

# A New Revenue Source for Non-Profits

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

### Introduction

Not-for-profit organizations (NFPs)<sup>1</sup> 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 \(SCF\)](#)<sup>2</sup> developed by [National Commonwealth Group, Inc. \(NCG\)](#),<sup>3</sup> itself a 501(c)(3) non-profit organization.

### Background

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

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

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

nancial resources, both US dollars and our new Ohio complementary currency called the BuckOH. 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 the BuckOH.

### 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.

BuckOHs change that process. Every viable non-profit startup can be awarded BuckOH 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 BuckOHs (and dollars as described below). Every user who establishes a BuckOH account, including NFPs, will be able to recruit other new account holders and receive a BuckOH commission for each person or organization that establishes a new BuckOH account with NCG.

- For each individual or organization that establishes a basic BuckOH checking account, the recruiting party will earn a commission of 50 BuckOHs.
- For each business recruited that will a) accept BuckOHs, b) sell BuckOHs for a commission and c) enroll in NCG's credit card processing system, the successful recruiting party will earn 750 BuckOHs in addition to the BuckOHs for setting up an account. However, in addition to BuckOH commissions, if an NFP (or anyone recruited by that NFP) enrolls such a business, then the NFP can earn dollar 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.<sup>8</sup>**

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 Ohio](#).<sup>9</sup> 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 BuckOHs it creates to distribute as grants.

The BuckOH complementary currency too will be distributed from NCG to NFPs. However, NFPs can also use the SCF program to directly raise dollars and BuckOHs 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/BuckOH program, thus realizing a commission override.

## 1 Sale of BuckOHs

Most non-governmental NFPs raise money through grants and donations. One mechanism is through the sale of items donated to the NFP via [charity auctions](#)<sup>10</sup> 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 BuckOHs for a commission. But unlike convincing supporters to make a straight donation, the purchase of BuckOHs 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 dollars and BuckOHs. The NFP can enlist others to sell BuckOHs 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 BuckOHs 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 BuckOH complementary currency. NCG creates the BuckOH 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 Ohio 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 the BuckOH and NCG lets the NFP keep 20% 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 BuckOHs to the NFP, for an effective commission of 40% of the BuckOH sale. See chart on page 6 for an illustration of how this commission structure works.

That combination US dollar/BuckOH commission to the NFP is separate from BuckOHs sold to BuckOH purchasers. Those purchased BuckOHs will function like US dollars (i.e., a currency), and go into a buyer's online BuckOH account (similar to an online bank checking account), or be in the form of a BuckOH gift card. In either case, the buyer can use those BuckOHs to purchase any manner of goods and services from businesses and individuals in the state who will accept BuckOHs for payment.

So, with the purchase of BuckOHs, those buyers receive full value of their purchase cost back, while the NFP realizes a 40% 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 BuckOH users to make automatic periodic purchases of BuckOHs directly from NCG.

NCG will track those purchases and deposit the USD commissions into the NFP's checking account and BuckOH commissions into their BuckOH account. Thus, once the NFP's supporters have established BuckOH accounts and arranged for periodic BuckOH 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 be a purchaser/user of BuckOHs and even set up a payroll deduction plan to automatically purchase a certain number of BuckOHs 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 BuckOHs 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 BuckOHs. Thus supporters who want to maximize their aid can use this process to substantially increase their donation.

### Commissions on sales of BuckOHs by others

As described above, NFPs can earn commissions (in dollars and BuckOHs) for selling BuckOHs directly.

However, the NFP can recruit SMEs and earn commission overrides on the sale of BuckOHs 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 BuckOH program have another option to generate increased revenue.

**By signing up for the BuckOH program, they would not only avoid all card transaction fees but receive bonuses for accepting BuckOHs instead of dollars.**

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 BuckOH program are the same regardless of the card processor.



## Transaction Incentives & Reduced Fees

### Option 1

- NCG will reimburse the NFP in BuckOHs 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 BuckOHs.
- To realize more BuckOHs, NFPs may exchange up to the remaining 95% of their transaction at \$4 for 5 BuckOHs (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 BuckOHs, yielding an equivalent return to the NFP of 101% of their selling price (\$93 plus 8 BuckOHs).

### Option 2

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

**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 BuckOH account

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

BuckOHs 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 BuckOHs and that SME also signs up with NCG to be an agent to sell BuckOHs, 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 BuckOHs. Think of the SME as an agent of the NFP, selling BuckOHs 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 BuckOHs directly and earns a 20% dollar commission, plus a matching amount of BuckOHs, the NFP will receive a commission override, i.e., a 10% dollar commission (30%-20%) plus a matching amount of BuckOHs.

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

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

If those users purchase BuckOHs from a different SME, the other SME will earn their normal 20%-dollar commission plus BuckOHs, 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 BuckOHs 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 BuckOHs and User Signups

% OF SALE YOU EARN WHEN ...

You sell BuckOHs directly to a supporter



You earn

30%  
\$

30%  
B

Your supporter donates the BuckOHs back to you

You earn an additional

100%  
B

You sign up a supporter for a BuckOH account



Your signup later buys BuckOHs from NCG

You earn

33%  
\$

20%  
B

You enroll a business for a BuckOH account



That business sells BuckOHs to a customer ...

OR

... Signs up a new BuckOH account holder who buys BuckOHs from them or NCG

You earn

10%  
\$

10%  
B

Welcome  
WE ACCEPT  
BUCKOHS

## 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/LaunchingOhioSCF.pdf>
7. [https://en.wikipedia.org/wiki/Complementary\\_currency](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/ProsperityOhio.pdf>
10. <https://www.better-fundraising-ideas.com/fundraising-auction.html>

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