WIP DRAFT

DCDO

The Case for Nonprofit Investment & Acquisition

Matt Haldeman, February 2025

Why investing in and acquiring 501c3's is the next frontier for both private equity & impact investing and how it can make the world a little bit better

Prepared for:

CONFIDENTIAL

About Us

Who are we?

DCDO (stands for dotcom, dotorg) is a mission-driven organization that invests exclusively in nonprofits. We help 501c3's increase their impact by transforming their organization into a public benefit corporation or spinning out a separate for-profit entity.

What problems do we solve?

1. ***"We're operating in such a competitive space that we need to pursue hyper growth or we risk being pushed out of the market."***
2. ***"We see opportunities to leverage attractive adjacent opportunities & build new products that align with our current brand and footprint."***
3. ***"We have a product that customers love, but we need additional support with distribution, marketing, and/or product development."***

What do our clients say?

"DCDO provided capital and operational expertise to help us expand our reach. Within the first year of their investment, we were able to get our literacy products in the hands of twenty times more students. We have uncovered new markets (incarcerated youth, for example) and given away thousands of titles."

- Louise Baigelman (founder & CEO)

Do you even know what a nonprofit is?

Consider the information below. One of these companies is a 501c3. The other is a publicly-traded education company. Can you spot the difference?

	Company A	Company B
Overview	*"We are committed to powering human progress by unlocking more opportunities for everyone, everywhere."*	*"We help learners build essential life and job skills to accelerate their path from learning to earning."*
2023 Revenue	$1.1B	$716M
CEO Cash Comp.	$1.3M	$1.1M
Outreach Example	Provided $240K in student scholarships	Donated over $600K to nonprofits in 2023

Company A is *Educational Testing Strategies*, a **well-known nonprofit organization** in Princeton New Jersey, founded in 1947. Company B is *Chegg*, an education technology company that was launched in 2006, and began **trading publicly** on the New York Stock Exchange in November 2013.

After two decades of working for both nonprofit and for-profit organizations, I am convinced that the two organizational types are far more similar than most people realize. I don't buy the argument that only nonprofits can be mission-driven nor that for-profits by definition are more organized and better managed.

I have watched for-profits and nonprofits **compete in the same industry** for the same customers, selling similar products and services. I have worked with/for **high and low functioning** organizations within both categories.

I believe the core difference ultimately comes down to one thing: **capital.**

Nonprofits raise capital from **philanthropic foundations and individual donors**, while for-profits raise private capital from **investors, private equity, and public markets.**

Understanding the differences between these two organizational types requires digging deeper into the **motivations behind their investors.**

Hidden potential in the nonprofit sector

Philanthropic funding is similar (in many ways) to venture capital or private equity. It can be used to **launch** new organizations, **scale** promising innovations, or **enter** new geographies and markets.

But there is one important difference. Investing is a zero sum game. Philanthropy is not.

Investors make money when the valuation of a business at the time they sell is greater than the valuation at the time they bought. As a result, private equity firms are actively in search of **undervalued companies** with **hidden potential.**

Conversely, the goal of philanthropic due diligence is not to discover hidden value, but to identify **game-changing products and ideas that will impact society.** Philanthropic foundations are on the hunt for ideas that have been proven to work. When they find the right idea, the challenge becomes figuring out a way to **scale and dramatically increase impact.**

Take a look at the anonymized marketing material on the right. The differences are subtle but clear. While foundations are looking to **grow and scale promising, proven ideas**, PE firms want to help **transform and transition** companies to accelerate growth.

As an analogy, consider the difference between the way that the US Men's Olympic Basketball team and the NY Knicks evaluate talent. The Olympic team wants the **best players, period.** But, for the Knicks, the insight that Steph Curry is the best player in the NBA is not particularly relevant. Instead, the Knicks are looking for **strong players who are also undervalued.**

So who is looking for **hidden potential** within the nonprofit sector?

In the same way that private equity firms are in search of **hidden gems,** there are non-profit organizations that simply need a capital infusion and a change to their business model to experience **significant growth** and truly implement their mission.

What do you do?

Foundation: ***"****We support partners as they scale proven ideas."*

PE Firm: "*We help companies accelerate transformational impact."*

What are you looking for?

Foundation: *"Solutions that will benefit a million people and beyond."*

PE Firm: ***"****The opportunity for value creation due to rapid growth or special factors."*

What is your approach?

Foundation: *"Invest in key, long-term partners and allow for ambitious goals."*

PE Firm: ***"****Fundamentally improve business operations and accelerate growth"*

Why? Introduction to nonprofit investment

The question I am always asked is: why? *Why would a 501c3 consider investment from a for-profit vehicle? I*f the organization wanted to be a for-profit, why not launch as a for profit?

Uber began as a luxury limo brand. The original MVP for Yelp did not include a feature for collecting customer reviews. And when was the last time you received a Netflix DVD in the mail?

Pivot. Turnaround. Transformation. Successful organizations often look significantly different than they did on Day 1. These **transitions frequently require additional capital,** typically provided by venture capital or private equity firms.

But how does a 501c3 fundraise for a business model shift? Most foundations aren't structured to fund and support grantees as they **undergo organizational transformation,** nor do they have the **due diligence capabilities** to identify organizations with hidden potential in the first place.

In certain instances, venture capital and private equity can help some nonprofits **unlock their potential.** (It is also true that conversions the other way can and do happen.) The table below offers use cases for both, with thanks to Cait Brumme and Brian Trelstad for a fantastic HBR article…

Non Profit to For-Profit	For-Profit to Non Profit
1 ***"We're operating in such a competitive space that we need to pursue hyper growth or we risk being pushed out of the market."***	**1** ***"The market isn't ready for our solution. We're spending too much time and money removing barriers to entry."***
2 ***"We see opportunities to leverage attractive adjacent opportunities & build new products that align with our current brand and footprint."***	**2** ***"We're making a difference but our customers can't afford (or won't pay for) our product or services."***
3 ***"We have a product that customers love, but we need additional support with distribution, marketing, and/or product development."***	**3** ***"There is more capital available to us as a nonprofit. Traditional investors aren't interested in what we're doing."***

For decades, nonprofit organizations have successfully competed against for-profit organizations. There is **nothing inherently superior** to one model over another. But when a nonprofit organization faces one of these three situations, the traditional philanthropic donation model often **can't move quickly enough** for them to adapt.

When faced with one of these three challenges, nonprofit investment is **one option** available to leaders and governance boards. So what does it look like?

How? Two different types of nonprofit investment

A hypothetical: a nonprofit develops a **valuable, proprietary** SaaS platform. Customers love it, but the organization needs significant resources to properly **develop, scale, and distribute** the technology.

At some point, leadership comes to the conclusion that they are the wrong organization to **grow and shepherd t**his platform. Perhaps they **lack an internal development team** that can properly follow through on their technical roadmap. Perhaps they want to focus on their **core competencies** and founding mission. Whatever the reason, they know they are sitting on a **valuable asset.**

This is not purely a hypothetical. Many ubiquitous, well-known technologies were **initially developed by nonprofit organizations**, including the Google algorithm, Siri, and ChatGPT.

So what can the nonprofit do? In simple terms, there are two options. Below, are two different real-world examples from actual nonprofit organizations….

Option #1
Sell the Product

The Hill Learning Center has announced a deal that will boost the reach of a popular reading program it developed and allow the nonprofit to focus on its core mission: training teachers and serving students with learning differences.

The 95 Percent Group, an education company that provides whole-class and small-group literacy solutions grounded in the scientific reading research, is buying the HillRAP intervention program that Hill developed for striving readers.

"It's going to allow us, first of all, to achieve our dreams – which is to get this out there," said Beth Anderson, executive director of The Hill Learning Center. "For over 25 years, we've been trying to figure out: How can we export the whole methodology?"

The move also will allow Hill to focus on its core mission, which is to transform students with learning differences into confident, independent learners. "We don't have the capacity and resources to continually invest in HillRAP," Anderson said. "Everything needs continual investment as a software. And now we'll have access to all of the upgrades that 95 Percent Group will make as they go forward."

- **EdNC, 2023**

Option #2
Sell the Company

Harvard, MIT, and edX announced today that edX, the two institutions' 2012 joint venture into online education, would be sold to leading educational technology company 2U for $800 million. 2U, a publicly traded company listed on the NASDAQ, with revenues expected to approach $1 billion in 2021, is an online program manager.

The company provides digital platforms and marketing and logistical support that allows colleges and universities to offer online instruction but does not itself provide degrees.

The proceeds from the transaction will be used to fund a nonprofit organization led by Harvard and MIT that will be focused on "transforming educational outcomes" and "tackling learning inequities."

In an assessment shared in the Harvard Gazette, Harvard University provost Alan M. Garber said that edX risked falling behind as for-profit online education providers invested in new platforms and courses. He added that 2U has the resources to carry out edX's mission of including access to low-cost and free courses for diverse learners with continued innovation and at a greater scale than is readily attainable for a nonprofit.

- **Harvard Magazine, 2021**

Storyshares: A Case Study

In spring of 2023, I presented the founder/CEO of a small literacy non-profit with a proposal. The company had a great brand and a well-reviewed **platform** with thousands of **active monthly users,** but its **freemium model** wasn't generating much revenue.

My proposal: we'd transition the company to a for-profit public benefit corporation and I would write a check for half the company. She accepted. Barely a year later, both the **financial results** and the **impact on students** have far exceeded my high expectations…

In less than a year, company **EBITDA grew by 20X.** Even better, the organization continues to fulfill its central mission and still serves the same population of low-income students. Here is a sampling of quotes from the team.

- *"We're fulfilling our mission in ways we weren't a year ago"*
- *"Our customers recognize that we are the same mission-driven company"*
- *"This feels like the same company, we just have the ability to try new things"*

I believe this small example can serve as a **blueprint** for how private equity can identify hidden potential within the nonprofit sector.

Why I invested…

- A great **brand** & well-known founder
- Well built **code base** and content
- 1000's of mo. **active users** (free version)
- A team that did **a lot with very little**

Opportunities…

- Little time spent on **sales & lead gen.**
- Very limited **access to capital**
- **Under-priced & free** content & services
- No system to **upsell** and **prevent churn**

Changes we made…

- Added opt-out **subscription** plans
- Signed large deals with **publishers**
- A focus on sales to **large school districts**
- Charged for **services and training**

Why do nonprofit organizations make such attractive acquisition targets?

When it comes to finding acquisition targets, the nonprofit sector has several advantages over the for-profit sector.

1. **No competing term sheets & motivated sellers** - Investors and PE firms rarely pitch nonprofit organizations. At the same time, many stagnant nonprofit organizations would be excited about a capital infusion and a chance to provide their teams with ownership in a new *public benefit corporation.*

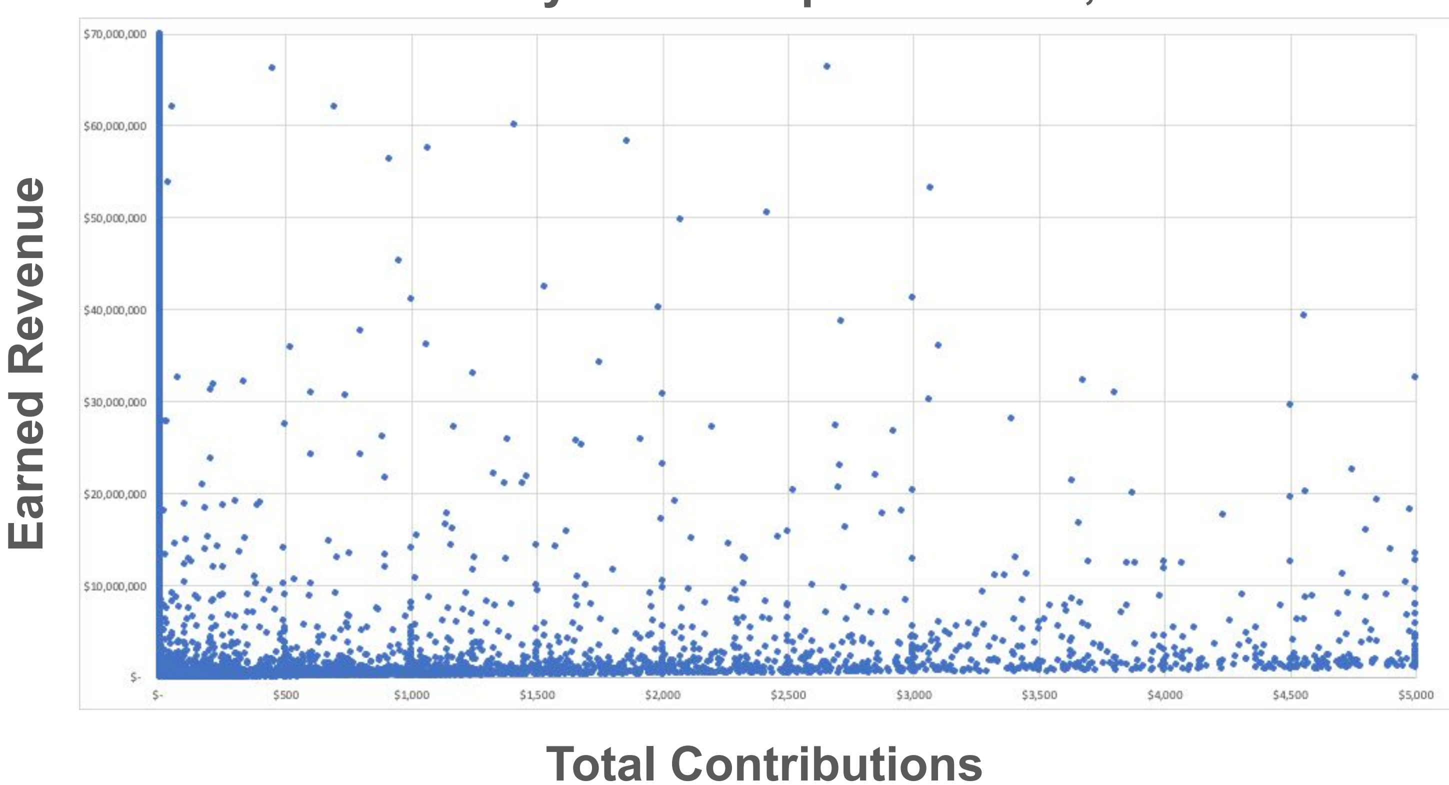
2. **A code base that "punches above its weight" -** Many foundation grants require that most or all funds be used on product development. As a result, some nonprofit organizations have a code base and a product/market fit that is significantly better than revenue would indicate

3. **Well-known brands -** In the for-profit world where we celebrate growth and fundraises, size and brand awareness go hand-in-hand. In the nonprofit space, some small companies still have built amazing brands and strong followings.

However, the most noticeable advantage of the nonprofit sector is the **amazing amount of information** that is available with just an internet connection. Any 501c3 with gross receipts over $50,000 is required to submit a 990, which is **publicly available.**

Take a look at the chart below, which represents, the 53,338 nonprofit organizations that received less than $5,000 in total donations in 2022. Unlike the private sector, **accurate financial data** down to the penny is just a click away.

Analysis of Nonprofit Sector, 2023



Why should nonprofit investment be so attractive to impact investors?

RICHMOND, Va., July 14, 2022 /PRNewswire/ -- Great Minds PBC®, the developer of widely used, highly regarded PK-12 curricula, today announced that A-Street, an investment fund focused on seeding and scaling innovative student learning and achievement solutions, has invested $150 million into Great Minds, comprising $100 million of newly issued shares to accelerate expansion of the company's offerings and $50 million to acquire a stake from the company's majority stockholder, the nonprofit Great Minds organization. A-Street is now a minority stockholder of the company.

When a nonprofit sells to a for-profit organization, the for-profit entity must purchase the assets from the nonprofit organization for ***fair market value.*** For example, when the VC firm A-Street invested in curriculum provider Great Minds in 2022, it paid $50M to acquire a stake in the new for-profit organization.

Where did that $50M go?

If Great Minds had been a for-profit, it would have gone directly to the founders, employees, and investors. In this case, however, the $50M went **directly to the nonprofit Great Minds organization**, which will use those funds to further its mission.

From an impact perspective, that $50M has two positive impacts. First, it is essentially a traditional **philanthropic donation to a 501c3**. To the beneficiaries of that money, there is absolutely no difference between a philanthropic donation of $50M from the Gates Foundation and a $50M payment from A-Street to invest in Great Minds at **fair market value.**

Secondly, that $50M also grants A-Street a stake in a newly formed for-profit organization that will both help society and ideally generate a positive return. That is an amazing **two-for-one deal** that you simply can't find anywhere else!

For example, one of the world's largest private foundations, the $47B Mastercard Foundation, was created when Mastercard transitioned from a **nonprofit association to a public company** in the early 2000's. Today, the organization has given out **billions in aid** to support youth employment in several African nations.

Impact investing has exploded over the past decade as investors realize there are ways to change the world while also generating a **positive financial return.** Despite its popularity, some investors feel that impact investing **requires a tradeof**f: investors are either accepting a lower return or investing in a company that de-prioritizes impact. But there is no trade-off when it comes to nonprofit investment. By definition, it requires a) a payment that can only be used for **mission-driven** purposes, and b) **ownership** in a for-profit corporation.

Why work with us?

Specialization

We invest exclusively in 501c3's because we believe that the Non-Profit Investment space has its own idiosyncrasies, emotions, complications, and benefits. Collectively, our team's professional experience is split almost 50/50 across nonprofit and for-profit organizations and we consider ourselves experts in this nascent field.

Process

A nonprofit asset purchase deal is complex and requires a unique set of steps, including the creation of a new entity, evaluation of fair market value, and an asset purchase agreement. Many nonprofits select to transition to a public benefit corporation, B Corp, and other mission-driven structures. Our extended team includes lawyers, accountants, and evaluators with explicit experience in the field.

Deal Terms

We'll help you think through specific terms to ensure the new organization is mission-aligned. For example, one of our nonprofit clients maintained majority control of the new public benefit corporation. Another mandated that the new organization donate a selection of products to low income families. Our client is the nonprofit organization; we want to make sure that a change in organizational structure doesn't impact your mission.

Investment Model

The traditional investment model is structured around a relatively quick exit, which creates specific incentives for investors and company leadership. We typically employ a revenue or dividend capital model (offering investors a percentage of revenue or profit each year). Our investors are looking for growing, profitable companies; exits are secondary.

Giving Back

Although we help 501c3's transition to mission-driven for-profit entities, we have seen how both models can impact the world and implement a founder's vision. We think we should put our money where our mouth is and we donate a portion of our profits to nonprofit organizations. Since 2023, we have given thousands of dollars to fantastic 501c3's that are changing the world!

Our Dividend Capital Model

At the end of 2023, we finalized a deal with Storyshares for 39% of the company. During the diligence process, one of the initial sticking points was that the founder was not particularly motivated by ultimately finding a way to exit the business. She didn't categorically dismiss the idea, but she was adamant that she would only consider the "right" offers from companies she felt confident would properly manage the business.

It became clear that we needed a different structure to compensate investors and we elected for a dividend capital model. The details of the investment and the monthly payments are outlined in the table below…

Initial Investment: $150K ($75K debt + $75K equity) for 39% of company

Time Period	Quarterly EBITDA	Loan Repayment	Monthly Dividend
Q1 2024	-$22K	0	0
Q2 2024	$243K	$11K	$1K
Q3 2024	$114K	0	$2K
Q4 2024	$86M	$64K	$4K
		$75K	**~$25K**

Monthly dividend payments are determined at the end of each month in partnership with DCDO and company leadership. The factors that determine the monthly dividend include: monthly EBITDA, cash flow, new hires, upcoming investments, etc. Our typical target is that ~20% of company EBITDA is paid to investors each year. To date, the owner's full salary comes from her dividend payments, so our financial interests are very much aligned.

Although this was not our initial plan, due to our healthy cash flow position, we also opted to fully repay the initial loan within the first year to eliminate interest payments. (Initially, we had set loan payment terms as a percentage of revenue). As a result, 75% of all invested capital was returned within the first year.

It is worth noting that this is not a royalty-based financing agreement. Unlike traditional royalty agreements, DCDO was granted and still maintains an ownership stake in the business. Our dividend capital model, however, grants the founder and investors a return without requiring an exit.

Ethics, legality, and OpenAI

> *"A nonprofit can sell anything it owns. If a nonprofit owns a piece of land, for example, and it wants to sell that land so that it has more money to spend on its mission, it's all good. If the nonprofit sold the land for well below market value to the director's nephew, it would be a clear crime, and the IRS or the state's Attorney General might well investigate. The nonprofit has to sell the land at a fair market price, take the money, and keep using the money for its nonprofit work."*
>
> **- Vox (10/24 Article on OpenAI's Transition)**

In a recent lawsuit against OpenAI, Elon Musk argues that Sam Altman "systematically drained the non-profit of its valuable technology and personnel." The most common objection that I hear regarding nonprofit investment is simply: **can you really do that?** How do you start a nonprofit, take **advantage** of donations and its tax status, and then simply transition to a for-profit?

For clarity: a nonprofit **CANNOT** transition to a for-profit, for precisely that reason. It would be illegal and unethical for an organization founded on nonprofit principles to one day declare that it had changed its mind.

While the media likes to talk about how OpenAI "transitioned" to a for-profit, that is not what happened. Instead OpenAI **sold its assets** to a new for-profit company in exchange for an ownership stake that is currently valued at ~$40B (and perhaps far, far more).

This is not semantics; it is an important distinction. The nonprofit organization determined that it could do more in support of its mission with $40B than it could by **maintaining control** of the technology it had developed.

While the situation has a **number of complexities**, I find it interesting how few media outlets have reported on the fact that Altman and OpenAI leadership have generated $40B to be used to further the **initial and current mission** of the nonprofit they founded.

I'd even go so far as to say that if an organization thinks it can do more with the proceeds than the asset itself, it has a **moral obligation to sell.**

Imagine a **struggling, stagnant** nonprofit organization. Philanthropic donations are declining. The team huddles to develop a strategy for the upcoming fiscal year. The head of development outlines several new fundraising strategies. The Chief Strategy Officer outlines a handful of creative solutions to increase earned revenue. They discuss lowering costs, renting out their space, and hosting events. But do they even consider the **market value of their own assets** and the revenue that a sale could generate?

So, how big is this market?

How large is the market for nonprofit investment?

The nonprofit sector consists of roughly 2 million organizations that generate $3.5 trillion in annual revenue. But given the **wide range** of organizations that qualify as nonprofit organizations, from your local YMCA, to the Gates Foundation, to Burning Man, these figures are **all but useless**.

I have conducted a **waterfall analysis** of 990 data to identify the subset of nonprofit organizations that are **viable candidates** for nonprofit investment…

Number	Criteria	Relevance
338,000	Submitted 990's	Provides accurate financial data
261,000	Number of 501c3's	Social welfare organizations
17,000	$3M+ in earned revenue	Minimum size requirement
12,000	70% or more earned revenue	Not reliant on philanthropic donations
<1,500	Viable Targets	Removed schools, hospitals, associations, and more

You'll notice that in the final step, I eliminated almost 90% of organizations, even after filtering for a variety of factors. Why? My focus is what I refer to as ***asset-based nonprofit investment.*** I'm specifically looking for nonprofit organizations with valuable assets, such as technology, content, or assessments. Cost cutting is not a part of my hypothesis.

Currently, PE firms own 7% of all **hospital systems**, 5% of all **nursing homes,** and 8 of the 11 largest U.S. **child care** chains. Private equity also now ranks among the largest owners of **affordable housing**. I eliminated any nonprofit in these categories, as well as all healthcare organizations, schools, museum, librairies, and many more. (My list of **rejected keywords** ultimately grew to over 200!)

I was left with a list of less than 1,500 companies that represent ~**$20B in earned revenue.** This is not an enormous market, and it is undoubtedly even smaller than that, given the potential acquisition hurdles. For example, in 2020, a $1.1B proposal to sell the .ORG domain registry to private equity firm Ethos Capital was **rejected** because Ethos lacked a "meaningful plan" to **protect** the interests of nonprofits and NGOs.

Why should private equity or venture capital **care** about such a small market? For certain, nonprofit investment is **unlikely to matter** to large-cap firms, although there have been five $100M+ nonprofit investment deals in the past three years.

Nonprofit investment was **virtually non-existent** a decade ago, and has substantially **ramped up** over the past three years, particularly in certain sectors (as you'll see over the next few pages). While most of the activity has focused on large nonprofits, I believe the next several years present a **unique opportunity** to invest in smaller (seven and eight figure) nonprofits.

Education Technology: A Hypothetical Example

As a way of better understanding the overall market for nonprofit investment, the next few pages are a deep dive into one particular sector: **education technology**. While education technology is far from the only market where nonprofit investment is relevant, this hypothetical offers insight into the **approach** an investor might take to identify **attractive acquisition targets.**

ABC Private Equity is a lower middle market PE firm with **industry expertise** in consumer services, healthcare, and education. It is currently investing its 5th fund, with commitments of ~$500M. The firm typically takes **majority positions** and focuses on equity investments of $20M - $50M.

ABC has noticed there has been a surprising amount of PE activity within the education space over the past few years. They noted that the vast majority of these deals have been **well-over $100M**. Their hypothesis is that there are potentially deals available for **smaller nonprofits** with earned revenue between $10M - $100M.

While the organization would typically not consider a company with less than $2M in EBITDA, they are open to nonprofits **below that threshold**, or potentially even operating at a loss. They have noticed that several of the most recent non profit acquisitions involved organizations with substantial losses. ACT, in particular, lost almost $80M over 3 years before being acquired by Nexus Capital.

ABC Private Equity has developed three areas of focus within its education practice overall and is interested to see if they can find attractive nonprofit candidates…

1. **Vocational Training -** Apprenticeship and job placement programs within hard-to-staff skill areas, particularly within blue collar trades.

2. **K-12 Expanded Learning & Afterschool Programs -** an out-of-classroom approach to SEL that also helps schools overcome staffing shortages during recess, lunch, PE, drama, music, after-school and other hard-to-staff periods

3. **K-12 STEM Curriculum -** High quality, well-reviewed math and science curricula that have been successful despite limited investment in sales and marketing

ABC Private Equity assigns an analyst to conduct three separate pieces of research that can be found on the next three pages.

Analysis #1 - What have been the large education technology deals conducted over the past three years, and which of these deals involved nonprofit acquisition? *(Page 12)*

Analysis #2 - What are the details of the more prominent education technology deals over the past decade. Who was the acquirer? What were the deal terms? What were the financials at the time of acquisition? *(Page 13)*

Analysis #3 - What potential targets within the nonprofit sector are worth a second look, given our criteria? *(Page 14)*

(Please note that the table on the next page represents a small selection of the opportunities available to ABC Private Equity. The figures are based on 2023 990 financials. This is not a comprehensive list, but simply meant as an example to demonstrate how an investment firm could utilize financial data collected from non profit organizations in order to identify potential acquisition targets.)

Education Technology Deal Flow Summary (2021-2024)

The grid below comes from Reach Capital and is a summary of the large ($100M+) education technology exits, deals, and fundraises between 2021 - 2023.

Scaled assets by funding amount and funding status (2021 - 2023)

In the past three years, just over 30 education technology companies were acquired for at least $100M. Three of those companies (edX, Great Minds, and NWEA) were non profit organizations that transitioned to for-profits. The deal sizes for all three were over $100M: Great Minds was $150M, NWEA was $360M, and edX was $800M.

2024 has also seen two large nonprofit acquisitions. Nexus Capital acquired large testing company ACT in 2024 (although deal terms weren't disclosed, ACT had earned revenues over $200M). In November of 2024, CompTIA (earned revenue over $140M) was acquired by HIG Capital and Thomas Bravo. A third smaller deal (Aspen Publishing's purchase of alternative law school admissions program JD-Next from the University of Arizona) also closed in November.

Additionally, a minimum of four other companies (Naviance, Blackboard, Frontline, and Cengage) who received significant funding in the past three years had acquired or licensed technology from nonprofits as part of their overall growth strategy. In some cases, these were relatively minor acquisitions; in other cases they were substantial. For example, in 2011, Cengage purchased National Geographic's publishing business.

Between 2021 - 2023, approximately 500 education technology companies exited or raised money, of which 30 were over $100M. The average deal size was ~$3M. Of those deals, 10% of large deals and 2% of all education technology deals were companies that had been founded as 501c3's. Their average deal size was significantly larger than $3M, but that figure is skewed significantly by the three large deals outlined above.

Given that the overall education technology sector is conservatively estimated at $140B, the overall size of the market for nonprofit investment and acquisition within the education technology space is likely within the low single digit billions.

Education Technology Deal Examples

Target	Acquirer / Investor	Details
edX	2U	Online education provider 2U acquired nonprofit learning platform edX in 2021, paying $800 million to Harvard University and the Massachusetts Institute of Technology. The two universities created the non profit in 2012. In 2021, EdX had earned revenues of $95M. 2U filed for bankruptcy in October 2024
ACT	NEXUS CAPITAL	With 40% of learners going straight to the workforce, ACT recorded losses for three years in a row ($60M in 2020, $6M in 2021, $12M in 2022) and laid off over 100 employees in 2023. The new organization will explore new opportunities outside of college admissions (credential programs & curriculum development)
CompTIA	H. I. G. CAPITAL	After 42 years operating on its own as a non-profit 501(c)(6) organization, CompTIA, a global IT training and certification vendor, was acquired by two private equity firms in a deal that will split the organization into a for-profit business unit and a separate non-profit trade association starting in 2025.
nwea	HMH	Houghton Mifflin Harcourt (owned by Veritas) acquired K-12 assessment provider NWEA in 2022 and its assessment solutions were integrated with the HMH curriculum. Some of NWEA's products, like its cloud-based enterprise assessment platform had been acquired from the nonprofit ETS.
GREAT MINDS	A-Street VENTURES	In 2022, A-Street invested $150M to acquire a minority stake in Great Minds, as the company transitioned to a public benefit corporation. Great Minds is a 17-year old curriculum provider and had experienced strong double-digit annual growth and Eureka Math was the most widely used ES math curriculum in the country
NATIONAL GEOGRAPHIC	CENGAGE Learning	In 2011, Cengage Learning signed a deal with National Geographic to acquire their school publishing unit and extended use of the NGS brand. The deal include the NatGeo Science series, elementary science curriculum, Explorer! Magazines, and Hampton Brown's literacy and language programs.
ReasoningMind	imagine learning	Reasoning Mind, a Houston-based nonprofit, was acquired by Imagine Learning in 2018. The nonprofit had laid off several dozen employees the prior year and reported a loss of $4M in 2016. Reasoning Mind had a technology-based math approach based on approaches popularized in Russia, China and Singapore.
Hill LEARNING CENTER	LEEDS	In January, 2023, 95 Percent Group announced the acquisition of the Hill Reading Achievement Program (HillRAP) from Hill Learning Center. HillRAP was the first acquisition for 95 Percent Group, a portfolio company of Leeds Equity Partners. HillRAP provides direct, explicit, mastery-based literacy instruction.
MENTOR COLLECTIVE	RESOLVE	Mentor Collective, a provider of mentorship programs within higher education, raised a $21M Series A investment in 2022. The round was led by Resolve Growth Partners and included reinvestments from the Lumina Foundation. The organization was initially founded as a nonprofit in 2014 before transitioning shortly afterward.
Tch Teaching Channel	WELD NORTH EDUCATION	Teaching Channel is a SAAS-based professional development platform with a video library of 1,300+ classroom-based videos. In 2017, it transitioned to a for-profit organization and was purchased by Weld North. Today, the organization is a division of K12 Coalition, which is owned by Quad-C.
ETS	nwea	In 2021, NWEA acquired from ETS its cloud-based enterprise assessment platform and a non- exclusive license for content and performance tasks. NWEA alsol acquired and began operating multiple state assessment contracts and associated technology. At the time, ETS had revenues above $1B and Net Income of almost $50M.
PREDICTIVE ANALYTICS	HOBSONS	In 2016, Hobsons, a provider of college and career readiness, enrollment management, and student success solutions, acquired the Predictive Analytics Reporting Framework Inc. PAR is a national membership collaborative of more than 24 institutions that helps colleges and universities analyze data to improve student outcomes.
MOVE THIS WORLD	AT&T	In 2019, SEL company Move This World has closed a $1.1 million series A round to support its efforts to add more content to its preK-12 social emotional learning programming and grow its footprint. The organization had been initially founded as a nonprofit in 2007 before raising a seed round in 2017.

Sample List of Ed. Tech. Targets

Target	Earned Revenue	Earned Revenue %	Net Income	Description
THINK Together	$162M	97%	$1.6M	Expanded & Early Learning Programs
Cognia	$124M	99%	-$12M	School Improvement & Accreditation
Practising Law Institute	$104M	95%	$4.7M	Legal Education Training Provider
AVID Center	$71M	91%	-$3.3M	K-12 Professional Learning
Lifelong Learning Administration Corporation	$67M	96%	$6.4M	K-12 Educational Services
ZEARN	$45M	71%	$4.7M	Math Learning Platform
Math Learning Center	$42M	100%	$4.6M	K-12 Math Curriculum Provider
American Welding Society	$39M	94%	$11M	Welding Training & Job Assistance
Electrical Training Alliance	$38M	96%	$-2.8M	Electrical Industry Training Provider
Scope Education Services	$37M	89%	$3.6M	Student Services, After-School, Enrichment
STAR (Sports, Theater, Arts, Rec.)	$36M	100%	$1.4M	After-school & Enrichment Provider
EL Education	$36M	85%	-$2.9M	K-8 ELA Curriculum Provider
Fair Health	$35M	94%	$3.3M	Healthcare Data Analysis
Mind Education	$29M	89%	-$900K	K-12 Math Curriculum Provider
Center for Employment Training	$26M	96%	-$2.2M	Job Training & Placement
New Meridian Corporation	$22M	91%	-$3.6M	K-12 Assessment Provider
Achievement Network	$22M	52%	$8.9M	K-12 Assessment Provider
Educational Records Bureau	$20M	95%	$3.9M	K-12 SEL Assessment
Industrial Safety Training Council	$19M	100%	$980K	Industrial Safety Training Provider
Open Up Resources	$19M	82%	$1.7M	K-12 Curriculum Provider
Launch Code	$15M	81%	$900K	Technology Training & Job Placement
Illustrative Mathematics	$13M	64%	$7.2M	K-12 Math Curriculum Provider
A Plus Education Partnership	$12M	90%	$2M	K-12 Teacher & Administrator Training