

Agenda

- Social enterprise purpose role in strategic impact
- Nonprofit business models
- Key success factors
- Financing options
- Trends
- Success Story & resources
- Questions



- Solve social and/or environmental problems
- **P**rioritizes purpose over profit
- **A** portion of income is earned through marketplace
- **R**einvests the majority of surplus towards its purpose
- **L**egal structures and financing that lock in purpose

Social Enterprise Historical Context

- Many of our strongest institutions in the US started as social enterprises
- Income generation is not new to nonprofits
- Innovators have been trying to address societal problems, create new models and new financing across the world



Today: \$2 Trillion Industry

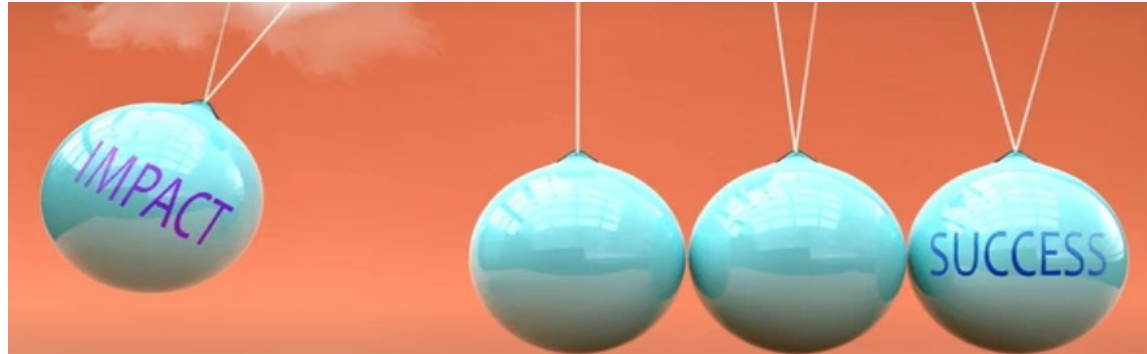
- “Social business” introduced by Nobel laureate Muhammad Yunus
- Social enterprise movement inspired by these models
- Field of business schools and associations in the 80s & 90s
- World Economic Forum identified role of social enterprises in addressing UN Sustainable Development Goals (SDGs) in 2024 report

Social Enterprise Market

World Economic Forum 2024 Social Enterprise Market

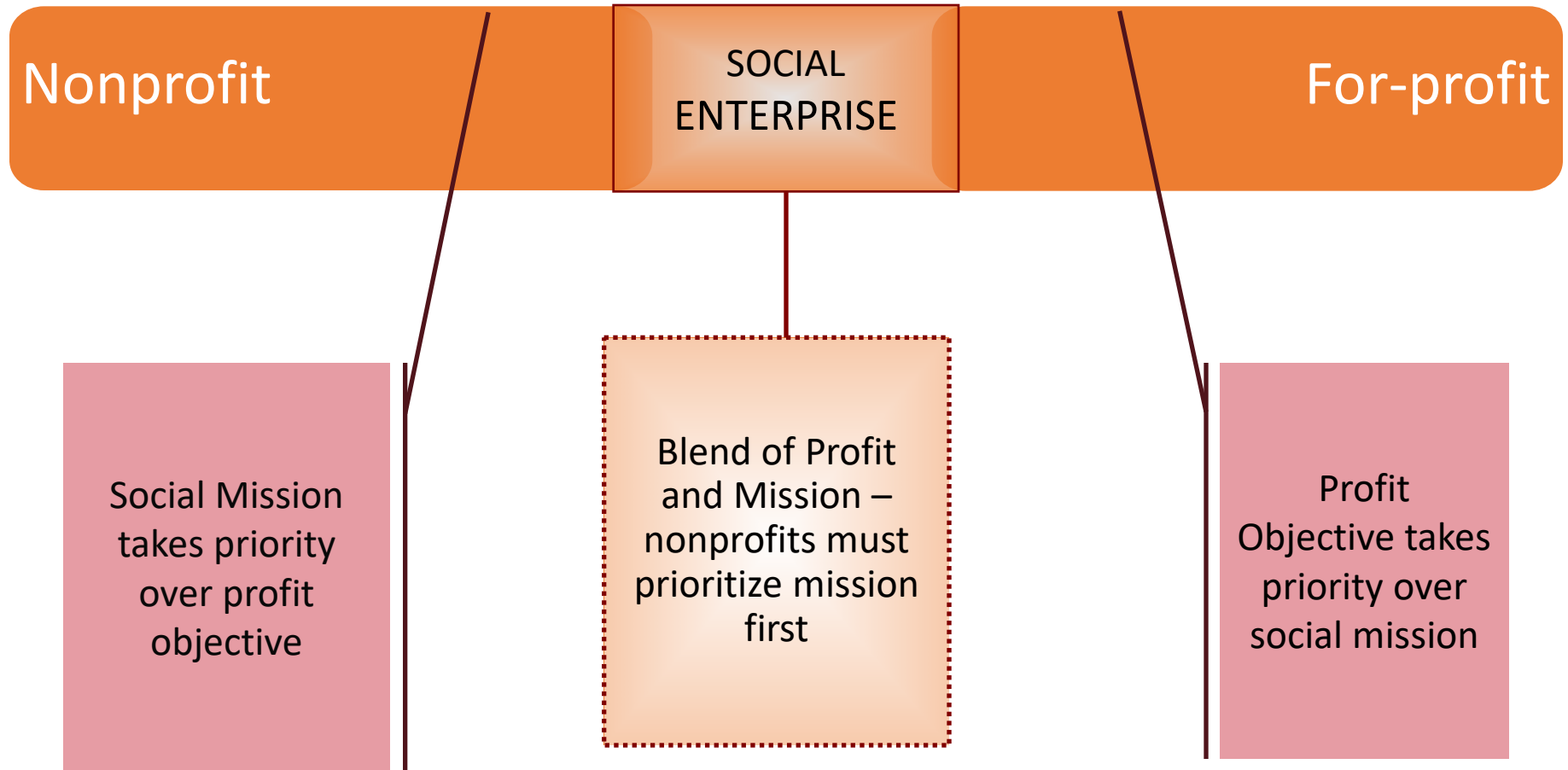
- 10 million social enterprises of varied structures
- 3% of all businesses
- Generate around \$2 trillion in revenue each year
- Generate nearly 200 million jobs
- Bridge the gender gap – with 1 in 2 social enterprises run by women vs 1 in 5

What is the Purpose and Role of Social Enterprise?



- Accelerated and Increased Funding for Speed & Scale
- Greater Impact
- Increased Sustainability
- Other benefits

Social Enterprise



Social Enterprise



Limits to income generation:

- Must reinvest any excess profits to nonprofit purpose
- Cannot accrue or share profits

Organized movement to create mixed model startup organizations or to add new income streams

New Types of Entities:

- B-Corporations
- Benefit company
- L3C (Low-Profit Limited Liability Company)

Components of a nonprofit strategy

- *What are you trying to accomplish?*

Intended Impact



Theory of Change

- *How do you make impact happen?*

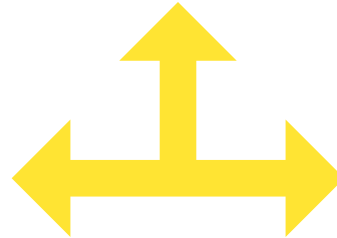


**Program/
Service Focus**

- *What services do you want to provide to whom? When?*

- *What skills, staffing, systems, assets and structure are needed?*

Organization

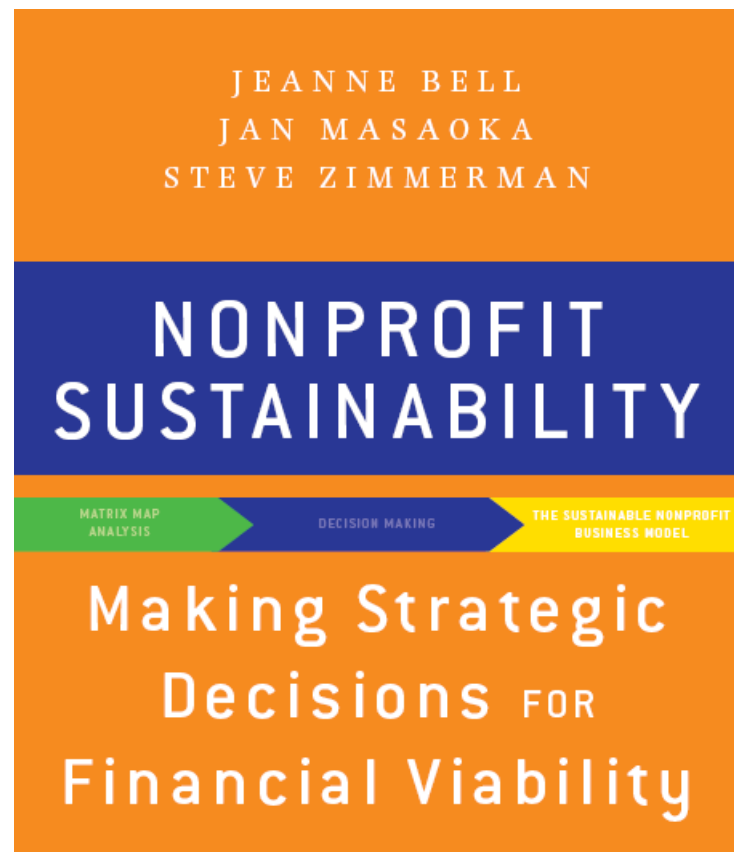


Economics

- *What is the economic model to deliver the strategy?*

Performance metrics

- *How do you know you're achieving the desired results?*



- Business models are how an organization funds itself
- Nonprofits business models are difficult
- They can vary in the same sector and can change over time
- The largest scale nonprofits have one predominant model (Ten Nonprofit Funding Models)

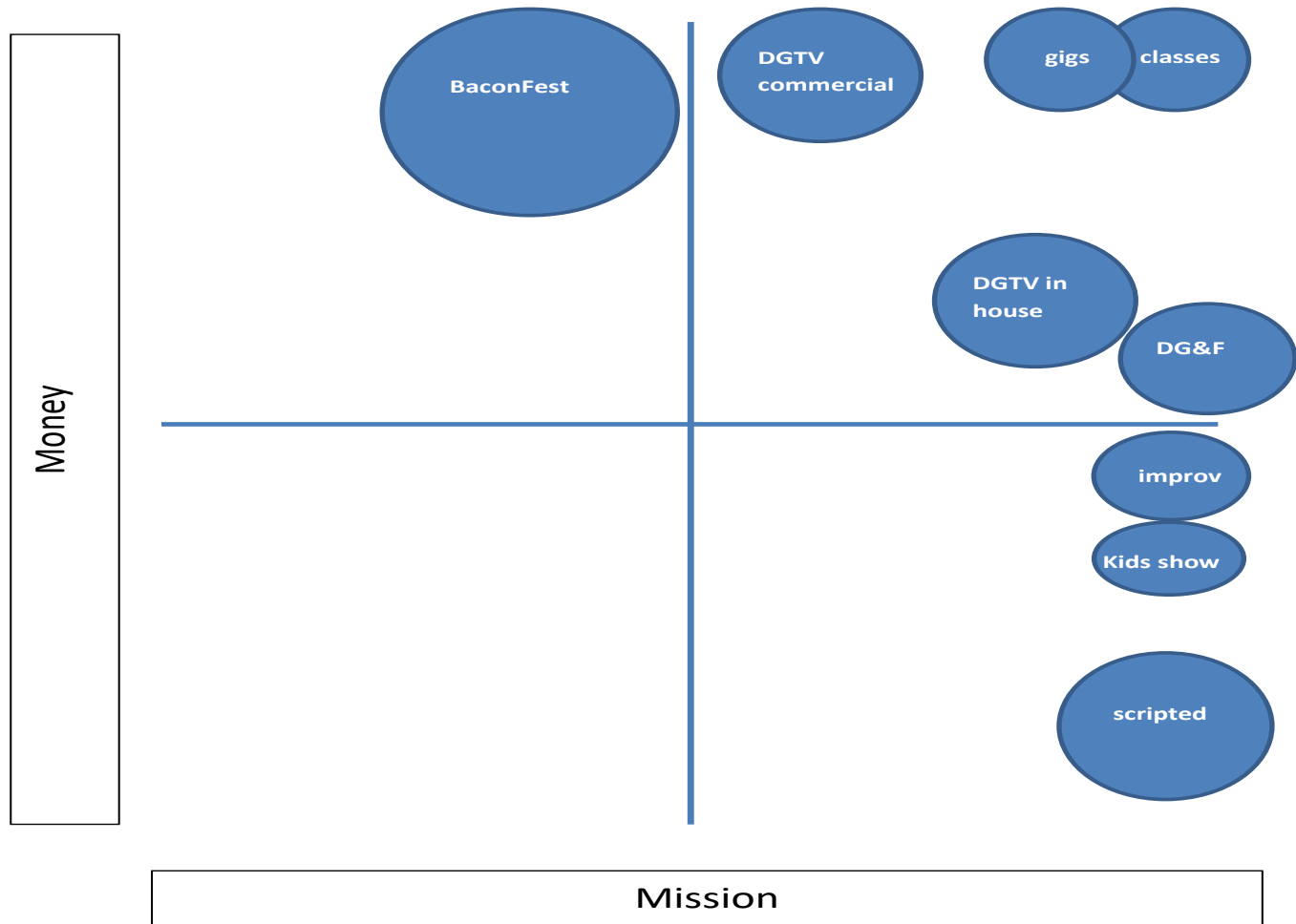
Nonprofit Business Models and Earned Revenue

- About half of nonprofit revenue is earned revenue
- Government earned income is core for many larger
- Nonprofits can earn both related and unrelated earned income
- Related income is not taxed and is substantially related to the nonprofit's purpose
- Unrelated business income (UBI) is taxed at the corporate rate, and nonprofits generally try to keep UBI at 20% or less

Dual Bottom Line Mission & Money



Example of Mission VS Money - Improv Theater



Common Social Enterprise Income-Generation Models and Examples

Cross-Compensation/Sliding Fee Model – Profits from full-paying group are used to subsidize the service for underserved group.

- ❑ Health clinic serving full pay clients with sliding fee by income

Fee for Service – Beneficiaries pay directly for the goods or services

- ❑ GCN consulting services
- ❑ Resold expiring or donated items e.g. food with short shelf life

Employment and skills training – Provide living wages, skills development, and job training to the employee beneficiaries

- ❑ First Step Staffing charges employers for trained formerly homeless workers

Common Business Models & Examples

Market Intermediary – The social enterprise acts as an intermediary with supplier beneficiaries

❑ nonprofit selling products of low-income artists - [SERVV](#)

Market Connector – The social enterprise facilitates trade relationships between beneficiaries and new markets

❑ nonprofit incubators or cdfi's helping disadvantaged build businesses – [Thrive community lending](#)

Independent Support – The social enterprise delivers a product or service to an external market that is separate from the beneficiary and social impact generated.

❑ Selling used books to generate income for underserved

Cooperative – A for-profit or nonprofit business that is owned by its members who also use its services, providing virtually any type of goods or

Keys to Success – Business Planning & Talent

- Strong business planning and marketing
- Leveraging nonprofit capabilities & assets
- Create a compelling brand and work environment
- Strong board and staff involved in assessing, development and feasibility testing
- Targeting and securing aligned supporters/investors for startup and continued investment
- Partner to access customers and other resources

Leadership Attributes of Social Innovators

- Individuals or teams who pursue "problems and opportunity" with
- Curiosity,
- Resourcefulness,
- Adaptability,
- Openness to collaboration,
- Persistence
- and Pragmatism.



And see core income generating activities as a good

Sources of Financing Social Enterprise Development



- Grants from savvy foundations
- Individual donors who leverage their dollars
- PRI financing: mission-aligned dollars from private foundations- loan, debt or equity and recycle
- Social impact funds seeking a modest return
- Crowdsourcing

Key Trends



- Enhanced field development
- Growth of leadership, incubators, mentorship
- New financing models including Social impact funds
- For-profits partnering with nonprofits
- Growth of for-profit “social good” models and impact investing

Social Enterprise/Innovation Ecosystem

GEORGIA
SOCIAL IMPACT
COLLABORATIVE



Benefit Chicago

MacArthur Foundation

GoATL FUNDS

Invest. Impact. Improve.

Investments with modest return expectations in nonprofits & for-profits who invest in areas like safe and healthy housing, new schools in underserved areas, as well as more equitable access to living-wage careers.



**IMPACT
SUMMIT**

THE HAGUE, MARCH 2024

Success Story – First Step Staffing

- Founded by savvy entrepreneurial founder and board
- Nonprofit employment agency that aims to provide economic opportunity for people who face barriers to employment
- Growth through purchase of for-profit agencies and retention of jobs (60% success in growth from Atlanta to Philadelphia)
- Major expansion after growth model with locations in Atlanta, Augusta, Nashville, Orlando; and 2 in California

Expansion to Philadelphia; Unique Collaboration of Investors



THE INVESTMENT

A \$6.33 MILLION COLLABORATIVE INVESTMENT

The First Step Staffing solution was possible with a unique collaboration of local investors - including foundations, a CDFI consortium, angel impact investors, and the City of Philadelphia,



Impact in Atlanta - 2023



Resources

- Legal overview of Social Enterprise for nonprofits UNC School of Law
- [Ten Nonprofit Funding Models](#)
- Example Social Enterprises
<https://daniellesutton.co/blog/22-awesome-social-enterprise-business-ideas>
- Atlanta-based [First Step staffing](#) raises \$6.3 M to buy a local staffing company to expand to Philadelphia



Questions?



Thank You

Cindy Cheatham

Good Advisors LLC

cindy@good-advisors.com

www.good-advisors.com

Linked-in: [Cindy Cheatham](#)