

NET IMPACT MARCH 2006

QUARTERLY

SPECIAL EDITION: 2005 ANNUAL REPORT

IN THIS ISSUE:

YEAR IN REVIEW

2005 was a monumental year for Net Impact. Learn about the accomplishments of our organization during 2005.

MEMBER ACCOMPLISHMENTS

Our members are actively improving the world through businesses. Read their inspiring stories below.

DONOR INFORMATION

Net Impact could not have achieved the accomplishments of 2005 without the support from our generous donors. Read on to find out who makes our success possible.

FINANCIAL CLOSINGS

2005 year end financial closings enclosed.



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NET IMPACT is a network of **new leaders** committed to using the power of business to improve the world. It is one of the most innovative and influential networks of **MBAs, graduate students and young professionals** in existence today. Our members believe that business can both earn a profit and **create positive social change**. Through a central office in San Francisco and chapters in cities and graduate schools around the globe, Net Impact offers a portfolio of programs that enable members to transform this ideal into measurable results.

Our Mission is to improve the world by growing and strengthening a network of leaders who use the power of business to **make a positive net social, environmental, and economic impact**.

BOARD OF DIRECTORS

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Supplier Diversity Development Manager
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Headlands Institute

LIZ MAW

Executive Director
Net Impact

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Executive Director and Adjunct Professor
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Co-founding Editor and Chairman
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Manager, Environmental Affairs
Citigroup

GENE TAKAGI

Attorney, Law Office of Gene Takagi



DEAR FRIENDS AND COLLEAGUES,

As I reflect on 2005, I realize how proud I am to be a part of Net Impact. During this single year, we saw our numbers grow in every respect: members, chapters, programs, staff, and budget. Not only have we increased the quantity of who we are, but we have worked hard to ensure continued growth in quality as well. Net Impact members rate our programs and services highly, and over 80% would recommend Net Impact membership to others.

Through member surveys and focus groups, our team continually reevaluates and improves our programming through the input of our key stakeholders.

One of our members summarized our accomplishments best: "In 2005, Net Impact Central made tremendous strides toward becoming a world-class nonprofit organization, implementing several program enhancements and creating a more structured approach for the organization. These changes have furthered the benefits offered to Net Impact members, while also establishing the foundation necessary for continued growth and success."

The following pages contain a summary of our organization's past accomplishments and growth, as well as our strategy for a stronger future. Also, we are excited to share some examples and stories of how our members are using their business skills to help change the world.

I hope this report will provide a clear picture of how far we have come in 2005, as well as a preview of the priorities we are already hard at work on for 2006.

Sincerely,

LIZ MAW

Executive Director

"There is no doubt that my involvement with Net Impact has helped me to achieve several of my most important goals during business school."

-Kirsten Olsen
Stanford GSB MBA 2006

2005 WAS A MONUMENTAL YEAR FOR NET IMPACT.

WE GREW IN MEMBER SIZE, GEOGRAPHIC REACH, AND BREADTH AND DEPTH OF PROGRAMMATIC OFFERINGS. WE COULD NOT HAVE ACHIEVED THIS SUCCESS WITHOUT THE SUPPORT OF OUR MEMBERS, FRIENDS, AND DONORS. THE FOLLOWING PAGES CONTAIN HIGHLIGHTS FROM THE ACCOMPLISHMENTS OF OUR ORGANIZATION AND MEMBERS DURING 2005.

MANAGEMENT AND STRATEGY

After 13 years under the fiscal sponsorship of other organizations—most recently with our friends and partners at Business for Social Responsibility—Net Impact finally **became an independent 501(c)3 nonprofit organization**. This change not only meant new systems and office space, but also a shift from an Advisory Board to an **official Board of Directors** with legal and fiscal oversight for the organization. Today, our Board consists of eight members who have continued to serve from the former Advisory Board and five new members who have joined us in the past year. In addition, we have formed a Membership Committee, which is a joint committee of Board, student, and professional members, to ensure that our membership plays an active role in our governance and strategy.

Net Impact also has a **new management team** that has made a tremendous impact on the organization within a short time period. We have been lucky to welcome Abbey Banks, who leads the membership strategy and chapter growth; Karin Cooke, who directs program strategy and implementation; and William Critzman, who leads organization development efforts. In addition, Net Impact was granted another two years of AmeriCorps VISTA volunteers, enabling us to continue delivering excellent programs to our members while providing invaluable work experience to recent graduates interested in socially-minded organizations.

Net Impact has also completed a new **strategic plan** for 2006-2008. The plan represents a guiding organizational and programmatic strategy, with detailed key metrics for the next three years. Our revised mission statement is included in the first page of this report.

MEMBER AND CHAPTER GROWTH

In 2005, Net Impact reaffirmed our commitment to supporting the Net Impact network through strategic chapter growth and capacity building. With a **28% growth in chapters**—including a 35% growth in professional chapters—local Net Impact networks and activities continued to thrive. Our committed and entrepreneurial chapter leaders ran events and activities that delivered local education, inspiration, and connections to Net Impact members throughout the world. The team at Net Impact helped to support our chapters through creating a chapter leader resource portal, doubling the number of chapter leader conference calls, and creating enhanced technology tools for chapter management.

In addition to growing our chapters, our membership numbers continued to climb. Most significantly, we **grew paid membership by 22%**, and member-related revenue increased by 57%. The team also introduced a new **Lifetime Membership** level, as well as technological improvements enabling us to better research our member demographics and interests.

ANNUAL CONFERENCE

In October, Net Impact **held the largest conference in our history** with more than 1,000 MBA students and 500 professionals from 38 U.S. states, 5 Canadian provinces, and 20 countries in attendance. The conference took place at Stanford University's Graduate School of Business, and the student leaders and volunteers committed thousands of hours to making sure the conference was inspirational in content and seamless in logistics. Highlights included a keynote address by former Vice President Al Gore, 76 panel discussions focused around seven curriculum tracks, and a career fair featuring 58 top companies and non-profit organizations. As described by one member, the conference was "inspirational and life changing;" another called it "an absolutely energizing and ground-breaking experience."

84%
of attendees said the 2005 Net Impact Conference increased their commitment to corporate social responsibility and related issues

PROGRAM EXPANSION

Throughout the year Net Impact's program structure **changed and expanded**. We are proud to have strengthened our programs designed to support individual members in their education, career, and community service. Key accomplishments in 2005 include:

📶 **The Learning Center** was launched to provide members with content, news, and trends on topics like nonprofit management, international and community development, corporate social responsibility and the environment. With information provided by leading organizations in the field, the Learning Center is a tool to help members stay abreast of issues related to business and society.

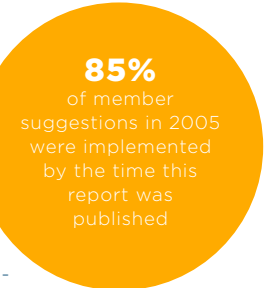
📶 **Career resources** were improved to better support members in finding a career where they can use business to make a positive social impact. In 2005, our job and internship postings—rated by members as one of our most important members-only offerings—increased 68% from 2004. In addition, the team enhanced career services with resources including a resume book, career handbook, and career coaching at the 2005 Conference. As one of our members told us, “bringing an ethical dimension to a for-profit concern was an absolute necessity when it came to making a career decision, and, simply put, I could not have done it without the help of Net Impact.”

📶 **Service Corps** was expanded, with the goal of connecting Net Impact members with nonprofits to provide advanced support in finance, accounting, strategy, and marketing. Without increasing our staff capacity at Net Impact, we tripled the number of cities served (from 5 to 15) by utilizing local chapter leaders for project management. Projects made a significant impact to the nonprofit clients; as one organization testified, “we are anticipating a major impact and a real growth opportunity because of the thoughtful work provided by Service Corps.”

“Service Corps brings a high level of energy and creativity to organizations through very bright and motivated students.”

- Mary Lo Meccariello
The Arc of the
District of Columbia

Moreover, in 2005 we broadened our programmatic focus to include initiatives to drive larger-scale change on campuses and cities. The team **laid the groundwork for three campaigns to inspire change** in 2006.



📶 **The Curriculum Change** program was launched in summer 2005, responding to member survey results that indicated an interest in advancing curriculum at business schools. The online portal contains tools, resources, and best practices to help student change agents introduce topics such as sustainability, ethics, alternative theories of governance, and social entrepreneurship into the MBA curriculum. At the 2005 Conference, students attended two sessions focused on curriculum change, and showed a high level of enthusiasm for continuing the momentum in the spring semester.

📶 **Net Impact's Campus Greening Initiative** was introduced in fall 2005. Driven by the success of the Net Impact chapter at London Business School, Net Impact launched an initiative to engage student members with projects to improve the environmental impact of campus facilities. In the last quarter of 2005, Net Impact recruited partners and advisors working in the campus sustainability field to advise us on program strategy and implementation. Our kick-off meeting at the annual Conference revealed enthusiasm and interest among our membership, which led to a strong launch in January 2006.

📶 **Impact at Work**, launched in summer 2005, aims to empower individuals to make a difference in the way their company does business. The program began by focusing on individual success stories and change-making tips. We highlighted members who launched a socially responsible investing option for a company's 401k; who helped incorporate sustainable practices in a company's supply chain management; and who helped their company launch a socially responsible business plan competition.

NET IMPACT MEMBERS ARE COMMITTED, TALENTED, AND INSPIRATIONAL. WHETHER GRADUATE STUDENTS OR PROFESSIONALS, OUR MEMBERS ARE **ACTIVELY IMPROVING THE WORLD** THROUGH BUSINESSES AND NONPROFITS, START-UP ENDEAVORS AND FORTUNE 500s. WHEN WE POLLED OUR MEMBERS LAST SPRING, TWO-THIRDS TOLD US THEY WERE CURRENTLY USING BUSINESS TO CHANGE THE WORLD IN THEIR GRADUATE SCHOOL OR COMMUNITY. THE FOLLOWING PROFILES ILLUSTRATE A FEW EXAMPLES OF HOW THEY ARE DOING SO.



CAREN HOLZMAN

When I moved to San Francisco without a job after business school, I became involved in the NorCal Net Impact Professional Chapter (formally known as the Bay Area). Networking via Net Impact helped me to sustain myself through paid projects while I looked for a full-time position. Not only did I make money and build my skill set and resume, I also made great friends and took on a leadership role with the chapter.

I am now the Director of Certification for TransFair USA. I have a great job and a promising career ahead of me. I am still in touch with many of my Net Impact contacts, many of whom have the potential to work with TransFair in a variety of ways.



ABHISHEK GUPTA

The past year has been full of good things. The launching of a Net Impact chapter at University of Cincinnati College of Business was a big personal achievement. This initiative enabled a significant contribution towards regional community service. University of Cincinnati Net Impact members committed themselves to helping three regional nonprofits with their business problems, as part of the Service Corps program. UC faculty and administration introduced a new course, as part of MBA curriculum, to allow participating members to earn course credits for their fieldwork.

Net Impact has touched lives at the University of Cincinnati in more ways than one, and its members strive to make a difference each day.



KIRSTEN OLSEN

In the past year, Net Impact allowed me to take two giant steps forward to advance my career in the field of Corporate Social Responsibility. First, I was able to tap into Net Impact's vast and influential network of professionals working in the field of socially responsible business and find my ideal summer internship working at Hewlett-Packard in their CSR group. If I had not been involved with Net Impact, I wouldn't have had the credibility and personal connections necessary to secure such a position.

Second, I was able to be part of the leadership team for the 2005 Net Impact Conference and direct the curriculum for Stanford University's largest conference ever. As the Curriculum Chair for the conference, I led a team of 40 classmates whose hard work resulted in four prominent keynote speakers, 76 panels, and 260 speakers from all over the world. I'm thankful and honored to be associated with such an esteemed organization and look forward to staying involved after graduation.



JESS GEEVARGHESE

Net Impact's Career Center was priceless in my summer internship search. I applied to jobs only on Net Impact's site and landed an internship in the Bay Area that would give me an opportunity to learn about social entrepreneurship and take significant responsibility, while allowing me to use the knowledge I gained in business school.

Not only did Net Impact present this internship opportunity to me, but the annual conference at Stanford gave me the opportunity to re-connect with my peers and to expand my professional network to include organizations and companies that assisted me in my full-time job search. Net Impact has been a tremendous asset in expanding my network and in finding gainful employment!

NET IMPACT THANKS OUR 2005 FUNDERS

Booz Allen Hamilton	Hewlett-Packard
Calvert	Hitachi Foundation
Cherokee Investment Partners	The Gordon and Betty Moore Foundation
The Coca-Cola Company	Price Institute for Entrepreneurial Studies
Domini Social Investment Funds	Seventh Generation
DuPont	The Alfred P. Sloan Foundation
Gap Inc.	Starbucks Coffee
The Home Depot	The Surdna Foundation
The W.K. Kellogg Foundation	The United Way
	United Technologies Corporation

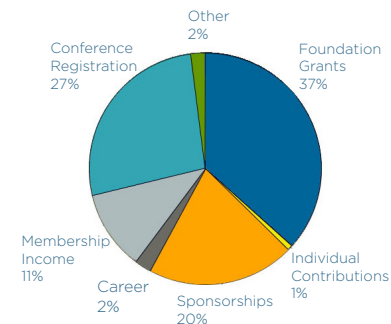
NET IMPACT LIFETIME MEMBERS

Mark Albion	Jonathan Greene	Betsy Peters
Waqar Ali	David Guendelman	Tom Petersen
Jason Anderson	Christina Keller	Lila Preston
Mark Anderson	SatKartar Khalsa	Srikumar Rao
Peter Banks	Amy Koo	John Rogers
Brendan Bechtel	Adam Kretowicz	Margaret Ross
Brigid Bergin	Teresa LeFevre	Jenaro Sanchez
Andrew Berman	Mary Letson	Annetta Seecharran
Jamesa Brown	Lorrie Loveman	Michael Seo
Martyn Brush	Chau Ly	Kamael Sugrim
Glenda Bye	Carolyn Mattick	Onur Tekinturhan
Grant Campany	Jason McBriarty	Keith Timko
Deepa Challa	Stephanie McGillivray	Kevin Triemstra
Jacqueline Chu	Cory Mehalechko	Joanne Van Vlack
Jesse Cool	Monisha Merchant	Lisa Voss
Robin Cutler	Sverre Panduro	Sanjay Wagle
Patrick Dominguez	David Parker	Laura Weinstein
Sandy Eapen	Jennifer Parks	Claudia Welss
Ellie Esty	Peter Patch	Felix Wolfinger
Ian Fisk	Michael Payne	Christopher Wong
		Danna Zhu

NET IMPACT FINANCIAL CLOSING FY 2005 1/1/05 - 12/31/05

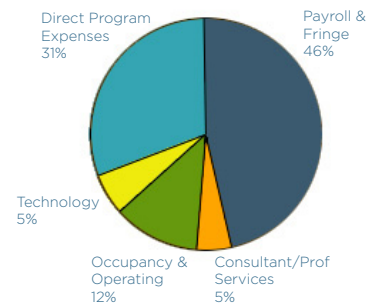
REVENUES

Foundation grants	\$ 393,935
Individual Contributions	\$ 7,940
Sponsorships	\$ 218,500
Career	\$ 24,642
Membership Income	\$ 117,305
Conference Registration	\$ 287,397
Other	\$ 18,251
TOTAL	\$ 1,067,969



EXPENSES

Payroll & Fringe	\$ 406,871
Consultant/Prof Services	\$ 41,404
Occupancy & Operating	\$ 109,818
Technology	\$ 48,158
Direct Program Expenses	\$ 276,646
TOTAL	\$ 882,898
Operational Net	\$ 185,071



The financials have been completed on a cash basis. \$165,000 of the operational net represents pre-payment for 2006 programming.