

Making a Profit:

Nonprofit is my tax designation,
not my business plan

Companion Packet

A presentation by

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Types of Earned Income Strategies

There are many different ways for an organization to seek revenue. Here are some categories that can be used to spark ideas.



Embedded

An unavoidable part of the organization's operations

Example: Ticket prices for a museum



Integrated

Closely related to the organization's operations

Example: The museum's gift shop



External

Not related to the organization's operations

Example: The museum opens a bakery

Notes:

Common Earned Income Activities

It's impossible to list all the ways that an organization can earn revenue. Which of these could apply to your work?

Fee for service	Beneficiaries pay for the right to use services	<input type="checkbox"/>
Low-income client	Fee-for-service variant with alternate pricing for low-income beneficiaries	<input type="checkbox"/>
Entrepreneur support	Offers support to entrepreneurs and small businesses in exchange for a share of profits	<input type="checkbox"/>
Employment	Social mission is accomplished by employing beneficiaries for a traditional business	<input type="checkbox"/>
Market linkage	Helps beneficiaries sell their products or services	<input type="checkbox"/>
Cooperative	Allows beneficiaries to form a community and access services that would be unavailable to them individually	<input type="checkbox"/>
Subsidization	An internal revenue-making operation supports mission-related operations (i.e. an external strategy)	<input type="checkbox"/>
Organizational support	A separate organization is linked to yours, using its profits to support your work	<input type="checkbox"/>

Notes:

Business Model Canvas Elements

Here are the boxes of the business model canvas *in the order that we recommend filling them out*. While it doesn't follow a nice line on the canvas itself, it does provide a sensible direction for your planning.

Customer Segments	Who will your operations serve?
Value Propositions	What will you provide, and what makes it special?
Channels	How will you deliver your services to your users?
Customer Relationships	How will you establish relationships with your users?
Revenue Streams	How do you earn money, and how is that tied to your service?
Key Resources	What assets do you need in order to operate?
Key Activities	How will you transform inputs into outputs?
Key Partners	Who do you need to work with to operate efficiently?
Cost Structure	Based on the other boxes, what do your expenses look like?

The canvas isn't meant to be a place for detailed plans—that comes later. This is where you jot down ideas that will form a foundation. Use it to quickly present your ideas to your team and direct brainstorming sessions. Identify areas that are poorly-understood and focus on fleshing them out as you move forward. Eventually, you can move on to a full business plan for both internal team members and external stakeholders.

Notes:

Business Model Canvas

A framework to develop your earned income activities

Key Partners 8	Key Activities 7	Value Propositions 2	Customer Relationships 4	Customer Segments 1
	Key Resources 6		Channels 3	
Cost Structure 9			Revenue Streams 5	

Sample Business Model Canvas – Netflix

You can use Netflix as an example for your brainstorming.

Key Partners 8 <i>Producers, TV networks</i>	Key Activities 7 <i>Licensing, production, tech support</i> Key Resources 6 <i>Website, employees, brand</i>	Value Propositions 2 <i>On-demand movies and shows with no ads; no restricted access; high-quality exclusive content</i>	Customer Relationships 4 <i>Simple, on-demand self-service</i> Channels 3 <i>All devices; social media</i>	Customer Segments 1 <i>20-40 y/o Americans, diversifying rapidly</i>
Cost Structure 9 <i>Media production, R&D, marketing, licensing, general administration</i>		Revenue Streams 5 <i>Subscription-based model</i>		

Common Business Plan Elements

A good next step is to expand your canvas into a detailed, actionable business plan. This is usually around twenty pages and can include the following elements:

Organization Description	Who exactly are you?
Industry Analysis	What is the field you work in, and how is it changing?
Target Market	Who exactly will you be serving?
Competition	What other organizations do what you do?
Strategic Position	What makes your service special?
Risk Analysis	How can things go wrong, and how are you prepared?
Marketing and Sales	How will you spread the word?
Operations	How does your organization operate?
Management	Who will be running the project?
Social Impact	What good does your organization or program accomplish?
Development Milestones	What are the benchmarks for future performance?
Financial Information	Where does your money come from, and where does it go?

A well-written business plan can be used to guide internal activities and to communicate with external stakeholders. It's worth it to spend a lot of time and effort here.

Notes:

References

Here are some sources you might want to investigate.

IRS on Nonprofit Income Code of Federal Regulations Title 26, section 501(c)(3)-1(e)(1)

Unrelated Business
Income Tax IRS publication 598

Business Model Canvas www.strategyzer.com/canvas/business-model-canvas

Business Plan Writing www.sba.gov/business-guide/plan-your-business/write-your-business-plan

If you would like personalized help realizing your earned income plans, contact Mighty Penguin Consulting.



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