

New Sources of Capital & Alternative Paths to Sustainability:

Accessing capital, increasing financial self-sufficiency & achieving greater sustainability

**Drew Tulchin
Managing Partner
Social Enterprise Associates**

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About You!

See who's in the room (show of hands)

Turn to someone you don't know and share your:

- Name
- Company/Organization
- What brought you here today
- What interests you about this topic

About Us

Social Enterprise Associates

www.socialenterprise.net

Private Consulting Firm

A network of professionals making communities better using business skills & sustainable practices

Registered B Corporation



Drew Tulchin, Managing Partner

Raised >\$100 million for clients

Directed CDFI in DC area – ECDC’s Enterprise Development Group

Senior Program Officer, Grameen Foundation – founded Capital Markets group

Recent Engagements

U.S. Gigs:

- New Mexico economic dev study to help agricultural biz
- City of Santa Fe, revised City Loan Fund for best alternatives
- Tohono O'odham Nation CDFI - Created consumer market study
- NM Native Green Loan Fund - \$10 million fund for infrastructure in Indian Country

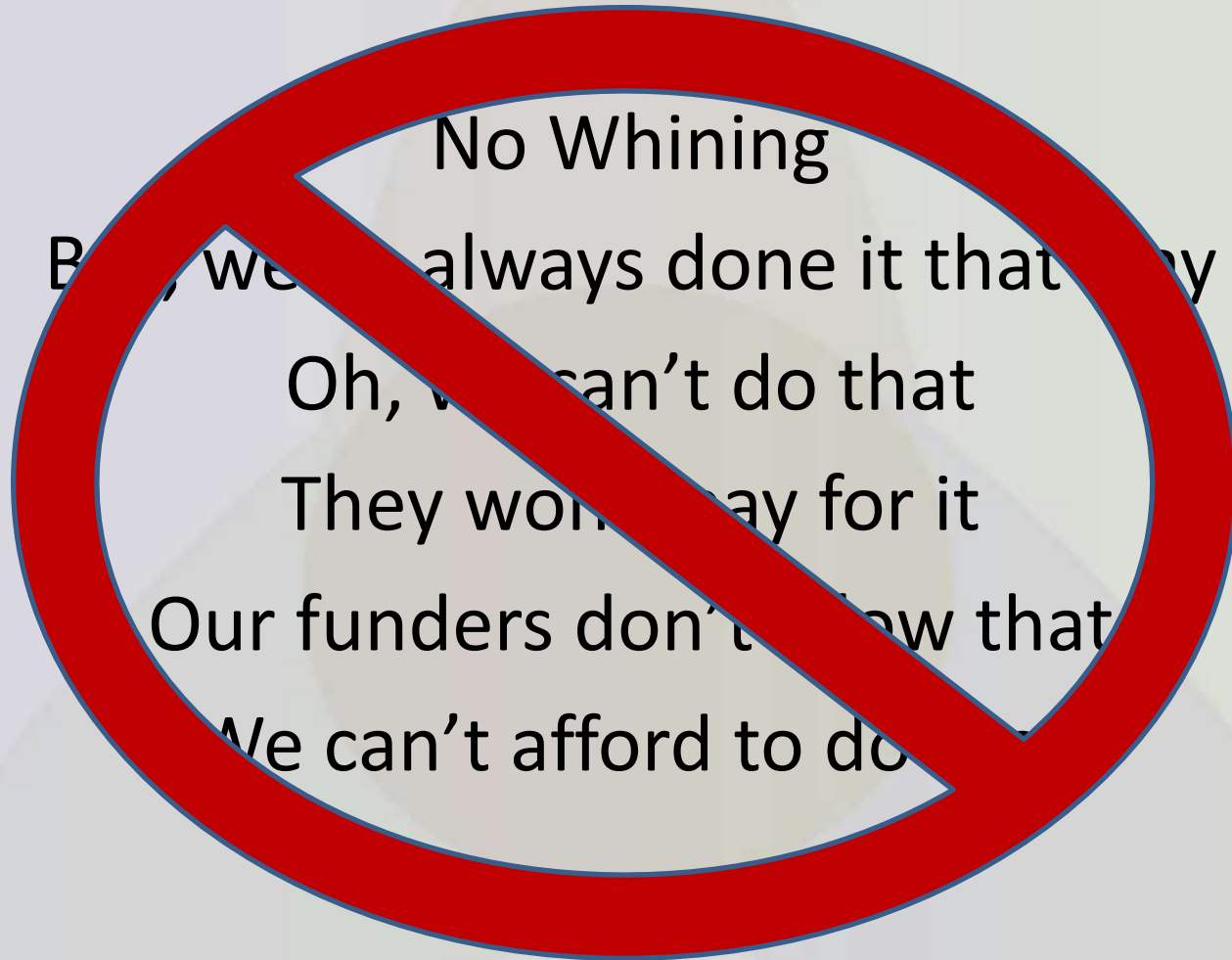
International Stuff:

- Taxi Excel, Peru - raising capital for micro-franchise creating jobs with green taxis
- SEEP Network - helped 5 entities w/ scale up (Gates Foundation)
- Plan International - Niger & Senegal identified income options for youth entrepreneurs (MasterCard Foundation)



Theory

Create the Path – Have the Vision



No Whining

Definition of Terms

Financial Self-Sufficiency

- Measures degree which operating income covers adjusted operating exp

Project Profitability

- When operating income is greater than adjusted operating expenses

Capital

- Cash or assets used to generate income

Sustainability

- Present needs met without compromising ability for needs met in future

Earned Income

- Compensation from participation in a business, including wages, salary, tips, commissions, and bonuses

Triple Bottom Line

Multiple bottom lines:

Single Bottom Line = financial profitability

Double Bottom Line + social / community impact

Triple Bottom Line + environmental impact

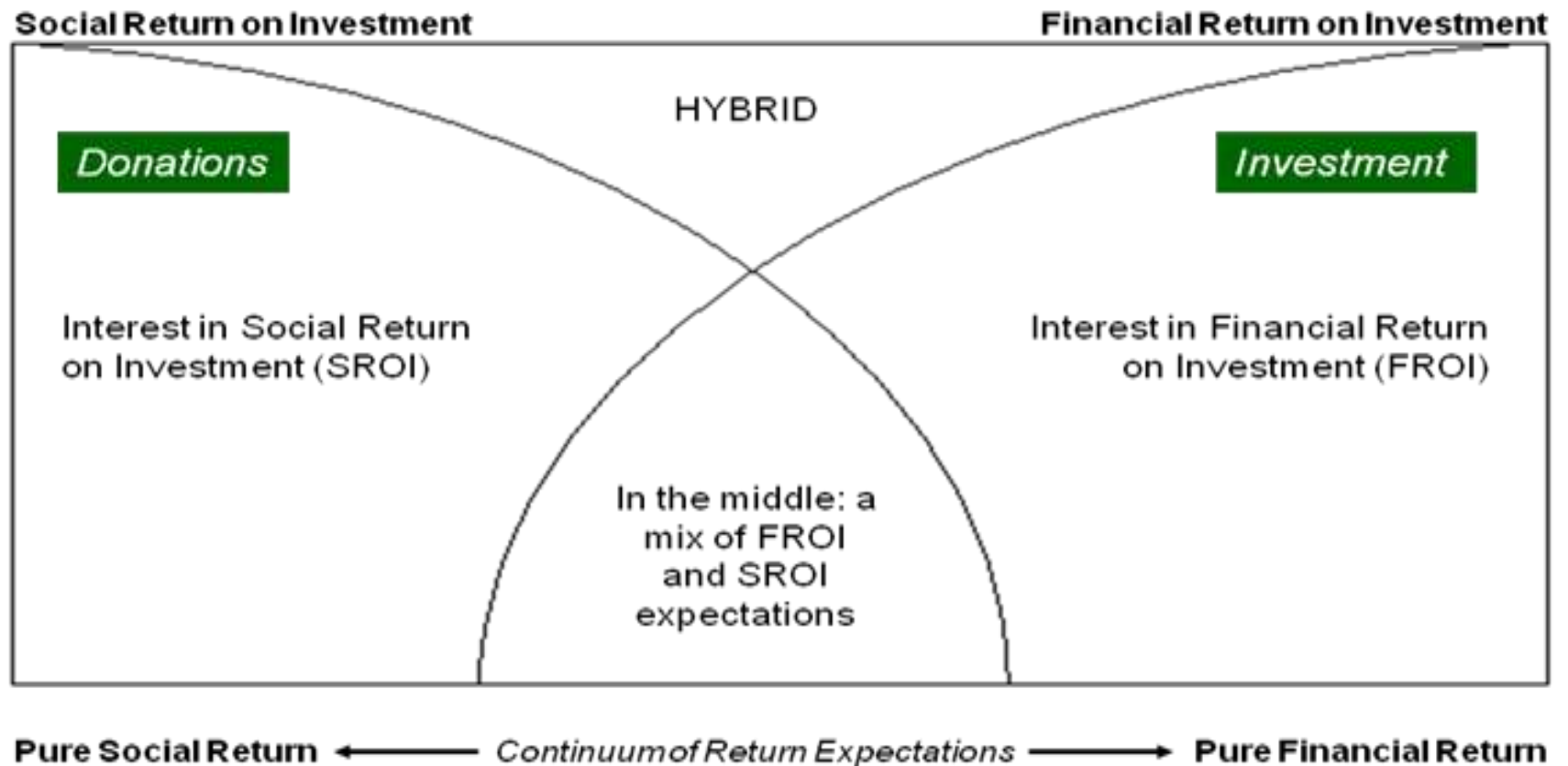
What are the 3 Ps? People, Profit, Planet



Quadruple Bottom Line + cultural impact

(The 4th Dimension...cool)

Blended Value Proposition

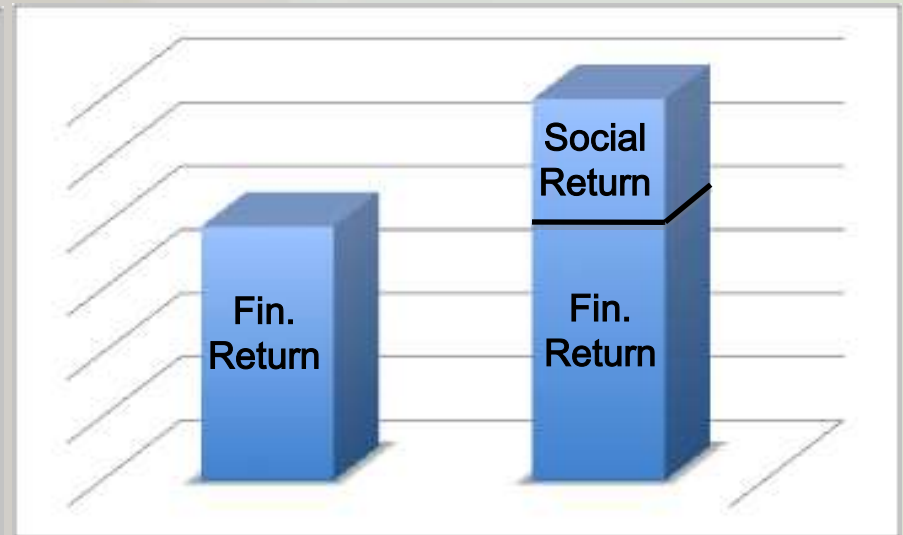
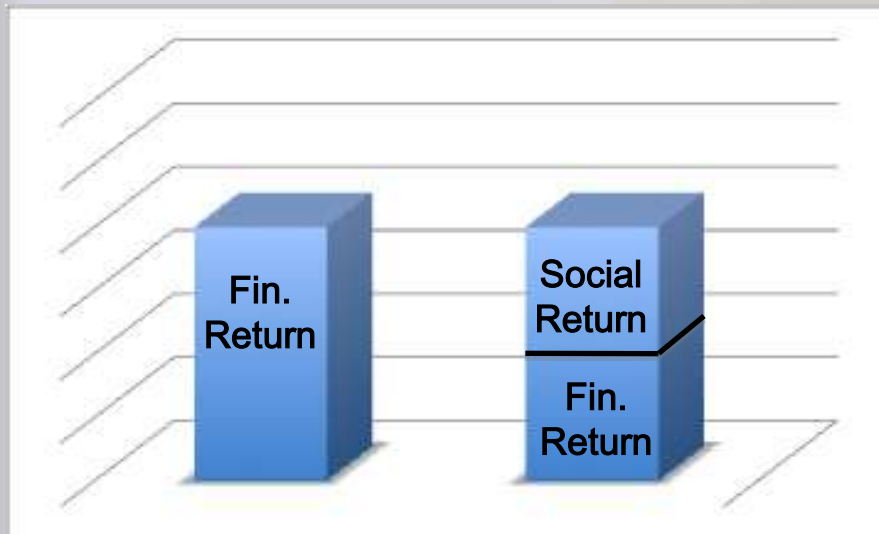


Morino Institute, Blended Value Proposition

Thinking About Returns

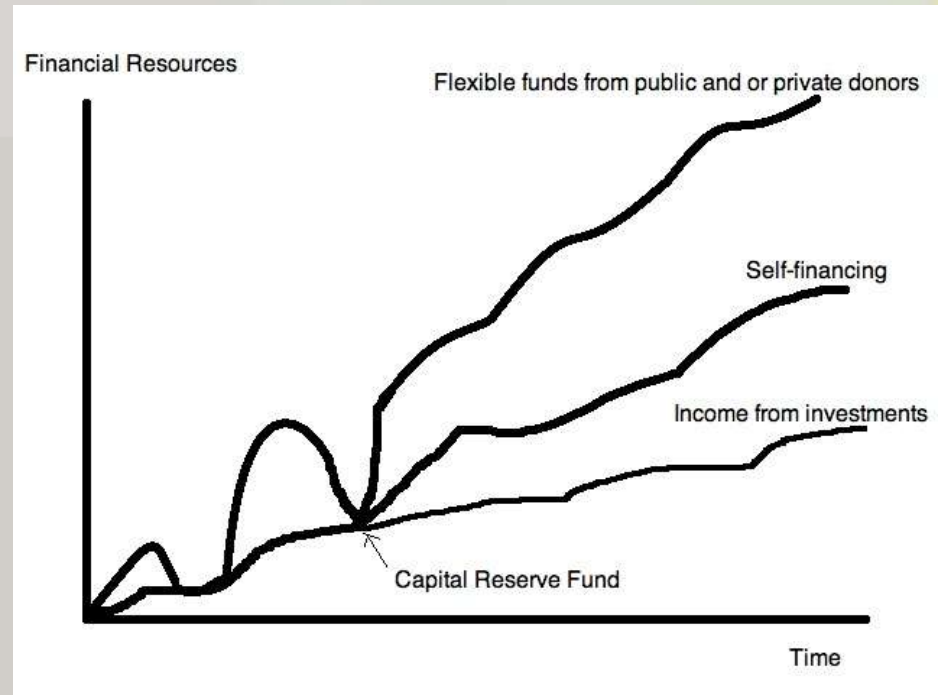
Social Return as substitute
for Financial Return with
respect to ROI

Social Return in addition to
Financial Return

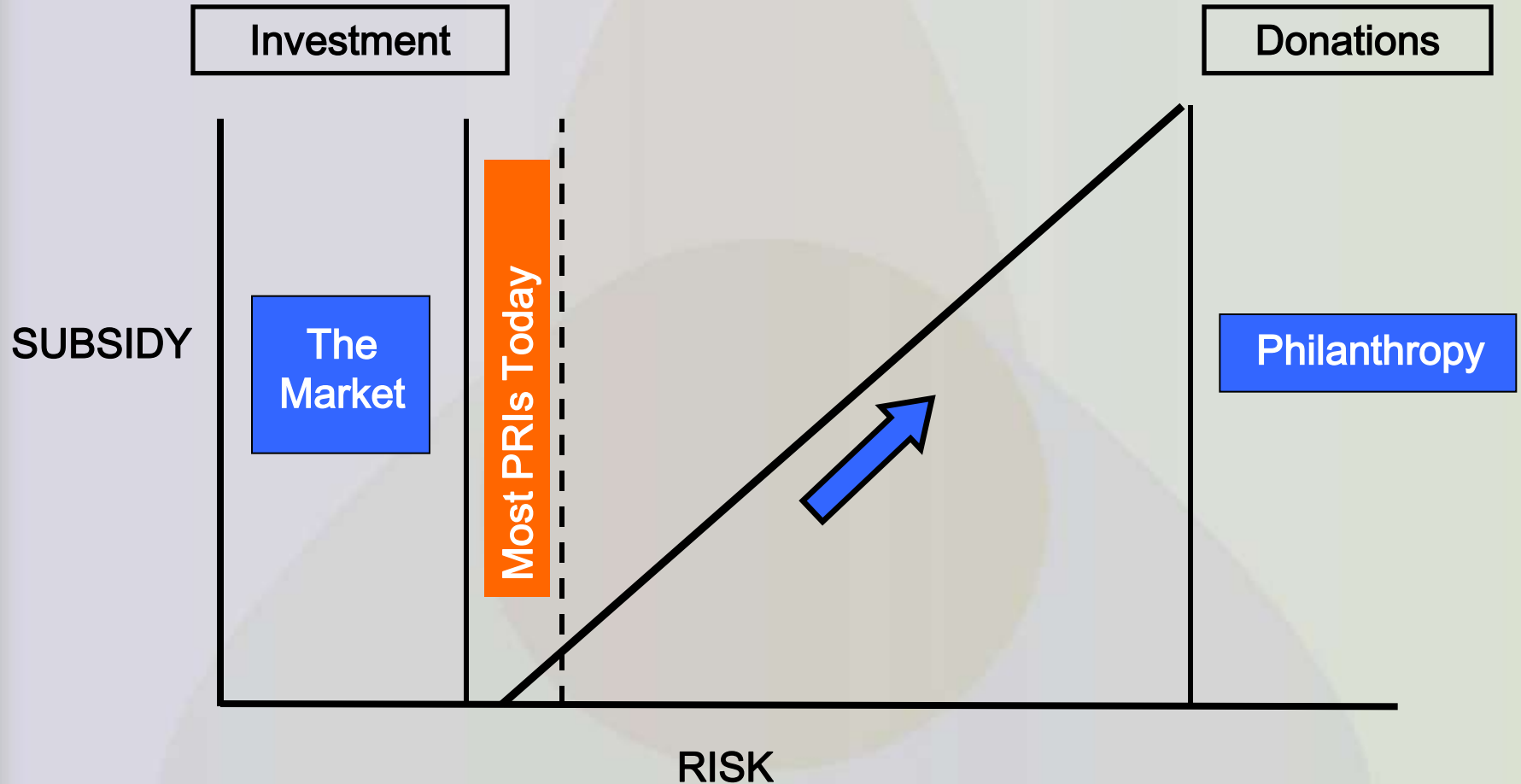


How do you measure your activities to show this?

Different Sustainability Over Time



Continuum of Investment Risk



What is the optimal matching of risk and subsidy?

The Sustainability Ratio

Increasing your organization's viability

$$\text{Financial Self-Sufficiency} = \frac{\text{Adjusted Operating Income}}{\text{Adjusted Operating Expenses}}$$

For example:

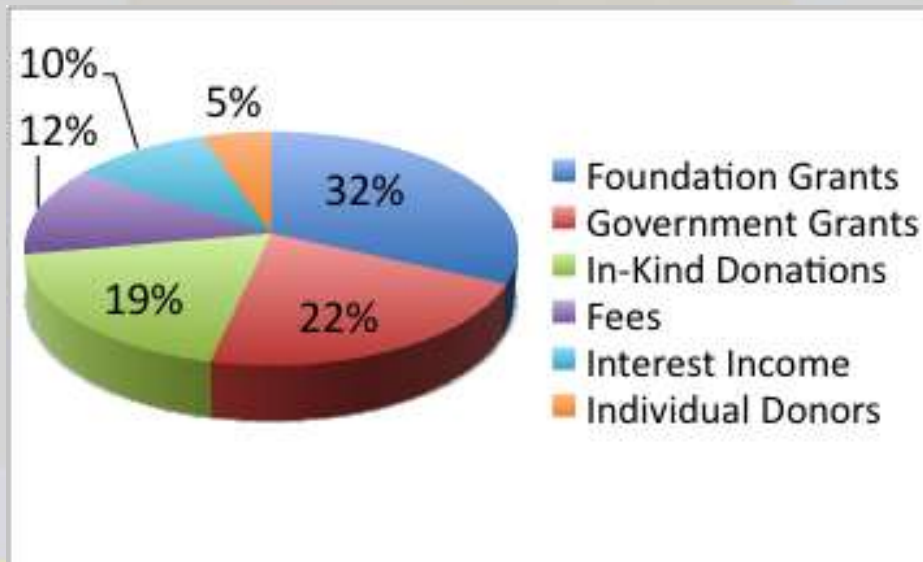
$$\text{FSS} = \frac{\$ 532,187}{\$ 719,208} = 74\%$$

The Capital Pie

Where you are now → your existing universe

- How do you want to diversify (split the pie)?
- How do you want to grow the pie?
- What needed to be stable, increase revenue & manage cost?

EXAMPLE



Alternative Sources of Capital

Brainstorming List

NGO Earned Income Options

- Facility revenue
- Program service fees
- Events
- Grants
- Marketing partnerships
- Sponsorships
- Membership fees
- Book publication
- Earned interest
- Capital gains
- Bartering
- Product sales
- Consulting contract / service fee
- Training, expertise
- Honorariums, speakers
- Licensing
- Supporting organizations
- Advertising
- Awards, competitions
- Teaching
- Affiliate referrals – i.e. those dxmn bracelets

Alternative Sources of Capital

Practice what you preach to clients – build assets:

- Community partners overlooked as donors
- ‘Upselling,’ ‘cross-selling’ existing relationships
- Fee for service: training, TA, consulting
- Individual donors: high net worth, community wide, program alumni
- Build relationships over time
- In-kind value
- Impact, social, faith-based investors; foundations’ PRIs/MRIs
- Own private offering; Innovative vehicles
- Off balance sheet transactions
- Crowd-sourcing

Crowd-Sourcing



Peer-to-Peer Lending (like eBay, but for loans)

Borrowers request loans, amounts vary by site, range \$2 K - \$25 K

Lenders invest as little as \$25

Facilitated by website for fees



Case Study

Case: DC Central Kitchen, Washington DC



Overview & Mission:

DC Central Kitchen turns leftover food into millions of meals for thousands of at-risk individuals while offering nationally recognized culinary job training to adults overcoming homelessness, addiction, and incarceration. **We use food as a tool to strengthen bodies, empower minds and build communities**

Impact:

Provide **breakfast, outreach & counseling** to chronically homeless people. **Recycle 1,700 pounds of food / day, convert to 4,500 meals to 100 shelters, transitional homes & rehab clinics** in DC area. Partners refer clients to **Culinary Job Training**, to receive tools to start new careers. Complete empowerment process employ graduates in full-service catering company or place in full-time jobs at hotels & restaurants in region

Source: Guidestar.org

Case: DC Central Kitchen, Washington DC

Statement of Financial Position

for the year ended December 31, 2009

Assets

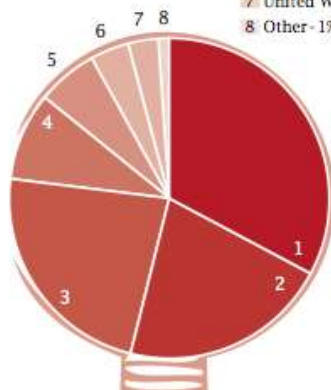
Cash and Cash Equivalents	\$ 548,026
Receivables	\$ 825,041
Investments	\$1,512,733
Prepaid Expenses	\$ 3,472
Fixed Assets	\$ 312,988
Total Assets	\$3,202,260

Liabilities and Net Assets

Accounts Payable	\$ 155,674
Line of Credit	\$ 100,000
Other Liabilities	\$ 336,233
Total Liabilities	\$ 591,907
Total Net Assets	\$2,610,353
Total Liabilities and Net Assets	\$3,202,260

Sources of Total Revenue

- 1 Revenue Generating - 33%
- 2 In-kind Donations - 21%
- 3 Corporate and Foundation Grants - 23%
- 4 Individual Donors - 9%
- 5 Government Grants - 6%
- 6 Capital Food Fight - 4%
- 7 United Way - 3%
- 8 Other - 1%



Statement of Activities

for the year ended December 31, 2009

Support and Other Revenue

Contributions	\$2,838,801
Federal Government Grants and Contracts	\$ 101,405
Local Government Grants and Contracts	\$1,887,664
Other Contracts	\$ 148,207
Retail Food	\$ 841,293
Special Events, Net	\$ 309,575
Other Income	\$ 157,438
Donated Goods and Services	\$2,010,065
Total Support and Other Revenue	\$8,294,448

Expenses

Program Services	
Food Recycling/Meal Distribution	\$3,367,604
Campus Kitchens Project	\$1,096,657
Culinary Job Training	\$ 416,500
First Helping	\$ 303,909
Fresh Start Catering	\$ 795,852
National R&D	\$ 193,009
Total Program Services	\$6,173,531
Support Services	
Management and General	\$1,093,352
Development	\$ 366,409
Total Support Services	\$1,459,761
Total Expenses	\$7,633,292

Excess of Support and Revenue Over Expenses \$ 661,156

Investment Gain

Change in Net Assets	\$ 952,234
Net Assets, January 1, 2009	\$1,658,119
Net Assets, December 31, 2009	\$2,610,353

Source: DC Central Kitchen Annual Report

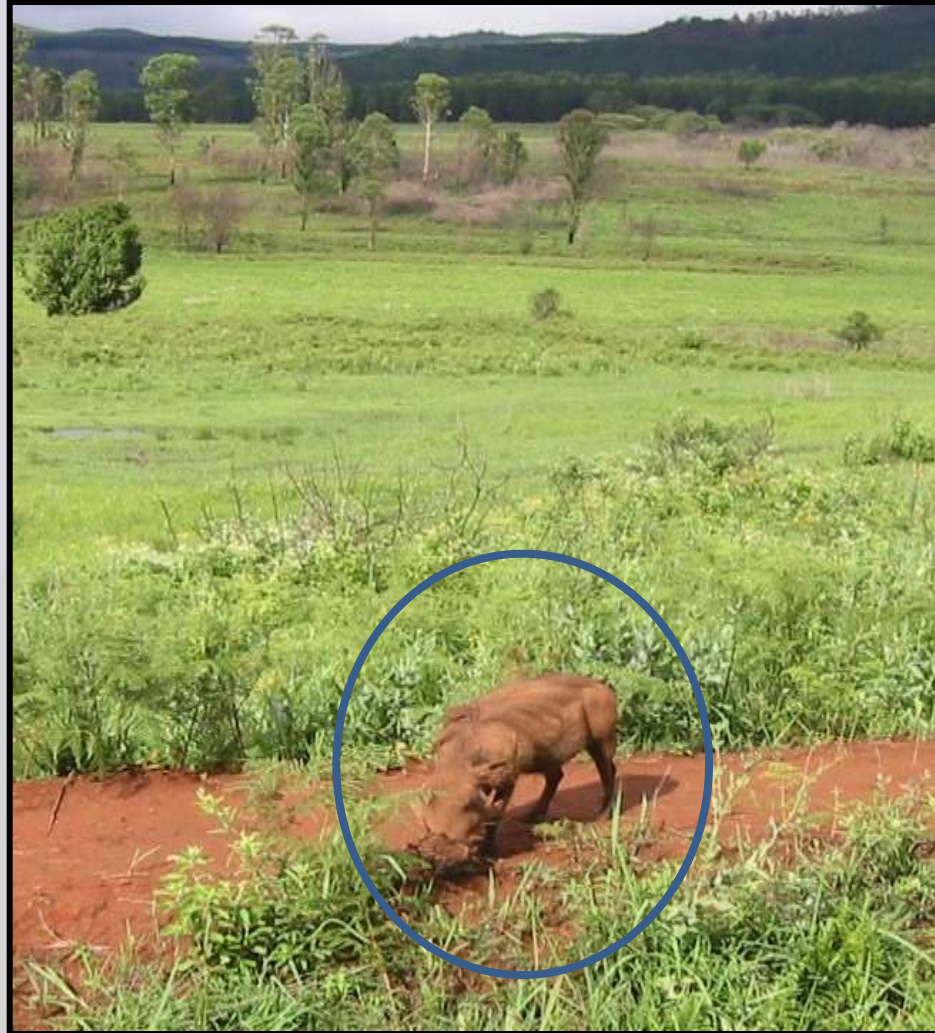
Case: Questions & Calculations

1. Calculate financial self-sufficiency. Given their current income, what are their biggest risks? What happens to their ratio if funding or earned income decreases 10%? Where would you look to reduce expenses?
2. If these financials continue the same in 2011 & they are on a calendar year, what challenges might they face in cash flow if local government delays payment by 90 days?
3. How leveraged is this organization? Assume they had a new earned income program opportunity that would generate revenue, how much more debt would you be comfortable taking on & under what types of terms?
4. At beginning of the fiscal year, they get \$50 K in 'free money', how could they turn that into sustainable capital?

Let's Bring it Back Together

- Recap & Review
- Tips & tricks
- Resource guides – Fed Reserve publication, William James Foundation, Skoll Social Edge, SoCap, SIF, SVN, competitions

Development Work...ain't always pretty



But, it can be breathtaking



Thank you!

**Questions?
Answers?**

Drew Tulchin

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