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Civic Lab

The State of Democracy Entrepreneurship: Insights from New Profit's Civic Lab



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New Profit's Civic Lab is the nation's first nonpartisan venture philanthropy initiative to invest in proximate democracy entrepreneur-led organizations. It provides unrestricted funding alongside strategic capacity building support, while building the ecosystem for democracy entrepreneurship. Since its launch in 2019, Civic Lab has made investments in **14 game-changing organizations** and is on track to expand its portfolio to 35 by 2024.

Currently, over **70%** of Civic Lab's investments are in organizations led by entrepreneurs of color.

Organizations like Black Leaders Organizing for Communities (BLOC), which engages local communities in Wisconsin beyond the election season and upends the idea that a person's value in our democracy is solely tied to their ability to vote. Or Alliance for Youth Organizing, the largest federation of youth organizers in America. Or the Millennial Action Project, which brings together millennial lawmakers from across 28 states to seek bipartisan solutions.

To select the 2021 Civic Lab cohort, New Profit conducted an open investment selection cycle in which organizations from across geographies and strategies were eligible to apply. Through review of the **117 applications** received from nonpartisan organizations and diligence interviews with democracy entrepreneurs and their stakeholders, Civic Lab has generated unique insights into the overlooked and undercapitalized democracy landscape. Our analysis considered five critical dimensions: demography, geography, budget size, age of organization, and strategies employed.

64%
of organizations led by Democracy Entrepreneur (DE) of color

1.4% of organizations led by Indigenous DEs **18%** of organizations led by AAPI DEs

25% of organizations led by Black DEs **18%** of organizations led by Hispanic or Latino/a/x DEs

2020 Median Revenue: **\$260k** for DEs of color relative to **\$410k** for white DEs

64% of organizations led by women

39% of organizations led by women of color

3% of organizations led by trans or non-binary DEs

25% of organizations were virtual pre-pandemic **24%** of organizations expect to be virtual post-pandemic

35 states + DC and Puerto Rico serve as headquarters to applicants **CA & NY** are home to plurality of organizations (17 and 14, respectively)

Avg. 2021 annual operating budget: **\$619K**

Avg. number of program sites: **10.7**

Avg. age of organization: **6.5 years**

Organizations with 501(c)(4) arms: **31%**

Diversity of Democracy Entrepreneurs:

The democracy ecosystem is populated by diverse and proximate leaders. **64%** of democracy entrepreneurs in the applicant pool identify as people of color: **25%** identify as Black, **18%** identify as Hispanic or Latino/a/x, **18%** identify as Asian American or Pacific Islander, and **1.4%** identify as Indigenous. Moreover, **64%** identify as women and **3%** as trans or nonbinary. **39%** applicants identify as women of color.

Geographic Distribution:

Applicants work in communities across **35** states plus Washington, DC and Puerto Rico. A majority of organizations are concentrated in populous coastal states: **50%** of organizations have operations in New York, Massachusetts, and Washington, DC and **20%** have operations in California. Organizations working in under-capitalized regions, including the Midwest and South, were underrepresented in this applicant pool. Additionally, applicants with a programmatic approach on average reported having **~11** programmatic sites. The applications also highlighted that **25%** of organizations had a virtual structure before the pandemic and **24%** of organizations expect to remain virtual.

Average Age and Budget Size:

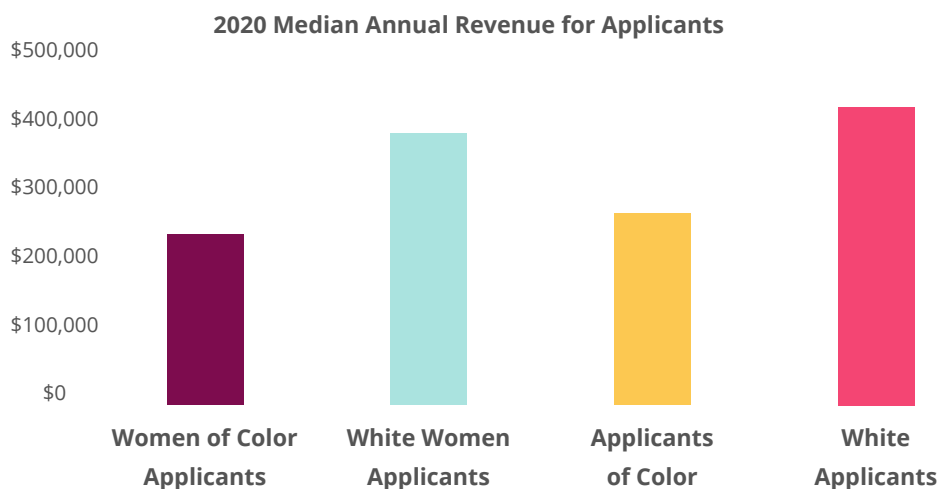
The data revealed that the democracy entrepreneurship landscape is home to early to mid-stage organizations. Applicant organizations range in age from **2 to 30** years old. On average, organizations are **6.5** years old and report an average annual operating budget of **\$619,349**.

Note: Organizations that are less than 2 years old and organizations with annual operating budget greater than \$2M were not eligible to apply.

Disparity in Funding:

In Civic Lab 2021 applications, analysis of financial information revealed similar disparities in funding between leaders of color, specifically women of color, and white leaders that [New Profit](#) and others have highlighted across sectors.

- Organizations helmed by democracy entrepreneurs of color reported a median 2020 revenue of **\$260,000**, roughly **63%** of the **\$410,000** reported by organizations led by white leaders.
- In a similar trend, women of color-led organizations reported a median 2020 revenue of **\$233,500**, roughly **62%** of the **\$377,500** median 2020 revenue reported by organizations led by white women.



Diversity of Organizational Strategies:

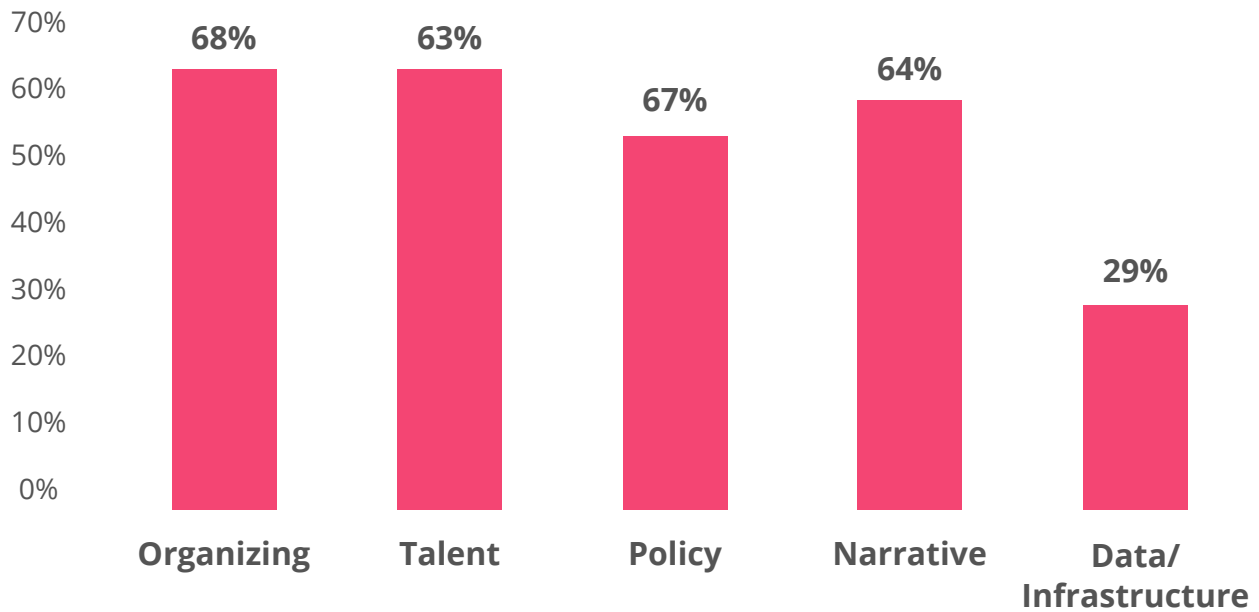
Applicants showcased the various ways they employ the five core strategies identified by Civic Lab as key to building civic trust and an inclusive and multi-racial democracy. These strategies are:

1. Building a diverse pipeline for public service
2. Relational, cultural, and/or digital grassroots organizing
3. Policy advocacy and engagement with public leaders
4. Promoting narrative that counteracts polarization and misinformation
5. Building data systems and operations infrastructure

Civic Lab applicants commonly utilize strategies (1) through (4) in their approaches, with **58%** of organizations working across multiple strategies. Over **60%** of organizations incorporate each of strategies (1) through (4) in their model but only **29%** work in data systems and operations infrastructure.

Additionally, while the focus of Civic Lab is on nonpartisan 501(C)3 organizations, **31%** of applicants reported having 501(C)4 structures to engage in direct lobbying and partisan efforts.

Percentage of Applicants Working Across Civic Lab Focus Areas



Key Takeaways

1. Open investment application cycles facilitate inclusive philanthropy.

Transitioning from an invite-only or referral-based investment selection to an open process has enabled Civic Lab to reach a more diverse set of organizations. As the data demonstrate, the democracy ecosystem is rich with innovative organizations led by proximate leaders from diverse backgrounds and identities. Organizations also implement a range of strategies across local, state, regional, and national levels to catalyze change for their communities. While open application cycles require more robust capacity and intentionality, we believe it is a crucial element of practicing inclusive philanthropy.

2. Democracy organizations are in strong need of post-election and sustained philanthropic investments.

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3. Philanthropy needs to close the funding chasm particularly for women of color.

Despite leading innovative and transformational organizations, the leadership of women of color is vastly underrecognized and undercapitalized. Following a highly competitive 3-month due diligence process, four of the seven 2021 Civic Lab investments are in organizations led by women of color. Women of color are the linchpin of the democracy innovation ecosystem to create a multi-racial and inclusive democracy. We urge institutional and individual philanthropists to join Civic Lab in the effort to close the funding chasm and invest in women of color.

4. In addition to capital, democracy entrepreneurs are seeking peer learning communities.

In our 20+ years of investing in and working with entrepreneurs, we know that one of the key ingredients for success is a strong network, including a community of peers. Being an entrepreneur and a leader can be a lonesome journey. As a relatively nascent field, the democracy entrepreneurship ecosystem is still forming. While there are often coalitions and networks that launch aligned to the electoral calendar, there are very few on-going learning and nonpartisan convening spaces for democracy entrepreneurs. Civic Lab is designed to create a powerful peer learning community coupled with 1:1 capacity building support for its portfolio organizations. Democracy entrepreneurs are seeking inclusive and collaborative spaces not only to accelerate their individual organization's efforts but to also weave the networks that are critical for building a collective vision for our democracy.

5. The democracy sector lacks robust entrepreneur and practitioner-focused research.

Due to lack of resources, there is a dearth of organizations that are doing the foundational work of conducting research to deepen the field's understanding of effective practices and levers for systemic change. In the absence of robust practitioner-informed data, there is often duplication of efforts, redundancies and high levels of inefficiency in the landscape. It is precisely because of these challenges that Civic Lab is sharing these findings from its investment selection cycle. We invite others to join us in collecting robust data to uncover insights from the democracy entrepreneurship ecosystem as well as to incubate and grow infrastructure builders.



New Profit's Civic Lab is committed to sharing its data analysis and insights from future investment selection cycles and from its deep partnership with proximate democracy entrepreneurs. We are also actively working to expand and deepen our reach to a diverse range of underserved democracy entrepreneurs, including Native American and Indigenous leaders, and undercapitalized regions, including the Midwest and South.

Furthermore, to strengthen the burgeoning ecosystem for democracy entrepreneurship, Civic Lab has invited organizations to complete the [Democracy Entrepreneurs Directory](#), which has received over 100 entries to date. The directory will remain open to new submissions to amplify the work of democracy organizations with the broader New Profit network and the philanthropic sector writ large.

To learn more about New Profit's Civic Lab, please contact catalyze@newprofit.org.

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