

Willamette Valley Development Officers
Maximize Earned Income

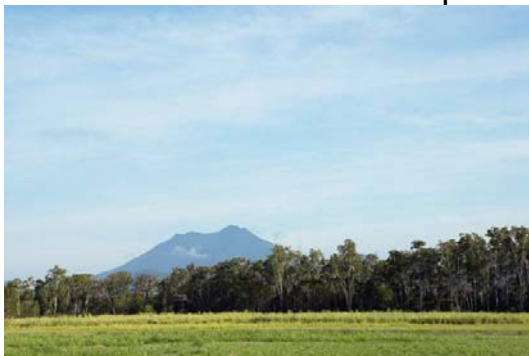
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Workshop Leader: Kay Sohl



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Earned Income Landscape



Earned Income

- Mission-related program fees
- Mission-related product sales
- Profit-focused business activities

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Social Enterprise

- Charitable organizations generating revenue through mission-focused activities
- For-profit business ventures accomplishing a social purpose
- L3Cs : Low-Profit Limited Liability Company

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Charities Generated \$938 Billion in Earned Income in 2007

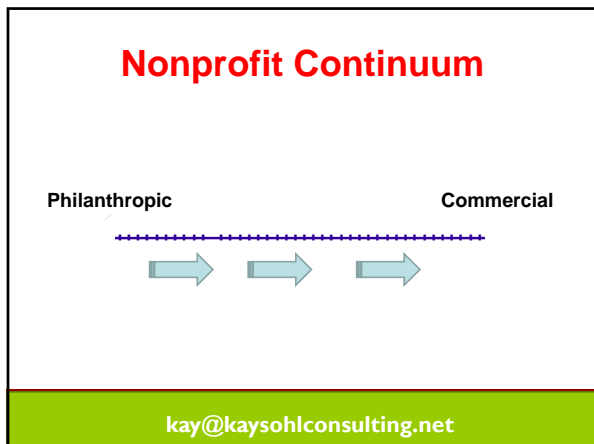
- **67%** of Public Charity revenue drawn from **program service revenues**
- Includes **government fees and contracts**
- % of earned income varies by sub-sector
- National Center for Charitable Statistics:
<http://nccs.urban.org/statistics/quickfacts>

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Your Sub-Sector?

- Arts & Culture
- Human Services
- Health
- Education
- Community Development
- Public Policy/Environment/Justice

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Nonprofit Continuum

	Philanthropic		Commercial
Motives, Methods, and Goals	<ul style="list-style-type: none"> • Appeal to goodwill driven • Social value 	<ul style="list-style-type: none"> • Mixed motives and market driven • Social and economic value 	<ul style="list-style-type: none"> • Appeal to self-interest • Market driven • Economic value
Beneficiaries	Pay nothing	Subsidized rates, or mix of full payer and those who pay nothing	Market-rate prices
Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

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- ## 3 Distinct Relationships
- **Philanthropic:** Donor/contributor receives no economic benefit
 - **Exchange:** Customer purchases goods/services at price which reflects value received
 - **3rd Party:** purchases goods/services to be used by independent customer
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Government/Nonprofit Relationships

- Grant awards:
 - nonprofit awarded funds to accomplish defined purposes
 - Use of funds controlled by line item budget
- Purchase of Service:
 - Agreed price for specific services for eligible individuals
 - Nonprofit may/may not control use of funds

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Government \$\$ as Earned Income

- Direct relationship between **volume** of service and **payment amount**
- **Opportunity** for profit
- **Nonprofit controls** use of funds

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Direct Customer & 3rd Party

- Direct relationship between **volume** of service and **payment amount**
- **Opportunity** for profit
- **Nonprofit controls** use of funds

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Your Earned Income Sources?

- Current?
- Potential?

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Tax Exemption Issues

- 501 (c) (3) status
- Exempt purpose activity
- Program income
- Unrelated business income
- UBIT – Unrelated Business Income Tax

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Exempt Purpose Activity

- Established in application for tax exempt status & governing documents
- Scope and scale of activity is reasonable in relation to purpose
- Sales/Fees result from exempt purpose activity

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Unrelated Business Income

- Activities not related to exempt purpose
- Activities exceeding scope & scale appropriate to exempt purpose
- Rental income on debt-financed property
- Inherently commercial activity - advertising

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4 Exemptions from "Unrelated"

- Sale of donated products
- Donated services comprise major element of activity
- Activities carried on for the convenience of participants in exempt purpose activities
- "Bingo" in states where limited to charities

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Earned Income Activities may be conducted through:

- Core charitable nonprofit organization
- Subsidiary nonprofit corporation controlled by core charitable nonprofit
- Subsidiary Limited Liability Corporation (LLC) or partnership controlled by core charitable nonprofit

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Basis for Choosing Legal Structure

- Scale of earned income activity
- Maturity/certainty of business model
- Potential legal liabilities
- Desire for/ availability of investors

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Evaluating Opportunities

- Expansion of current earned income activity
- Shifting the business model of current activities
- Finding new markets/customers for existing activities
- Creating new earned income activities

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Your Goals?

- Allow current activities to generate additional support to cover some or all of the cost of the activity?
- Obtain partial or full support for the new mission focused activity which will generate the income?
- Provide "profit" to underwrite other costs of your nonprofit?

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Your Business Model

- Product or Service
- Market Analysis
- Competitive Position
- Marketing & Distribution strategies
- Costs: Start-up & Operating
- Pricing
- Financial Projections
- Capitalization
- Management

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Case Study

- Identify one current or potential product or service appropriate for their nonprofit for evaluation;
- Select the product/service which your table would like to use as a Case Study
- Present your nomination for Case Study to the full group

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Product/Service

- Brief description
- How is it related to the nonprofit's exempt purpose
- Who is the intended user/beneficiary
- Who is the intended purchaser

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Market Analysis

- Geographic location of potential users
- Demographic profile of potential users
- Frequency of use
- Do users currently pay directly for this product/service
- Need for/availability of 3rd party payer

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Competitive Position

- True and Perceived Competitors?
- Comparable products/services?
- Products/services perceived as comparable by users or 3rd party purchasers
- Price competition/sensitivity

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Marketing & Distribution Strategies

- Access to potential users/buyers
- Brand recognition/reputation
- Strategies to strengthen brand & build demand for product/services
- Barriers to building demand
- Distribution method

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Start-Up/Expansion Costs

- Product/service capacity development
 - New personnel
 - Training & consulting
- Facilities & equipment
- Inventory
- Management systems development
- Initial marketing

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Ongoing Operating Costs

- Direct costs of provision of service/product
- Shared overhead costs
 - Accounting
 - Facilities
 - Management

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Cost Modeling

- Identify Fixed, Direct Variable, and Step-Variable costs
- Create models based on varying volume of sales/services assumptions:
 - Personnel required to achieve volume
 - Facilities & equipment

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Fixed Costs

- Costs required to provide any volume of services/products:
 - Program manager & qualified staff
 - Facilities and equipment
 - Licensure
 - Minimum inventory purchase
 - Technology

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Direct & Step Variable Costs

- Direct Variable Costs:
 - increase with each additional unit of service/item provide
- Step Variable Costs:
 - Increase in steps
 - Example: 2 infant care workers may care for up to 8 infants, the addition of a 9th infant requires 3 workers

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Overhead Costs

- Determine the fair share of overhead costs which should be attributed to your earned income activity:
 - Shared facilities, supplies, etc.
 - Management
 - Resource development
- Determine the portion of overhead costs which margin on the activity will cover

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Contribution to Overhead

	Admin	FR	Prog A	Prog B
Income				
Direct Expense				
Contribution to Overhead				

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Opportunity Costs

- The attention your nonprofit devotes to developing and managing your earned income venture will not be available for other purposes
- The use of reserves or charitable gifts to underwrite development of the earned income will not be available to support other activities

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Pricing

Factors to consider:

- Market price of comparable items
- Extent to which your service/product will be perceived as worth more/less than the going rate
- Your willingness to sell at less than cost for a defined period

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More Pricing ??

- Your distribution method – will you discount bulk purchases
- Variable pricing – Humane Society example
- Do you control the price? 3rd party payers may control price

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Financial Projections – Part 1

- 3 to 5 years
- Detail revenue assumptions:
 - Volume
 - Pricing
 - Collections

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Financial Projections – Part 2

- Match operating expense projection to revenue assumptions on volume of services/sales
- Present start-up costs separately
- Include assumptions about start-up funding and use of debt
- Include debt service in projections

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Capitalization

- Initial investment required to acquire:
 - Facilities & equipment
 - Expertise
 - Marketing
- Working capital
 - Cash to support ramp up
 - Ongoing cash flow support

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Capitalization Sources

- Grants and gifts
- Self finance through reserves
- Loans
 - Mission-related foundation loans
 - Commercial lending
 - Government loans & bond financing
- Investors

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Investors

- Requires use of separate legal entity
- Tax Credits
 - New Market
 - Historic Preservation
 - Low Income Housing

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Management

- Constant attention to financial goals
- Understanding of relationship between income and expenses
- Opposite of grants management focus
- Need info quickly
- Identify & monitor key indicators

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Management Challenges

- Two worlds – must continue to manage in grant funded or donor driven world while managing earned income activity
- System for allocating shared costs must be clear and consistent
- Capacity for flexibility and quick response

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Know the past – Focus on the future

	Yr-to-date	Annual Budget	Actual as % of budget	Projected year end
Income				
Expense				
Net Income				

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Project Impact of Operating Results on Resiliency

	Prior Year End	Current Period	Projected Year End
Cash			
Key Liabilities			
Net Assets			

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Dashboard



Graphic display of key trends:

- Days of Cash
- Service/sales targets – utilization %
- # of Donors, average gift
- Key ratios



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Earned Income Culture

- Dual focus – mission & money
- Committed to financial targets
- Traditional staff may perceive shift to earned income culture as stressful, pressured
- Business skills – nonprofit motivation

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Powering Up Earned Income

- Identify opportunities within current service mix
- Identify your strengths & assets: expertise, facilities, relationships & reputation
- Assess your capacity for planning & managing new efforts

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Preliminary Reality Check

- **Market** – who will be both willing and able to purchase your service/product?
- **Cost/Price** relationship – rough projection of your costs in comparison to current market prices
- **Capacity** – access to capital, time for development, systems, culture

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Next Steps

- Identify opportunities to:
 - Improve performance of current activities
 - Expand your market
 - Invest to improve your delivery & management
- Evaluate opportunity costs to guide your time investment

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Lexicon for Social Enterprise

Social Enterprise: Any earned-income business or strategy undertaken by a nonprofit for the purpose of generating revenue in support of the nonprofit's social mission.

Earned Income: Payments received in direct exchange for a product, service or privilege. Earned income for a nonprofit includes such elements as tuition and fees for service, commercial products or services, government contracts, consulting fees, membership dues (when dues purchase tangible benefits), sale of intellectual property, agreement to use the nonprofit's identity, property rentals, etc. Earned income does not include such sources as corporate, foundation or government grants or subsidies, contributions from individuals, or in-kind donation of products or services.

Financial Sustainability: The extent to which a nonprofit is able to pursue its mission indefinitely through any or all of the following: earned income, charitable contributions and public sector subsidies.

Self-sufficiency: The extent to which a nonprofit is able to pursue its mission indefinitely through earned income alone without relying in whole or in part on charitable contributions or public sector subsidies.

Double Bottom Line: The definitive benchmark for a social purpose business venture – the simultaneous creation of both a financial and social return on investment.

Triple Bottom Line: A business venture's simultaneous pursuit of beneficial outcomes along three dimensions: economic, social and environmental.

Financial Return on Investment: ROI – an index of financial profitability that measures the net result of operations as a percentage of funds invested; an indicator of business success.

Social Return on Investment: SROI – the non-financial outcomes created by a social enterprise, measured in terms of the nonprofit's mission, e.g. people served or jobs created, average salaries paid, amount of transfer payments eliminated, etc.

Social Entrepreneurship: The art of persistently and creatively leveraging resources to capitalize upon marketplace opportunities in order to achieve sustainable social change.

Social Purpose Business: A discrete division, subsidiary or related corporation of a nonprofit or a for-profit company that deliberately pursues financial and social returns within a specific industry segment in the commercial marketplace.

Earned Income Strategies: Attempts to capitalize on the earned income potential of a program or other organizational asset (property, intellectual capital, reputation, etc.) in order to cover part or all of the program's costs or to offset a portion of the organization's overall expenses.

Unrelated Business Income: Earned income derived from the sale of products or services that are not directly related to the charitable purpose of a nonprofit organization. Such revenues may be subject to federal tax and, at significant levels in proportion to total nonprofit income, may jeopardize the tax-exempt status of a nonprofit corporation.

Venture (or "Engaged") Philanthropy: The application by donors of principles traditionally associated with venture capitalists to improve the capacity or performance of a nonprofit organization or social enterprise. Engaged philanthropy practices typically involve a combination of funding and expertise, more direct engagement with leadership, long-term funding relationships (three to six years), performance monitoring, and an exit strategy.



Nonprofit Continuum

	Purely Philanthropic		Purely Commercial
Motives, Methods, and Goals	<ul style="list-style-type: none"> • Appeal to goodwill • Mission driven • Social value 	<ul style="list-style-type: none"> • Mixed motives • Mission and market driven • Social and economic value 	<ul style="list-style-type: none"> • Appeal to self-interest • Market driven • Economic value
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Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices



Earned Income & Social Enterprise Resources

Social Entrepreneurship: What Everyone Needs to Know, David Borenstein & Susan Davis, 2010.

Selling Social Change (Without Selling Out): Earned Income Strategies for Nonprofits, Andy Robinson & Kim Klein, 2002.

Social Entrepreneurship: The Art of Mission-Based Venture Development, Peter Brinckerhoff, April 2000.

Enterprising Nonprofits: A Handbook for Social Entrepreneurs, by Peter Economy, J. Gregory Dees, and Jed Emerson (John Wiley & Sons, 2001)

Strategic Tools for Social Entrepreneurs: Enhancing the Performance of your Enterprising Nonprofit, by Peter Economy, J. Gregory Dees, and Jed Emerson (John Wiley & Sons, 2002)

Generating and Sustaining Nonprofit Earned Income: A Guide to Successful Enterprise Strategies, Yale School of Management-The Goldman Sachs Foundation Partnership on Nonprofit Ventures, editors Sharon M. Oster, Cynthia W. Massarsky, and Samantha L. Beinhacker, forward by Bill Bradley (April 2004)

PART ONE: KEY ISSUES IN BUSINESS PLANNING FOR NONPROFIT ENTERPRISE

1. *Putting Nonprofit Business Ventures in Perspective* (J. Gregory Dees)
2. *Building Organizational Capacity* (Paul Connolly)
3. *Leadership Strategies for Managing a Nonprofit Enterprise* (Jeffrey A. Sonnenfeld and Maxwell L. Anderson)
4. *Targeting the Market and Developing a Marketing Plan* (Christopher Lovelock)
5. *Pricing Goods and Services* (Sharon M. Oster)
6. *Legal and Tax Considerations* (William H. Heritage Jr. and Timothy J. Orlebeke)
7. *Nonprofit Ventures and Governance Issues* (**Katherine M. O'Regan**)

PART TWO: FINDING AND ATTRACTING CAPITAL

8. *Securing Financial Capital* (David Bornstein and The Goldman Sachs Foundation)
9. *Pitching Your Venture* (Amy Solas and Adam M. Blumenthal)
10. *Forming Strategic Alliances* (Richard Steckel)
11. *Growing Your Business with a High-Engagement Funder* (Kristin Majeska)
12. *Supporting Nonprofit Enterprise in Emerging Markets* (Lee Davis and Nicole Etchart)

PART THREE: THE BUSINESS PLAN IN ACTION

13. *Fundamentals of Implementation* (Patricia Caesar and Thomas Baker)
14. *Real World Challenges of Implementation* (Kim Alter)
15. *Deploying Resources Effectively* (Dennis R. Young)
16. *Using Performance Metrics to Assess Impact* (Stephanie Bell-Rose)
17. *Taking Your Venture to Scale* (Rick Aubry)

Strategic Plan vs. Business plan

Strategic Planning Process	Business Plan Development Process
<p>Purpose:</p> <ul style="list-style-type: none"> • Guide direction for entire organization • Clarify mission, vision, values • Identify organizational niche • Obtain and consider multiple perceptions about both the strengths and limitations of the organization and the challenges/opportunities of the environment • Identify primary goals and strategies to address them • Identify appropriate performance measurements • Build unity and engagement among board, staff, volunteers, and stakeholders 	<p>Purpose:</p> <ul style="list-style-type: none"> • Prove viability of overall business model for nonprofit or of one line-of-business component • Explore options and support selection of most promising option • Provide goals and identify progress indicators to evaluate success in one line-of-business or whole organization • Persuade funders, lenders, customers, and others to support the business model

Strategic Plan Elements	Business Plan Elements
<ul style="list-style-type: none"> • Mission, vision, values • SWOT analysis (strengths, weaknesses, opportunities, threats) • Niche – primary role and identity • Need/ market • Goals and Strategies <ul style="list-style-type: none"> ○ Program ○ Funding/revenue generation ○ Management/infrastructure • Marketing/communication • Performance indicators 	<ul style="list-style-type: none"> • Description of organization or line of business • Management capacity • Market analysis • Product and services • Assumptions • Uncertainty and risks • Growth and exit • Financial projections • Performance indicators

Market Analysis: Services and Products

- Nonprofits traditionally document need for services
- Concept of market includes both need for and ability and willingness to purchase services or products
- Customers – needs and wants of the people who will use the service/product
- Market segments – which customers want which service or product features
- Competitors: real and as perceived by potential customers
- Market position
- Pricing
- Marketing strategies
- Impact of 3rd party payers
- Donor impact

Market Analysis: Donors

- Demographics
- Values congruence
- Relationship
- Competition
- Donor service needs and preferences
- Retention

Strategic Pricing Factors

- Substitutes available? Price?
- Demographics of customer base
- Essential to consumer – how bad do they want it?
- Perceived as short term or long term?
- Customers will be lost as price increases
- Sweet spot – point at which gains through increased price exceed losses through customers lost through price increase
- Impact of pricing on ability to achieve mission-based criteria for who should be served

Resistance to Planning

- Future cannot be known
- Planning wastes time
- Previous plans had little/no impact
- Need to act now
- Major decisions are outside our control
- Shouldn't let financial limitations distract from us from our mission
- No capacity to implement change

Planning Tips

- Clarify authority to make final planning decisions
- Clarify scope of planning process and level of detail to be addressed
- Use planning process as opportunity to build involvement by board, staff, volunteers, funders, and community
- Use process to raise awareness and credibility of your organization
- Revisit mission
- Clarify values
- Provide concise baseline data of current services, accomplishments, sources and uses of funds, etc.
- Provide concise scan of other resources addressing similar needs
- Obtain internal and external perceptions of your strengths and limitations and the opportunities and threats posed by the environment in which you operate
- Identify the “forks in the road” – critical choices your nonprofit must make
- Determine what info is needed to make those choices and obtain it
- Identify goals and strategies in three key areas:
 - Program
 - Funding/ revenue generation
 - Management and infrastructure
- Create business model – financial projections which reflect your goals and strategies
- Identify progress indicators
- Test your draft plan with key stakeholders
- Establish strategies to monitor implementation of your plan



Sample Business Plan Worksheet

1. **Program** _____

2. **Service Element** _____

3. Sub-elements	Current Volume	Option 1 Volume	Option 2 Volume
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. **Additional Costs Required to Maintain Current Volume**

Sub-element I _____

	Position	Cost
Staff Additions	_____	_____
	_____	_____
	_____	_____
	_____	_____
Salary Adjustments	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

	Item	Cost
Non-personnel cost adjustments	_____	_____
	_____	_____
Additional/new facilities & equipment	_____	_____
	_____	_____
Indirect support requirements		
New Brochure	_____	_____
Mktg Consultant	_____	_____

Sub-element 2 _____
 (same categories as #4 above)

5. Additional Costs Required for Option I

Sub-element I _____

	Position	Cost
Staff Additions	_____	_____
	_____	_____
	_____	_____
	_____	_____

Salary Adjustments	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

	Item	Cost
Non-personnel cost adjustments	_____	_____
	_____	_____
	_____	_____

Additional/new facilities & equipment	_____	_____
	_____	_____
	_____	_____

Indirect support requirements

New Brochure _____

Mktg Consultant _____

Sub-element 2 _____

(same categories as #5 above)

6. Revenue Projections Assuming Current Volume

Sub-element 1 _____

Source	Method of Pay	Volume	Revenue (net of estimates for non-collection)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Sub-element 2 _____

(same categories as #6 above)

7. Revenue Projection Assuming Option 1

Sub-element 1 _____

Source	Method of Pay	Volume	Revenue (net of estimates for non-collection)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Sub-element 2 _____

(same categories as #7 above)

8. Need for Start-up Subsidy

Sub-element 1 _____ Option _____

Amount required _____

Justification _____

Sub-element 2 _____ Option _____

Amount required _____

Justification _____

9. Need for Ongoing Subsidy

Sub-element _____ Option _____

Amount Required per year: Year 1 \$ _____

Year 2 \$ _____

Year 3 \$ _____

Justification _____



Basic Earned Income Planning Steps

I. Assess Demand/Need

- Who (how many) needs what service
- Who has ability/willingness to purchase what service for whom

II. Assess Capacity

- A. Direct
 1. How much of which service can we currently deliver?
 2. What additions would be necessary to:
 - Increase volume of current service
 - Add new service
 - Modify existing method of delivery
- B. Indirect
 1. What support services are required for current and proposed levels

III. Assess Competition/Market Position

- A. Who else provides similar service
 1. How are ours and theirs similar and different
 2. Is demand for similar service adequate to support both suppliers?
 3. Will the customer understand differences in service and choose us when appropriate?
- B. Who else is perceived as providing similar service but actually provides different service?

IV. Determine Cost of Providing Service at Varying Levels

- A. Core direct cost of providing any service
- B. Direct cost increments - What additional costs will be required for increases in volume?
- C. Indirect cost increments
 1. Management
 2. Accounting/billing
 3. Marketing
 4. Fund development
 5. Information technology, services tracking, data analysis

- D. Program start-up requirements
 - 1. Identify any one-time-only costs necessary to expand the volume of services or add additional services
 - 2. Consider cost of hiring and supervising new staff, training, special supplies, insurance, etc.
- E. Facilities and equipment requirements
 - 1. Identify facilities and equipment required to continue current operations at current level
 - 2. Identify additional facilities and/or equipment required for expansion of existing services or additional services
- F. Marketing/development costs
 - 1. Identify marketing strategy most likely to attract desired users and payers
 - 2. Identify costs of developing and implementing marketing/development strategy

V. Project Revenue at Varying Service Levels and Mixes

- A. Identify potential buyers/funders of service
- B. For each buyer/funder, identify the basis of payment
 - 1. Per unit of service
 - 2. Per contract time period
 - 3. Line item budget
- C. Determine minimum and maximum purchase/contribution from each source
- D. Identify appropriate percent loss through non-collection from this source

VI. Start-Up or Expansion Capital Requirement

- A. Identify costs of start-up/expansion
 - 1. Personnel
 - 2. Facilities & equipment
 - 3. Training & consultation
 - 4. Inventory
 - 5. Marketing
 - 6. Accounting/infrastructure
 - 7. Working capital
- B. Identify sources of start-up/expansion capital
 - 1. Grants
 - 2. Program-related investments
 - 3. Loans & lines of credit
 - 4. Reserves – self funding
 - 5. Investors – for-profit subsidiary, New Market Tax Credits

XYZ 3 Year Projection			
With Expansion	Yr 1	Yr2	Yr3
Fees per Detail	1,250,466	1,622,212	1,660,911
Children's Levy Oper grant	157,411	147,177	150,000
Children's Levy Quality Improve.	62,500	62,500	62,500
Edwards Foundation	40,000	40,000	40,000
Other grants	120,000	90,000	100,000
USDA Food Program	54,000	64,800	66,096
United Way donor option	8,000	9,000	9,500
Individual donations	30,000	31,000	32,000
Fund raising events	2,000	3,000	5,000
Total grants & contributions	473,911	447,477	465,096
Total Support & Revenue	1,724,377	2,069,689	2,126,007
Expenses			
Personnel	1,305,575	1,598,236	1,630,200
Professional Services	61,000	67,000	65,000
Food	72,000	93,600	95,472
Staff development & training	11,100	14,430	14,730
Supplies	68,000	85,000	86,700
Postage, Printing	10,500	11,000	11,220
Field trips	800	1,200	1,224
Transportation	8,050	10,000	10,200
Fees, licenses, dues	2,500	2,800	2,856
Rent	7,520	7,670	7,824
Building maintenance	15,000	15,750	16,065
Telephone	6,500	7,000	7,140
Utilities	32,000	36,240	36,965
Interest & credit card charges	3,720	3,994	4,070
Insurance	18,334	20,000	20,400
Total operating expenses	1,622,599	1,973,921	2,010,066
Net Operating Income	101,778	95,768	115,941
Other Income & Expenses			
Depreciation expense	53,500	54,000	54,000
Net Income	48,278	41,768	61,941
Cash Flow Adjustments			
Mercy Partnership Loan	200,000	0	0
US Bank Principal repay	(80,566)	0	0
Depreciation Expense	53,500	54,000	54,000
Investment in Fixed Assets	(60,000)	(15,000)	(17,000)
Total Cash Flow Adjst	112,934	39,000	37,000
Net Cash Flow	161,212	80,768	98,941

Net Cash Flow	161,212	80,768	98,941
Loan Repay Option 1			
3% Int.only - balloon at yr 5- quarterly paymts	6,000	6,000	6,000
Loan Repay Option 2			
10 yr amortization- 3% - monthly payments	23,184	23,184	23,184

XYZ Nonprofit					
Pro Forma Balance Sheet					
	6/30/2010	6/30/2011	6/30/2012	6/30/2013	
Assets					
Cash	27,224	188,436	269,205	368,146	
<i>Accounts Receivable</i>					
Parent Fees	72,033	79,000	80,725	80,000	
State subsidies	89,023	55,000	60,000	65,000	
City subsidies	35,864	65,000	65,000	67,665	
Allowance for uncollectibles	(28,371)	(19,900)	(20,573)	(21,267)	
Government grants/contracts receivable	128,575	110,809	110,000	110,000	
Prepaid expenses	19,156	25,000	25,000	20,000	
<i>Fixed Assets</i>					
Land, building, improvements	1,790,992	1,840,415	1,850,415	1,862,415	
Vehicles, furniture, & equipment	84,423	95,000	100,000	105,000	
Accumulated depreciation	(800,880)	(854,380)	(908,380)	(962,380)	
Total fixed assets	1,074,535	1,081,035	1,042,035	1,005,035	
Total Assets	1,418,040	1,584,380	1,631,393	1,694,580	
Liabilities and Net Assets					
<i>Current Liabilities</i>					
Accounts payable	22,697	20,000	21,000	21,000	
Payroll liabilities	53,916	55,000	59,000	60,000	
Total current liabilities	76,613	75,000	80,000	81,000	
<i>Long term liabilities</i>					
US Bank Note	80,566	0	0	0	
Sisters of St. Francis	24,121	24,362	24,606	24,852	
Mercy Partners loan	0	200,000	200,000	200,000	
Total long term liabilities	104,687	224,362	224,606	224,852	
Total Liabilities	181,300	299,362	304,606	305,852	
Net Assets					
<i>Unrestricted Net Assets</i>					
Invested in property & equipment	1,074,535	1,081,035	1,042,035	1,005,035	
Available for operations	162,205	203,983	284,752	383,693	
Total unrestricted Net Assets	1,236,740	1,285,018	1,326,787	1,388,728	
Temporarily Restricted Net Assets	0	0	0	0	
Total Net Assets	1,236,740	1,285,018	1,326,787	1,388,728	
Total Liabilities and Net Assets	1,418,040	1,584,380	1,631,393	1,694,580	

XYZ 3 Year Projection			
	Yr 1	Yr 2	Yr 3
Without Expansion			
Fees per Detail	1,250,466	1,293,252	1,318,023
Children's Levy Oper grant	157,411	147,177	150,000
Children's Levy Quality Improve.	62,500	62,500	62,500
Edwards Foundation	40,000	40,000	40,000
Other grants	120,000	60,000	85,000
USDA Food Program	54,000	55,000	56,100
United Way donor option	8,000	9,000	9,500
Individual donations	30,000	31,000	32,000
Fund raising events	2,000	3,000	5,000
Total grants & contributions	473,911	407,677	440,100
Total Support & Revenue	1,724,377	1,700,929	1,758,123
Expenses			
Personnel	1,305,575	1,331,687	1,358,320
Professional Services	61,000	60,000	61,200
Food	72,000	73,440	74,909
Staff development & training	11,100	11,500	11,730
Supplies	68,000	69,360	70,747
Postage, Printing	10,500	10,710	10,924
Field trips	800	816	832
Transportation	8,050	8,211	8,375
Fees, licenses, dues	2,500	2,550	2,601
Rent	7,520	7,670	7,824
Building maintenance	15,000	15,300	15,605
Telephone	6,500	6,630	6,763
Utilities	32,000	32,640	33,293
Interest & credit card charges	3,720	3,794	3,870
Insurance	18,334	18,700	19,074
Total operating expenses	1,622,599	1,653,008	1,686,067
Net Operating Income	101,778	47,921	72,056
Other Income & Expenses			
Depreciation expense	53,500	53,500	53,500
Net Income	48,278	(5,579)	18,556
Cash Flow Adjustments			
Mercy Partnership Loan	200,000		
US Bank Principal repay	(80,566)		
Depreciation Expense	53,500	53,500	53,500
Investment in Fixed Assets	(60,000)	(5,000)	(5,000)
Total Cash Flow Adjst	112,934	48,500	48,500
Net Cash Flow	161,212	42,921	67,056

Net Cash Flow	161,212	42,921	67,056
Loan Repay Option 1			
3% Int.only - balloon at yr 5- quarterly paymts	6,000	6,000	6,000
Loan Repay Option 2			
10 yr amortization- 3% - monthly payments	23,184	23,184	23,184