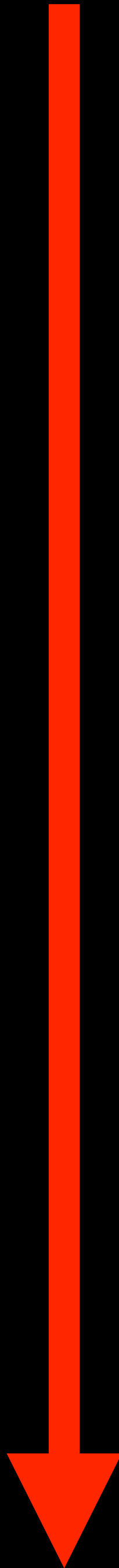


# **Nonprofits, NGOs and Social Ventures.**

**A BUS-217 Side Session**

# BUS-217



**Week 1: Listen to the waves.**

**Week 2: Create something people want.**

**Week 3: Draw the landscape.**

**Week 4: Build an engine of growth.**

**Week 5: Create an economic model.**

**Week 6: Develop a capital strategy.**

**Week 7: Frame a funnel.**

**Week 8: Be a master storyteller.**

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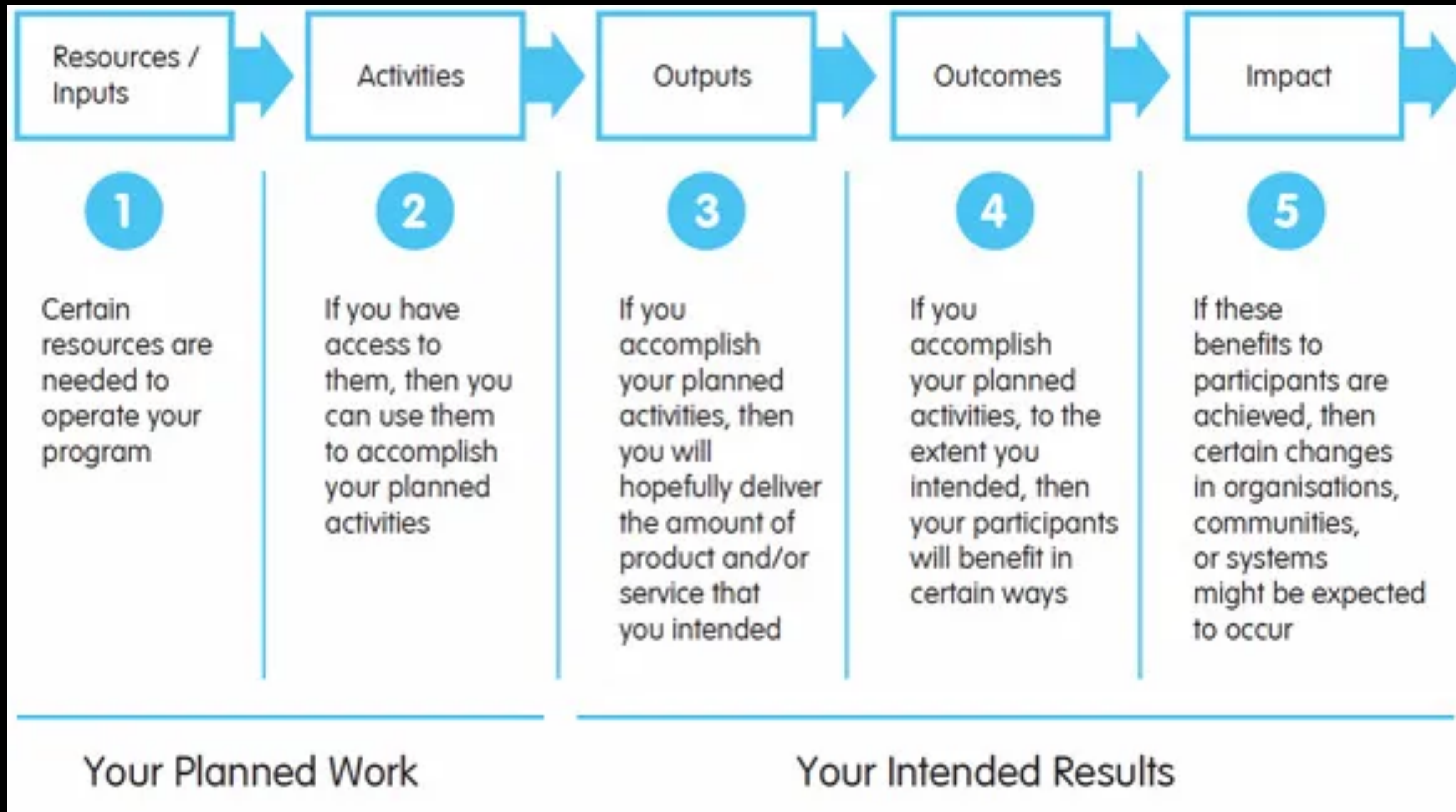
Week 7: Frame a funnel.

Week 8: Be a master storyteller.

**Pretty much everything we talk about in this course is exactly the same for Nonprofits and Social Ventures.**

**The differences are mostly sources and structures of capital, and perhaps a slight difference in the economic model.**

**Plus in addition to a business model, we need an impact model.**



# **Contributed Income**

**The donations that  
nonprofit charities  
typically rely on.**

# **Earned Income**

**Profits from operations.**

**In a traditional charity  
the only earned comes  
from bake sales and t-  
shirts.**

# Entity Types

In the US, **501(c)3** is the entity type for a traditional nonprofit charity. It is a tax-exempt organization, so any excess earnings in a year can just stay in the bank account with no corporate tax. When individuals donate money to your organization, that donation may be tax deductible (subject to a whole bunch of conditions).

A **Benefit Corp** is a special kind of for-profit C-Corp where the Board of Directors have an expanded duty to balance financial interests with a social mission, protecting them from lawsuits by shareholders focused only on profit.

A **B-Corp** is not actually an entity type, it is a certification from B Lab that your company meets standards of social and environmental performance, accountability, and transparency.

# Capital

**Venture Capital is not for you. The VC model is buying equity (stock) in a company and then waiting for an IPO or a large M&A transaction and selling that stock at >10x. That's not going to happen with a social venture.**

**But there are impact funds and other sources of impact capital where the expectation is that the capital still makes a round-trip back into the fund, but perhaps at lower rates of return.**

**Sometimes social ventures might get going with contributed income (donations and grants) and then be sustainable from there on earned income.**

# Summary

**The Launch Path steps of BUS-217 all still apply to Nonprofits and Social Ventures.**

**In addition to a Business Model you'll also need an Impact Model.**

**For your economic model, distinguish between Earned Income and Contributed Income.**

**For your entity type, you will likely be choosing between a 501(c)3 and a Benefit Corporation.**

**Your sources and structures of capital will be different. As always, it's about aligning your interests with investors' interest.**