Raising Capital for Good Ideas in Development

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Social Enterprise Associates
(Soon UpSpring)

Webinar with UNH
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About You!

POLL #1

How experienced would you self judge on raising capital other than from donors?

5 = very experienced
1 = not experienced

Please ask questions throughout, Q&A at any time
Today’s Session

1. Beyond Fundraising
2. Earned Income Strategies & Returns
3. Crowdfunding and Crowdsourcing
4. Emerging Trends & Innovation
About Social Enterprise Associates

Consulting network - Registered ‘B Corp’

Soon to be **UpSpring** - upspringassociates.com
international circle of experts

Consulting & capital raising to triple bottom line efforts - for people, profits, planet

2014 & 11 'One of the Best for the World' small businesses
2012 Honoree, Sustainable Business of Year
About Drew Tulchin

Drew Tulchin, Managing Partner, MBA
• Written >100 business/strategic plans; efforts raised >$100 mil. in capital
• Judge in international social enterprise & social business competitions
• 100+ publications to date

Career
• VISTA and AmeriCorps Team Leader (domestic Peace Corps)
• Prisma Microfinance in US and Central America. Biz plan winner, Global Social Venture Comp; raised $1.2 mil. in impact investment
• Grameen Foundation Program Officer for Capital Markets Group
• US MFI Director started by African immigrants
Consulting Examples

**World Food Programme**: Evaluated $400 million private sector engagement. Visited 5 countries.

**SEEP Network**: 5 countries for USAID FS IGP.

**Future of Fish**: Start-up sustainable fish companies in US.

**Plan International**: W. Africa.

**SW Native Green Loan Fund**: Native American tribes in US.
Quadruple Bottom Line

COMMUNITY WELL-BEING

CULTURAL
Vitality

SOCIAL
Equity

Economic
Prosperity

Environmental
Sustainability

Source: www.npssp.sa.gov.au
Why Go Beyond Fundraising?

Bake Sale
Tuesday 29th May

Cakes and goodies will be distributed throughout Outline
studios by level 1 and 2 Art and Design students.
Will also be available in staffroom SCL57 during the day.

All proceeds will be used towards the Level 1 and 2 Art and Design
end of year exhibition.
Which pot of money would you rather be drawing from?

- **Philanthropy**: ANNUAL giving of all US Foundations
- **Investment**: DAILY transactions of the financial markets (“Wall St.”)

Volume of Capital

- $1 Trillion
- $30 Billion
Beyond Fundraising: 5 Capitals

1. Natural
2. Financial
3. Manufactured
4. Human
5. Social
Benefits of Beyond Fundraising

Do more with less
  Less government $$$
  Twice as many NGOs as 10 years ago

Don’t leave money on the table

Build self-sufficiency

Be the DOG or the TAIL?
Traditional Forms of Capital

Provider Map of Capital for Businesses

- Debt
- Grants/Subsidy
- Equity
The Capital Pie

How diversify (split pie)?
How grow pie?
What’s needed to be stable,
increase revenue & manage cost?

[Pie chart showing sources of revenue:]
- Foundation Grants: 32%
- Government Grants: 22%
- In-Kind Donations: 19%
- Fees: 12%
- Interest Income: 10%
- Individual Donors: 5%
Impact Investment
## Definition of Terms

### Financial Self-Sufficiency
- Measures degree which operating income covers adjusted operating expenses

### 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
Continuum of Financial / Social Expectations

Social Value Creation Expectations

High

Philanthropy donation
No expectation of return
PRI from foundation
~0-2% year interest
SRI debt
Fewer obligations
~3-5% interest
Bank debt
~6-8% year interest
Venture capitalist
Ownership stake
20% a year

Low

Risk / Return Expectations

High

Bank debt
~6-8% year interest
Venture capitalist
Ownership stake
20% a year
Continuum of Return Expectations

Blended Value Proposition

Social Return on Investment  
Financial Return on Investment

HYBRID

Donations

Investment

Interest in Social Return on Investment (SROI)

Interest in Financial Return on Investment (FROI)

In the middle: a mix of FROI and SROI expectations

Pure Social Return ← Continuum of Return Expectations → Pure Financial Return

Morino Institute, Blended Value Proposition
What is the optimal matching of risk & subsidy?

George Penick, Rand Corporation
Earned Income Strategies
Brainstorming
Earned Income Options

POLL #2
What alternative income and fundraising sources can you think of?

Please type your answers in the question box
Brainstorming List
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. bracelets, breast cancer wear pink
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?
Internal Sources
Internal Options for Capital

- Accounts Receivable money owed to you
- Accounts Payable money you owe others
- Leverage Existing Assets work from balance sheet


www.socialenterprise.net/assets/files/InvestorsCircle.pdf
Cash Turnover

Difference between A/R and A/P
Keep your cash the longest time
How?

ASK & TRY
Can you get paid before you do the work
Offer incentives for invoices paid as soon as possible
Negotiate w/ vendors to pay them later, slower
Crowdfunding & Crowdsourcing
Crowdfunding Defined

Raising money from large number of people (online)

Source: fundstlouis.org
Crowdfunding

POLL #3

What are your primary interests in crowdfunding for your organization?
Crowdfunding

Who for?
1. Small biz seeking small amounts of capital, lacking easy access
2. Early stage organizations & individuals with specific project or product
3. Opportunity to conduct product pre-sales to finance manufacturing/creation

Why do it?
• Capital Raising
• Media Exposure
• Partnership Recruitment
• Mindshare, Thought Leadership
Benefits of Crowdfunding

- Expands capital raising universe
- Extensive PR at large scale
- Reveal previously unseen partnerships/opportunities
- Brainstorming
- Opportunity to pre-sell, test the market
Crowd Activities Online

1. Donations
2. Equity
3. Peer to Peer Lending
4. Crowdsourcing
DonaXon

Based

- 4+ million people pledged $734 million since launch in 2009
- Focused entirely on creative projects or those involving high technology
- Better for smaller raises, successful campaigns take an average of 40 days
- Two-tiered pricing system & non-profit discounts, only major platform to offer “partner pages”
- Personal fundraisers, non-profits and event-based fundraising
- Most raises are between $1-10 K, a limited number reach $100 K
- Art, business, science and social projects, partnered with A & E
- Numerous raises between $1-20 K, the largest reach $500 K
Equity Investment Crowdfunding

**YESTERDAY**

- **ACCREDITED INVESTOR**
- **Web Portal**
- **Investee**

  Charge % of $$ raised

**TODAY “2.0”**

- **EVERYONE**
- **Web Portal**
- **Investee as a Group**

  Equity stake to investor
Peer-to-Peer Lending

- Kiva
  - loans that change lives

- Prosper

- Money360

- Lending Club

- ProFounder
Crowdfunding: Examples

**COMMUNITY**

Bonaverde – Connecting coffee farmers and consumers
Help start a coffee revolution: Fair income for farmers, fresh coffee for consumers!

$124,529 USD
249% 0 time left

**SMALL BUSINESS**

Kite Patch
Kite™ Patch - a breakthrough mosquito-fighting technology designed to block...

$557,254 USD
743% 0 time left

Source: indigogo.com
Crowdsourcing

Business Idea / Question → Web Portal → Online Community

Get Answers From the Universe
Crowdsourcing in Development

- Tracking pests and diseases
- Collective buying of inputs and selling of agricultural products increases bargaining power
- Tracking livestock; collective buying and selling
Emerging Trends & Innovation
Trends & innovative models

Mobile Money

Social Banking

Source: http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18
Tip Sheets

**Tip Sheet #11: Business Plan Outline for Social Enterprises** (PDF) Create a meaningful business plan to identify your goals, document your direction, and engage your stakeholders.

**Tip Sheet #10: Surfing the Crowd Funding Wave, Is it Right for Your Effort?** (PDF) Originally posted in the November 2011 Investors’ Circle Newsletter to help evaluate if this alternative source for capital can help grow & sustain good causes.

**Tip Sheet #9: Resources for Scaling Up Social Enterprises** (PDF): Highlighting the use of networking organizations, financing entities, and academic programs to successfully scale up social enterprises.

**Incorporating Your Business:** Co-Authored with the University of Michigan Law School International Transaction Clinic, this series explains the legal documentation to register your company.

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**Check It Out**

We’re partnering with [Social Enterprise Alliance](#) to provide social enterprise trainings via webinar the **first Wednesday of every month**.

**Up Next:** **June 6th at 1pm CDT**


**Raise Money**

We help businesses and nonprofits to access the capital they need to start or grow. [More information HERE](#)
Resources

Global Impact Investing Network (GIIN)

Aspen Network of Development Entrepreneurs

Impact Investment Exchange Asia

IdeaEncore

seToolbelt

Social Venture Network
Thank you!

Questions? Answers?

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New Opportunities Welcome