

*TURNING YOUR  
MISSION INTO  
\$ MONEY \$*

# *What is Social Enterprise?*

An entity or organization becomes a social enterprise when it...

- Directly addresses social needs through products and services or through the numbers of disadvantaged people they employ.
- Uses *earned* revenue strategies to pursue a double or triple bottom line.

# 3 Types of Social Enterprise

Employee-focused: (“Affirmative business”) Provide permanent jobs, competitive wages, career tracks, and ownership opportunities to disadvantaged populations.

Customer-focused: Directly address social needs other than workforce development, job creation, and career development. *Examples*: supportive housing, substance abuse recovery centers, supplemental education services.

Hybrid: Simultaneously deliver a product or service that directly addresses a social need *and* employs the members of a target population.

# *Three Stages Nonprofits Pass Through to Adopt Social Enterprise Strategies*

Stage 1: Use earned revenue to reduce dependency on philanthropy and government subsidies. Earned revenue typically covers less than two-thirds of operating budget.

Stage 2: Fully committed to social enterprise and have at least a five-year track record of aggressively pursuing self-sufficiency. At least two-thirds of operating budget covered by earned revenue.

Stage 3: Business that retains nonprofit status but in all other respects operates as for-profit. Are able to break-even or achieve profitability through earned revenue alone.

*First things First*

*1: Build a reputation for  
organizational capacity*

*Starts with your Board*

# Culture of Transparency

Exceptional boards promote a culture of transparency by ensuring that donors, stakeholders, and the interested members of the public have access to information regarding finances, operations, and results.

<b>Responsible Boards</b>	<b>x</b>	<b>Source of Power</b>	<b>=</b>	<b>Exceptional Boards</b>
Comply with government filing requirements		Active exchange between board and staff		Alongside staff, feel connected to the organization
Report annually on accomplishments and use of funds		Openness with donors and the public		Cultivate relationships with donors and stakeholders
		Whistle-blower policies to protect staff		Earn public trust and support

Typical Dilemma: Lack of “sunshine” and transparency on board operations, goals, and evaluations.



# Compliance with Integrity

Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for oversight.

<b>Responsible Boards</b>	<b>x</b>	<b>Source of Power</b>	<b>=</b>	<b>Exceptional Boards</b>
Ensure compliance with the law		Financially attentive and astute board members		Judiciously allocate and oversee resources
Approve budget and review financial reports		Vigorous oversight		Deeply understand their organizations
Obtain independent review or audit of financial statements		Proactive risk management		Minimize risk
Ensure appropriate insurance		Auditors and compensation consultants report to board		Display highest standards of ethical conduct
Revise bylaws, as necessary				

Typical Dilemma: Unaccustomed to scrutinizing sensitive matters.

# Sustaining Resources

Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence.

<b>Responsible Boards</b>	<b>x</b>	<b>Source of Power</b>	<b>=</b>	<b>Exceptional Boards</b>
Approve balanced budget		Creative and diverse revenue sources		Generate increased revenue
Accept fundraising responsibilities and contribute personally		Enthusiasm for bold visions and ambitious plans		Extend programmatic capacity of organization
Develop and monitor investments		Active involvement in solicitations		Improve organization's standing in the community
Promote the organization in community		Intellectual, social, political, and reputation capital		

Typical Dilemma: Lead with the organizations needs instead of matching organizational opportunities with donor's needs. [Premature launch.](#)

# *Funding Scenario*

(a local foundation was presented with a hypothetical )

*2: Make your venture work  
without grant help*

PHASE ONE EXPENSE				RENTAL INCOME PROJECTIONS			Sep-13	Oct-13	Nov-13	Dec-13
				RENTAL RATE:	MONTHLY	UNITS				
parking lot		\$84,100.00		3 BEDROOMS	\$1,193.00	3	\$3,579.00	\$3,579.00	\$3,579.00	\$3,579.00
foundation		\$20,000.00		2 BEDROOMS	\$885.00	4		\$3,540.00	\$3,540.00	\$3,540.00
fence		\$20,000.00		1 BEDROOMS	\$681.00	5			\$3,405.00	\$3,405.00
roofing		\$37,000.00								
security		\$10,000.00								
				RENTAL INCOME ON 12 UNITS			\$3,579.00	\$7,119.00	\$10,524.00	\$10,524.00
TOTAL PHASE ONE		\$171,100.00		occupancy allowance (10%)			\$3,221.10	\$6,407.10	\$9,471.60	\$9,471.60
				EXPENSES:						
UNITS SWAPPED FOR PHASE ONE WORK				condo fees			\$1,291.00	\$2,635.00	\$3,720.00	\$3,720.00
				case/property manager			\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
3 3 BEDROOMS		\$64,000.00		insurance			\$250.00	\$250.00	\$250.00	\$250.00
4 2 BEDROOMS		\$60,000.00		replacement reserve			\$500.00	\$500.00	\$500.00	\$500.00
5 1 BEDROOMS		\$47,000.00		contingency reserve			\$500.00	\$500.00	\$500.00	\$500.00
				bank loan			\$2,050.00	\$2,050.00	\$2,050.00	\$2,050.00
TOTAL FOR 12 UNITS		\$171,000.00								
PHASE TWO REPAIRS PER UNIT		\$15,000.00		TOTAL MONTHLY COSTS			\$5,591.00	\$6,935.00	\$8,020.00	\$8,020.00
NUMBER OF UNITS		12.00								
TOTAL REMODEL COSTS		\$180,000.00								
TOTAL OF PHASE ONE AND TWO		\$351,100.00		MONTHLY CASH FLOW ON 12 UNITS			-\$2,369.90	-\$527.90	\$1,451.60	\$1,451.60

*3: Present as a Sustainable  
Social Enterprise Model*

PHASE ONE EXPENSE					RENTAL INCOME PROJECTIONS		Sep-13	Oct-13	Nov-13	Dec-13	
					RENTAL RATE:	MONTHLY	UNITS				
parking lot		\$84,100.00			3 BEDROOMS	\$1,193.00	3	\$3,579.00	\$3,579.00	\$3,579.00	\$3,579.00
foundation		\$20,000.00			2 BEDROOMS	\$885.00	4		\$3,540.00	\$3,540.00	\$3,540.00
fence		\$20,000.00			1 BEDROOMS	\$681.00	5			\$3,405.00	\$3,405.00
roofing		\$37,000.00									
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					RENTAL INCOME ON 12 UNITS			\$3,579.00	\$7,119.00	\$10,524.00	\$10,524.00
TOTAL PHASE ONE		\$171,100.00			occupancy allowance (10%)			\$3,221.10	\$6,407.10	\$9,471.60	\$9,471.60
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5 1 BEDROOMS		\$47,000.00			contingency reserve			\$500.00	\$500.00	\$500.00	\$500.00
TOTAL FOR 12 UNITS		\$171,000.00									
PHASE TWO REPAIRS PER UNIT		\$15,000.00			TOTAL MONTHLY COSTS			\$3,541.00	\$4,885.00	\$5,970.00	\$5,970.00
NUMBER OF UNITS		12.00									
TOTAL REMODEL COSTS		\$180,000.00									
TOTAL OF PHASE ONE AND TWO		\$351,100.00			MONTHLY CASH FLOW ON 12 UNITS			-\$319.90	\$1,522.10	\$3,501.60	\$3,501.60

*4: Don't forget Return on  
Investment (ROI)*



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NUMBER OF UNITS		12.00								
TOTAL REMODEL COSTS		\$180,000.00								
TOTAL OF PHASE ONE AND TWO		\$351,100.00		MONTHLY CASH FLOW ON 12 UNITS			-\$319.90	\$1,522.10	\$3,501.60	\$3,501.60
2016 Appraisals:										
3 3 BEDROOMS		\$207,000.00								
4 2 BEDROOMS		\$236,000.00								
5 1 BEDROOMS		\$245,000.00								
Total 2016 Value		\$688,000.00								
Purchase + remodel		\$351,000.00								
Increase in asset		\$337,000.00								
3 year ROI		96%								
annual ROI		32%								

