quarterly performance updates and a conference call with management. But none of these recent philanthropic IPOs actually gives investors voting rights, unlike during the boom in “joint-stock philanthropy” in 18th-century England. Back then, social entrepreneurs such as Thomas Coram, who started the Foundling Hospital in London, were fired when they failed to perform. Still, Ms Lublin says that if her new shareholders ever ask her to step down, she will go.