Financial Independence for Nonprofits

Special Purpose Vehicle/Public-Private Partnership Closed-Loop Platform

Overview

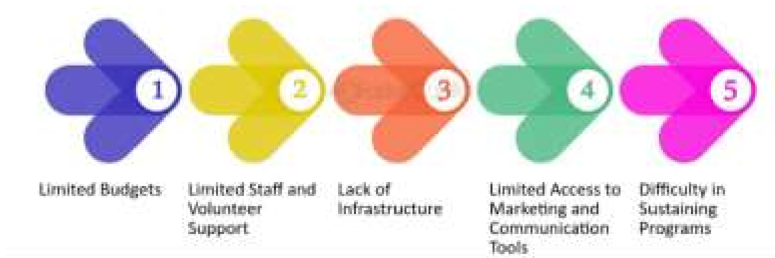
Financial independence means that the 501(c)(3) organization is not dependent on any single source for more than 20% of overall funding. This includes grants, allocations, foundation contributions, etc. Nonprofit finance and funding challenges are many and common among the various organization that are dependent on grants, benevolence, contributions, and other unstable, unreliable funding and finance models. Even the larger organizations with excellent grant writing talent are constantly facing a fiscal cliff, funding shortfalls, or gaps due to long-term program policies and practices that make financial planning and programing very difficult to sustain.

Regardless of the perception that “there is a lot money” for your mission, issue, or cause, there is also a lot of competition for that money and the allocators like to spread it around to keep all players in the game. Which means that most organizations are on a fiscal rollercoaster with dangerous loops and turns that can derail their operations.

With an average of less than 15% of applications for grants and other competitive funding receiving awards, a dependency on grants is the least stable funding model. In fact, most financial advisers recommend that grants should constitute less than 2% of total funding.

Challenges

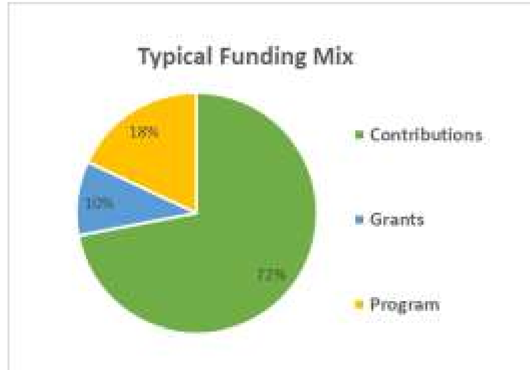
There are so many points-of-failure for nonprofits that most small organization have to rely on volunteerism and fundraising as resiliency plans. Although there are dozens of best practices and policy recommendations, the hard truth is the only way to have financial stability is to have stable revenue and income streams and operate to a net profit. Many organizations cannot attain the recommended 25% (one-quarter) of total expense operating reserve.



The second most critical challenge is talent retention. Nonprofits are not known for having strong compensation packages so they don’t attract career-minded, income-conscious individuals. Additionally, a severe drop in volunteerism is straining day-to-day staffing costs and expenses.

Current Strategies

Leveraging vertical relationships with federal, state, and foundational funding entities is the most popular strategy for rural and remote private nonprofits and those serving low-moderate income (LMI) communities. Many local governments also have recurring budget line items for key entities in the community.

Typical Financing Options	
1. Donations/Gifts 2. Government Grants 3. Foundation Grants 4. Community Development Financial Institutions 5. Traditional Business Lenders 6. Corporate Giving Programs 7. Business Credit Cards 8. Program Services	

__Proposed Strategies__

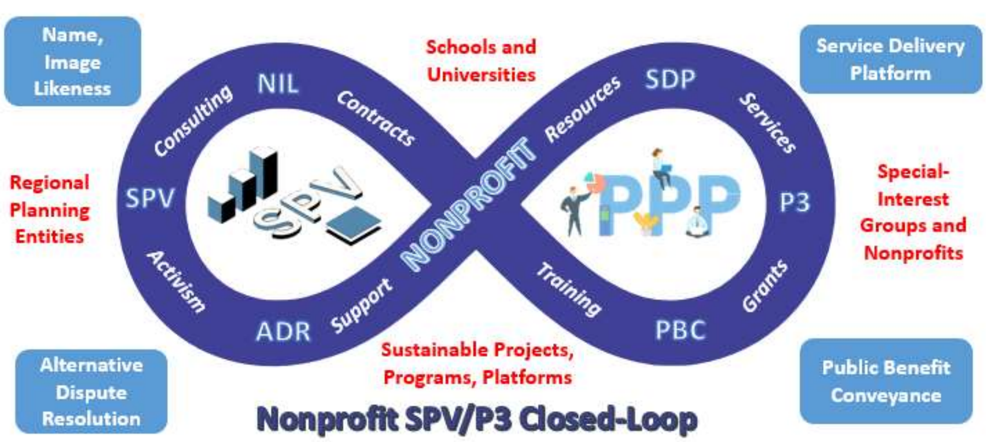
The monetization of core competencies consistent the nonprofits mission and model and fully considering the protection of the nonprofit status and unrelated business income. Nonprofits will leverage both financing models with the goal of keeping the conventional funding to less than 20%. The general categories of innovative financing revenue streams are shown in the chart below.

Innovative Financing Options	
1. Green Bond 2. Conduit Finance 3. Loan Guarantees 4. Public Benefit Conveyance 5. Alternative Dispute Resolutions 6. Name, Image, Likeness Contracts 7. Essential Service Delivery 8. Service Contracts and Agreements	

__Closed-Loop Platform__

The many new opportunities for funding and finance will be facilitated on the service provisioning loop by patrons and participants using automation and AI to optimize the user experience and enhance opportunities and outcomes for all stakeholders.

Special Purpose Vehicle (SPV)/Public-Private Partnership (P3) Closed-loop Platform:



Value Propositions

Impact Investment: There are **1300+ impact investors with $502+billion in funds under management** looking for verifiable sustainability, social, and development projects to support. They would be approached with the strategy and willing partners for floating green bonds or loan guarantees for green or other projects that align with their missions. **Impact Investment firms are familiar with and use public-private partnerships.**

The proceeds from the green bond, loans, or other sources will provide a funding pool for the selected underlying projects. The issuers and buyers of the green bonds are protected by pre-issuance conditions of having the conduit financing pre-approved for underlying projects before moving forward with the primary funding and financing solutions.

Deliverables and Outcome

STARS develops a project-specific set of use cases, business unit/component, and strategies to define the roles and responsibilities of each member of a regional or area consortiums to provide new and enhanced revenue streams and non-core-competency incomes while not disrupting the existing models. Project deliverables include but are not limited to:

Revenue-Generating Use Cases: Industry and sector-specific use cases (3500+) selected by the project-owners for primary and subprojects.

Technology Platform: Broadband connectivity provided as part of constituent/member services at reduced or fully-subsidized rates.

Essential Services: Locally-determined essential services delivery enhancements for food, housing, transportation, systems, and services.

Services Delivery Platform: Closed-loop platform for the delivery of goods and services with preference to the local community, platform members, and program patrons.

Contracts and agreements for non-program components are negotiated on a case-by-case basis and will be determined and developed with the SPV or P3 depending on the final service delivery point.

Revenue and Jobs

The deliverables associated with the project create revenue streams and revenue creates jobs and business opportunities. The primary goals of the sustainable solution include economic development at the community level. For that reason, local community stakeholders are provided revenue-sharing and first rights for local jobs, business development, and workforce talent commensurate with capacity. **A base of 5000 can generate six-figures plus annually in income for the nonprofit.**

Engagement

First steps/next steps and timelines are determined on an individual case basis through *Step Zero: Project Definition and Business Case Development*. Each project owner will receive a Letter-of-Intent outlining the strategies and solutions, the prospective solution set, project scope and scale, and revenue potential. Step Zero requires an executed LOI and payment of the retainer to move forward.