Good Morning!!

The Aaron L. Levitt Social Entrepreneurship Challenge

“Be a Changemaker”

Workshop 3: February 14, 2015
Welcome to Today’s Session

Agenda:

A) Upcoming Levitt Program Activities

B) Reporting Out: Each person/team is to present a succinct explanation of their social venture and logic model (maximum of five minutes per venture!!)

C) Brief Introduction to Capital Structure and the Core Elements of a Useful Business Plan

D) Funding, Financing, and New Enterprise Development

E) Revenues, Revenue Models, and Funding

F) Questions and Discussion
The May Levitt Challenge

• May 18 -19: The Midwest Symposium on Social Entrepreneurship, including:
  – Aaron L. Levitt Social Entrepreneurship Challenge program on May 19:
    • Luncheon with speakers
    • Levitt project presentations: May 19 afternoon
      – All Levitt projects will present venture concept and overview of business plan for their venture and receive feedback
      – Optional competition: those who choose to compete will present their venture concept and business plan will receive formal judging. Successful projects will receive a year of developmental consulting support from Midwest Center.
Process Timeline

• February 14, 2015: Workshop Three – Funding & Financing Your Social Venture or Innovation
• March 7, 2015: Workshop Four – Preparing Dynamic Business Plans
• March 30, 2015: Business Plan Draft Due
• May 1, 2015: Final Plans Submitted for Review
• May 9, 2015: Workshop Five – Presentations with Sizzle and Impact
• May 19, 2015 – Aaron Levitt Social Venture Challenge
Each project has a maximum of five minutes to present a succinct explanation of the social venture and the key elements of its underlying logic model.

How well did your venture rate on the quick score evaluation worksheet (4C)?
The General Elements of a Business Plan for a Social Venture

• Executive Summary
• Description of the Venture
• Organization and Management Description
• Market Opportunity Explanation
• Product or Service to be Delivered
• Basis for Assessing Quality and Satisfaction
• Key Planning Assumptions
• Uncertainties and Risks
• Financial Projections
• Growth and Exit Strategies
Funding, Financing, and New Enterprise Development
Nonprofit Resource Considerations

• Consistent with Strategy
• Program Stability
• Capital Structure
• Restriction
• Transaction Cost
Understanding Resources

- Revenue: Monies from contacted services, fees for service, commercial activity
  - Medicare
  - Tuition
- Capital: All other monies donated to support mission delivery activities
  - Individual donations
  - Grants
Figure 2. Revenue Sources for Reporting Public Charities, 2010 (percent)

- Fees for services and goods from private sources: 49.6%
- Fees for services and goods from government: 23.9%
- Private contributions: 13.3%
- Government grants: 8.3%
- Investment income: 2.8%
- Other income: 2.1%

Sources: NCCS calculations of IRS Statistics of Income Division Exempt Organizations Sample (2007); Urban Institute, National Center for Charitable Statistics, Core Files (2010); American Hospital Association (AHA) 2010 survey; and the National Health Accounts, produced by CMS.
# A Different Perspective

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Beneficiary</th>
<th>Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee-for-service income</td>
<td>Individual</td>
<td>Tied to service</td>
</tr>
<tr>
<td>Foundation /Philanthropy dollars</td>
<td>Collective to groups</td>
<td>Temp Restricted/Unrestricted</td>
</tr>
<tr>
<td>Government/Philanthropy dollars</td>
<td>Society wide</td>
<td>Temp Restricted/Unrestricted</td>
</tr>
<tr>
<td>Corporation dollars</td>
<td>Corporations and nonprofits</td>
<td>Unrestricted</td>
</tr>
</tbody>
</table>

From Dennis Young, *Financing Nonprofits*. 
Capital

• Facilities

• Working

• Permanent

• Social???
Means of Capital

• Grants

• Individuals

• Debt
  – Loans
  – Bonds
Assessing Your Strategy

• Budget costs and revenues

• Record new and lapsed donors

• Calculate ROI
A Quick Question

What do you envision will be the source(s) of financial support for your venture?
Some Key Revenue Model Considerations

• Degree of Financial Independence (especially, associated with source)
• Capital Structure
• Nature of Assets
• Funding Dynamics
• How Resources Come In (Flow, Timing, etc.)
Capital Structure

The nature of the venture’s financial
• Assets
• Liabilities
• Net assets

Need to understand in terms of:
• Adequacy and alignment of assets you have and what you will need
• Diversity and Liquidity (esp. restriction and fixedness)
• Risk that is inherent in the capital structure you design
• Trends and changes that may alter the above
## Nature of Assets

<table>
<thead>
<tr>
<th>Level of Restriction</th>
<th>Fixity of Asset Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>Low</td>
</tr>
<tr>
<td>Cash</td>
<td>Medium</td>
</tr>
<tr>
<td>Building</td>
<td>High</td>
</tr>
<tr>
<td>Temporary Restricted</td>
<td>Endowment</td>
</tr>
<tr>
<td>Permanently Restricted</td>
<td></td>
</tr>
</tbody>
</table>
Funding Dynamics

• Reliability: Extent to which revenue source is consistent and predictable year to year.
  – Range from Low to Medium to High

• Autonomy: Degree of restriction and/or enforceable conditions on the use of funds
  – Range from Low to Medium to High
# Reliability and Autonomy

<table>
<thead>
<tr>
<th>Level of Reliability</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>One-year government project grant</td>
<td>Unrestricted Bequest</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Restricted endowment</td>
<td></td>
<td>Small regular contributions</td>
</tr>
</tbody>
</table>
Characteristics of Revenue Source Options

- Who Pays?
- How The Form of Revenue Comes In?
- How Reliable?
- How Autonomous?
- Other Characteristics (Pro and Con)
  - Financial Independence
  - Impact on Capital Structure
Your Venture’s Revenue Mix

• Please take about ten minutes to identify the source(s) of funding and financing that your venture will need to rely on at its beginning stages of development and rate it/them on the worksheet.