

sparkventures

INVESTOR REPORT

FALL 2013



LINKING SOCIAL PROGRAMS & ECONOMIC DEVELOPMENT

A NOTE FROM RICH JOHNSON, SPARK VENTURES CEO & CO-FOUNDER

→ over **1,600**
children served



→ more than **725**
annual investors



→ **40,000+**
chickens sold



in Zambia

In the past two years, the Spark Ventures team has learned more about the Zambian poultry market than you might think there is to know...

The delicate balance we strike between strengthening grassroots community programming and cultivating a sustaining revenue stream for that programming through business development requires our staff to be nimble. We are supporting basic nutrition, education and healthcare services, while simultaneously working with our partners to develop strategic business plans to sustain that programming in the long-term. This dual focus is essential, as many of the same fundamental organizational skills must be strengthened in both spaces for either venture to succeed. Our holistic provision of human resources, strategic guidance, and financial support allows us to take an innovative venture philanthropy approach, through which we catalyze our partners' growth and development.

Thus far, the results have been significant - with dramatic potential to increase our impact in the coming years. Our upcoming investment in Nicaragua with our partner Las Tías brings exciting potential to prove the scalability of this model and in this issue we delve into the business planning that will make that possible.



BUILDING A BUSINESS IN NICARAGUA

CULTIVATING SUSTAINABILITY FOR LAS TÍAS

The fundamental differentiator of the Spark Ventures model is the business we jointly launch with our partner organizations. In Nicaragua, this venture will ensure financial sustainability for Las Tías' core programming. The business planning project undertaken during the summer of 2013 therefore had some strict parameters that informed the focus of the process.

- ➔ **Profitability goals tied to sustainability benchmark** - Las Tías serves roughly 150 children across their youth and adolescent programs. The business launched in the next year will be responsible for progressively offsetting the operational expenses for this programming, until they reach full sustainability. The business must have the potential to reach the kind of scale necessary to divert revenue equal to the current operational budget of Las Tías.
- ➔ **Fast growing economic sectors are the target** - Launching a profitable business in the second poorest country in the western hemisphere is no small undertaking. By understanding Nicaragua's recent history and cultural context, the goal is to identify a sector with the largest potential for economic growth over the next 5-10 years.
- ➔ **Minimizing potential challenges while leveraging current skills** - Any new business will come across challenges in its first years. The Spark/Las Tías team will work hard to identify a business plan that does not have a steep learning curve, barring entry to the sector. There will undoubtedly be a need to bring in additional technical or sector specific expertise, however the Las Tías leadership team must be able to gain a mastery over the business basics, as they will be the ones spearheading the project.

Important questions remain, like the type of customer the business will seek to attract, and whether it will be a business that offers products or services for domestic use, or for export. These answers will emerge as the leadership teams from Las Tías and Spark Ventures continue to hone the plan.

SPARK VENTURES SUPPORT: YEAR 1

After a year of partnership, Spark Ventures' support of Las Tías (Nicaragua) has yielded significant impact.



Secured the consistent provision of a robust meal program for the Adolescent Program



Enabled the hiring of a Sociologist and full-time Psychologist to address the needs of children from challenging home situations

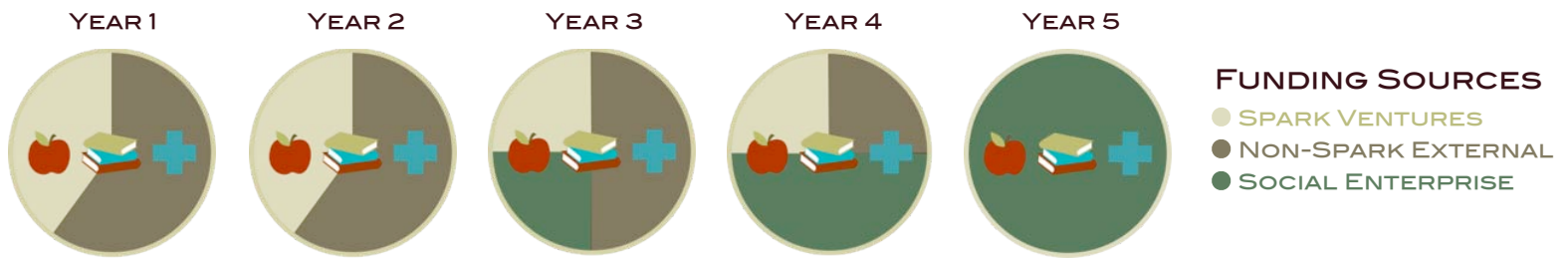


Stepped-up salary levels to more appropriately compensate the dedicated team at Las Tías

NEXT STEPS IN NICARAGUA

THE SPARK VENTURES SUSTAINABILITY MODEL

Progressive growth of the business in Nicaragua will offset core operational expenses supporting nutrition, education and healthcare programming. Spark Ventures' initial financial role of strengthening and sustaining the organization will slowly be replaced by revenue from the social enterprise.



In year 3, Las Tías will begin to see the revenue from their local social enterprise begin to offset philanthropic contributions. Following 100% sustainability of core programs, Spark will consider investment in capital projects that can be sustained operationally through increased business revenue. Our goal is to scale the number of children served by the community programs to 500.



A PARTNERSHIP MODEL TO BEST SERVE FERNANDO



In Fernando's 6 years, he's had some significant challenges that he is still working to overcome. His parents are in jail; his father for murder and mother for drugs. His grandmother is his caretaker, but has minimal patience to help with his schoolwork.

Beginning 1st grade, Fernando quickly found himself in trouble - falling behind and getting in fights with other kids. The Las Tías staff heard about his situation and convinced his grandmother to enroll Fernando in their youth program. There, with the help of a Las Tías psychologist, he has been learning how to step away into a quiet space and reflect when he feels angry. He has also been doing better in school as a result of the tutoring and homework help from Las Tías, and does not go home hungry since he receives a free hot meal each day at the program. His Las Tías educator visits his home every month to check-in and pays visits to his school teacher to verify Fernando's progress.

The support, attention, and care that Fernando receives at Las Tías will help him break the cycle of violence & neglect he has been born into - the unfortunate reality for far too many children in the León community Las Tías serves. Las Tías and Spark Ventures fight for Fernando and many others like him every day, providing them the basic resources needed to give them a path to success.

LINKING SOCIAL PROGRAMS & ECONOMIC DEVELOPMENT WILL TRANSFORM A COMMUNITY



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