

A New Revenue Source for Non-Profits

How the Sustainable Communities Framework Program Can Help Florida's Not-For-Profit Organizations

Introduction

Not-for-profit organizations (NFPs)¹ nearly universally struggle to obtain adequate financial resources to carry out their missions, and are constantly looking for additional means to augment their financial inflow. NFPs are one of the principal beneficiaries targeted by the [Sustainable Communities Framework \(SCF\)](#)² developed by [National Commonwealth Group, Inc. \(NCG\)](#),³ itself a 501(c)(3) non-profit organization.

Background

The SCF is a community development program for Florida that comprehensively addresses local [economic, environmental and social issues](#)⁴ and includes small and medium sized for-profit businesses and not-for-profit organizations.

The document, [Commonwealth Development Organizations](#)⁵ provides a broad introduction to the SCF concept and how it is being applied in Florida. The document [Launching the Sustainable Communities Framework](#),⁶ describes the initial steps in getting the SCF off the ground. These documents explain how we are using a [complementary currency](#)⁷ as a key building block to fund the effort in Florida.

This document explains how the SCF program can benefit NFPs by providing them with additional finan-

cial resources, both US dollars and our new Florida complementary currency the Sand Dollar (SanDollar or FL\$). Some of those funds will flow from NCG's general fund as a result of fundraising activities performed by NCG and its agents. Other funds will flow as a direct result of the activities performed by the NFP and its agents, enabled by the SCF and FL\$.

Seed funding grants to startups

As with startup businesses, raising funds to launch a new non-profit organization is the most difficult step in the fundraising process and the single biggest barrier to launching a non-profit. Conventional granting sources cannot fund every viable plan presented to them. And other efforts such as crowdfunding usually need a base of supporters in a common chicken and egg problem.

SanDollars change that process. Every viable non-profit startup can be awarded FL\$ grants to help them get started. This massively improves the odds that a non-profit can achieve critical mass. We will thus be able to help launch many more non-profits with their commensurate service to the community and the potential for new jobs.

Here are other ways NCG can support NFPs.

Ongoing grants

NFPs can apply for other grants to support their ongoing mission, to pay for things like overhead, salaries and direct program costs.

Account signup

NFPs can also earn SanDollars (and dollars as described below). Every user who establishes a SanDollar account, including NFPs, will be able to recruit other new account holders and receive a SanDollar commission for each person or organization that establishes a new account with NCG.

- For each individual or organization that establishes a basic SanDollar checking account, the recruiting party will earn a commission of 50 FL\$.
- For each business recruited that will a) accept SanDollars, b) sell SanDollars for a commission and c) enroll in NCG's credit card processing system, the successful recruiting party will earn 750 FL\$ in addition to the SanDollars for setting up an account. However, in addition to SanDollar commissions, if an NFP (or anyone recruited by that NFP) enrolls such a business, then the NFP can earn USD commissions as well, as described below.

Funds channeled from NCG

One of the main ways of providing funds to NFPs is with money raised by NCG through a program designed to help the state's small business community (small and medium enterprises or "SMEs").

As in most places around the world, local small businesses provide the majority of jobs and are the economic backbone of the state.⁸

Under the structure of the SCF program, we have designed variety of mechanisms to directly help those SMEs be substantially more profitable, as detailed in the document Prosperity for Florida.⁹ In so doing, we will generate considerable revenue back to NCG for use in the rest of the SCF program, especially for the NFP community. That is, by providing those mechanisms for the SMEs, NCG will receive substantial amounts of US dollars, which NCG will use in conjunction with SanDollars it creates to distribute as grants.

The SanDollar complementary currency too will be distributed from NCG to NFPs. However, NFPs can also use the SCF program to directly raise USD and FL\$ through their own efforts and those they enlist into the system.

Here we will show three ways NFPs can take advantage of a number of the same mechanisms being provided to SMEs to directly raise money, and also recruit SMEs to join the SCF/FL\$ program, thus realizing a commission override.

1 Sale of SanDollars

Most non-governmental NFPs raise money through grants and donations. One mechanism is through the sale of items donated to the NFP via charity auctions¹⁰ or thrift stores (think Goodwill and Salvation Army). Goods or services are donated to the NFP that in turn are sold to buyers in thrift stores or to bidders at an auction event.

Online versions are often open-ended, where buyers can make purchases at any time. Businesses often provide their products at a discount for an auction or online sale, wherein the NFP sells the product and keeps the difference between the sale price and their acquisition cost. One of the key fundraising aspects of the SCF program for NFPs resembles an open-ended online sale of products at a fixed price.

Donors to a tax deductible/tax exempt NFP usually receive a tax deduction for their donation. Those who purchase items from an NFP at auctions or in thrift stores receive something of value in return for their dollar purchases and therefore receive no tax deduction.

How can an NFP use this concept?

An NFP can realize income by simply selling SanDollars for a commission. But unlike convincing supporters to make a straight donation, the purchase of SanDollars leaves the buyer with the full purchasing power of those potential donation dollars. Nonetheless, the NFP gets the equivalent of 60% of the purchase as revenue, divided 50/50 between USD and FL\$. The NFP can enlist others to sell FL\$ and get a commission override (see below).

The NFP can do this on an ongoing basis by enrolling their customers/supporters in a continuing periodic purchasing program. This is similar to pledge drives by non-profit media organizations such as PBS and NPR, only the supporter is purchasing SanDollars rather than making a donation. Such automatic purchases can be done via credit/debit cards, ACH transfers, payroll deductions, etc.

How Does NCG's Program Differ from a Standard Charity Auction?

Under the SCF program, the item being purchased is the FL\$ complementary currency. NCG creates the SanDollar and sells it directly or indirectly through its agents to end purchasers, in this case the non-profits. NCG has a similar program for SMEs as described in the above Prosperity for Florida document, but structured differently.

NCG is like the businesses described above that provides a product to the NFP at a discount and lets it sell that product and earn a commission on the sale. In this case the product is SanDollars and NCG lets the NFP keep 30% of the income from the sale. The balance goes to NCG to carry out its SCF objectives. As a bonus to the NFP, NCG will also grant a matching amount of SanDollars to the NFP, for an effective commission of 60% of the SanDollar sale. See chart on page 6 for an illustration of how this commission structure works.

That combination USD/FL\$ commission to the NFP is separate from SanDollars sold to SanDollar purchasers. Purchased SanDollars will function like US dollars (i.e., a currency), and go into a buyer's online FL\$ account (similar to an online bank checking account), or be in the form of a SanDollar gift card. In either case, the buyer can use SanDollars to purchase goods and services from businesses and individuals in the state who will accept SanDollars for payment.

So, with the purchase of SanDollars, those buyers receive full value of their purchase cost back, while the NFP realizes an 60% commission.

Getting donors to sign up for periodic payments will normally produce substantially greater income than asking for one-time donations.

NCG will provide NFPs with the tools to enroll FL\$ users to make automatic periodic purchases of SanDollars directly from NCG.

NCG will track those purchases and deposit the USD commissions into the NFP's checking account and SanDollar commissions into their FL\$ account. Thus, once the NFP's supporters have established FL\$ accounts and arranged for periodic FL\$ purchases, the NFP will continue to realize ongoing income from those arrangements even if it does not actively participate in those transactions.

NFPs can also encourage their employees to sign up to purchase/use of SanDollars and even set up a payroll deduction plan to automatically purchase a certain amount of SanDollars each month. The NFP will receive commissions from those purchases.

What if the buyer wants to donate anyway?

If the buyer is interested in making a donation and not just a purchase, there is a way to amplify their donation.

The buyer purchases SanDollars and then donates them back to the NFP. They will likely receive the same tax deduction as if they made a straight donation. The net effect is that the NFP receives the economic value of 160% of the donation — 30% in USD and 130% in FL\$. Thus supporters who want to maximize their aid can use this process to substantially increase their donation.

Commissions on sales of FL\$ by others

As described above, NFPs can earn commissions (in USD and FL\$) for selling SanDollars directly.

However, the NFP can recruit SMEs and earn commission overrides on the sale of SanDollars by those SMEs. And individual account holders recruited by the NFPs can also become authorized to recruit SMEs. When they do so, the NFP will earn commission overrides on any such SMEs recruited by those individuals.

2 Card Processing Bonuses

NFPs participating in the currency program have another option to generate increased revenue.

By signing up for the program, they would not only avoid all card transaction fees but receive bonuses for accepting FL\$ instead of USD.

Most NFPs accept credit/debit cards for donations and sales. Cards are read by a machine provided by a card processing service company that charges a fee for that service, generally around 3% of the transaction.

NCG has arranged to be a card processor and has partnered with a vendor that provides all backend processing and interactions with the banking system. This offers NFPs a turnkey system.

However, the benefits of the SanDollar program are the same regardless of the card processor.

Transaction Incentives & Reduced Fees

Option 1

- NCG will reimburse the NFP in FL\$ an amount equivalent to their fees. That way they realize the full purchase price of their transaction, i.e., ~97% in USD and ~3% in FL\$.
- To realize more FL\$, NFPs may exchange up to the remaining 95% of their transaction at \$4 for 5 FL\$ (a 20% discount). Example: If the NFP takes \$4 out of their net \$97 for a new net of \$93, NCG will provide 5 additional FL\$, yielding an equivalent return to the NFP of 101% of their selling price (\$93 plus 8 FL\$).

Option 2

- If the NFP takes \$95 instead of \$97 (just \$2 less than normal), they receive 10 FL\$ in addition to the \$95, the equivalent of 105% of their selling price – 95% in USD and 10% in FL\$.
- To realize even more FL\$, NFPs may exchange up to the remaining 95% of their transaction at \$3 for 5 FL\$ (a 40% discount). For example: If they take \$3 out of their net \$95 USD for a new net of \$92, they will receive 5 additional FL\$, yielding an equivalent return of 107% of their selling price (\$92 plus 15 FL\$).

An NFP's increase in revenue can be significant. However, the benefit to the community is huge.

Money remaining after NCG pays card processors is used to fund our local economic development programs. Every participating NFP represents revenue to be plowed back into the community.

3 Commission Overrides

NFPs can further increase revenues by recruiting users and businesses to establish a SanDollar account

Thereafter, if those users purchase SanDollars directly from NCG, the NFP that enrolled them will get the same commission as though the user purchased

the SanDollars from that NFP. Thus, just by enrolling that user, the NFP can realize ongoing revenue without having to be involved in ongoing purchases.

See box for details on how this works when the NFP recruits a business.

How Does the SME Program Help Non-Profits?

If an NFP enrolls a SME as a business that accepts SanDollars and that SME also signs up with NCG to be an agent to sell SanDollars, then the NFP will get an override on all that SME's commissioned transactions. As previously stated, the NFP will earn 30% for any direct sales of FL\$. Think of the SME as an agent of the NFP, selling SanDollars on their behalf. NCG will pay that SME their normal commission and remit the difference between the commission paid to the SME and the 30% normally earned by the NFP.

Thus, if the SME sells SanDollars directly and earns a 20% dollar commission, plus a matching amount of SanDollars, the NFP will receive a commission override, i.e., a 10% dollar commission (30%-20%) plus a matching amount of SanDollars.

However, like the NFP, that SME can enroll users to establish a SanDollar account to purchase SanDollars directly from NCG. And just like the NFP,

that SME will earn a commission each time enrolled users purchase SanDollars, even if they purchase them directly from NCG. Thus, that SME will earn the same commission when users purchase SanDollars directly from NCG or the SME.

If those users purchase SanDollars from a different SME, the other SME will earn their normal 20%-dollar commission plus SanDollars, and the enrolling SME will not receive a commission, nor will the NFP receive a commission.

When all is said and done, if an NFP recruits an SME to join the program, sell SanDollars and recruit users, the NFP will get an override on all the transactions that occur thereafter as a consequence of that SMEs activities.

See chart on page 7 for an illustration of how the non-profit commission structure works.

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Commission Structure for Sale of SanDollars (FL\$) and User Signups

% OF SALE YOU EARN WHEN ...

You sell FL\$ directly to a supporter



You earn

30% \$

30% f

Your supporter donates the FL\$ back to you

You earn an additional

100% f

You sign up a supporter for a FL\$ account



Your signup later buys FL\$ from NCG

You earn

33% \$

20% f

You enroll a business for a FL\$ account



That business sells FL\$ to a customer ...

OR

... Signs up a new FL\$ account holder who buys FL\$ from them or NCG

You earn

10% \$

10% f

Welcome
WE ACCEPT
SANDOLLARS

Endnotes

1. Includes 501(c)(3) organizations, governmental organizations, and all other tax-exempt entities
2. <https://scf.green>
3. <https://nationalcommonwealthgroup.net/>
4. <https://scf.green/what/>
5. <https://scf.green/doc/CommonwealthDevelopmentOrganizations.pdf>
6. <https://scf.green/doc/LaunchingFloridaSCF.pdf>
7. https://en.wikipedia.org/wiki/Complementary_currency
8. <https://www.inc.com/jared-hecht/are-small-businesses-really-the-backbone-of-the-economy.html>
9. <https://scf.green/doc/ProsperityFlorida.pdf>
10. <https://www.better-fundraising-ideas.com/fundraising-auction.html>

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