Logo, company name

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Social Venture Business Plan Template

Based On

*ENTREPRENEURIAL SMALL BUSINESS*

(6TH EDITION)

Jerome Katz and Richard Green

The material below recreates the outline of a business plan for a social venture based on Chapter 8 of [*Entrepreneurial Small Business* (6th Edition)](https://www.mheducation.com/highered/product/entrepreneurial-small-business-katz-green/M9781260260540.html). You can delete the instructional material from the text (as well as this whole page and anything in grey or red) and add your write-ups for each of the parts of the plan. For social-venture-specific elements, we used the business plan templates from the Global Social Venture Competition, Seattle Pacific University’s [Social Venture Competition](https://spu.edu/acad/school-of-business-and-economics/documents/SVPC-planning-template-2018.pdf), [SocialEnterprise.net](https://www.socialenterprise.net/assets/files/SEATipSheet11BusinessPlanOutlineforSocialEnterprisesfinal.pdf), and [PropelNonprofits.org](https://www.propelnonprofits.org/wp-content/uploads/2017/10/social_enterprise_business_plan_Propel.pdf).

Note that while the outline below links to the textbook, in real life the order of topics can vary, based on what tells your business’ story the best way (for more on storytelling, check out pages 255-256; for your pitch deck, pages 256-257). Some sections might need more space. Some sections might not be needed or need to be replaced by another topic. Check with your instructor about this.

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Computer Pillow: *The Baltimore Sun,* <https://www.baltimoresun.com/os-unusual-products-pictures-photogallery.html>

[Delete this page when you create your own business plan]

Social Venture Name

Logo, company name

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Version 1.10, January 28, 2021

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**Title Page**

The title page typically contains the following information:

• Company name (usually in large type, with a logo if you have one).

• Contact information (owner name[s], company address, telephone and fax numbers, email, website, and social media addresses).

• Date this version of the plan was completed.

• Proprietary statement to protect your ideas: An example is given above. On the line following this statement there may be a copy number unique to each copy of the plan. This helps you keep tabs on individual copies.

• Copyright notice for the plan or trademark for your brand name or logo, if you choose to pursue those forms of intellectual property protection (see Chapter 17 for details).

# Table of Contents

Page num­bers are given for every component, including financial statements and appendixes. Remember to put page numbers on every page of the business plan, even the financials. [Built below using the Microsoft Word Table of Contents feature: *Insert > Index and Tables > Table of Contents*]

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# Executive Summary

Many entrepreneurs write the one-page executive summary first, using it as a guide, and then write the rest of the plan. (We discussed the executive summary earlier in this chapter.) Covering the major sections outlined in Table 8.2 is the usual strategy—company, product/service, indus­try, market and target customer, competitive advantage, marketing strategy, organization, and fi­nancial summary where each is a sentence or two. In general, it is common to come back and revise the executive summary as your thinking changes as your write your plan, so it is the first and also the last item you will edit in your plan.

[from page 232] Executive summaries are usually organized in a series of short paragraphs (three or four sentences) and typically cover five key topics. These topics are:

* **Problem:** Describes the need for the product or service.
* **Product:** Describes the product or service and how it is used.
* **Market:** Describes the size and characteristics of the customer group and how they will buy the product or service (e.g., in person, online, catalog).
* **Competitive advantages:** Explain what makes the product or service unique, often in terms of an entry wedge.
* **Business/team:** Describes the current stage of the business, the timeline, and the team behind the product.
* **Financial summary:** Gives sales, growth, and profitability information, and if funding is sought, an overview of that.

The order for the topics in an executive summary is not fixed, although most experienced readers will be looking for the same items—markets, advantages, financials, and management. The summary is probably the single most important written part of the business plan for two reasons. First, it is the single most widely distributed written description of the business. Second, all readers of a business plan typically start with the executive summary, and then go on to the section where they can best apply their expertise. For example, accountants typically go to the financial projections after they’ve read the executive summary.

It also is typical to include the key numbers for the business such as industry size, customer base, number of employees, or projected sales. However, it is important to make sure that the numbers can be supported by a trustworthy source. Examples of such sources include the gov­ernment, industry associations (check Skill Module 3.1), and major commercial sources such as Dun & Bradstreet, the Risk Management Association, [BizStats.com](http://bizstats.com/), or [Bizminer.com](http://bizminer.com/). The sources may be included in the execu­tive summary or made available to readers in footnotes.

# The Organization (a.k.a. The Social Venture - 1 paragraph)

Icon

Description automatically generated with low confidenceTypically, this paragraph gives a brief overview description of the business—its age, current status (start-up, seed stage, ongoing, expansion, and loca­tion, as well as the clients it serves or plans to serve (this is often called your elevator pitch, pp. 230-231). For more ideas on this look at Figure 2.2, if you’re an operating organization or Figure 9.6 if you’re still in the planning stage. The firm’s most recent milestone achieved is often mentioned (received initial contributions or investments, finalized product design, tested a prototype, completed market testing, delivered first services, and so on). For an existing entity, the history of the organization is briefly covered here.

# The Offering (a.k.a. Product or Service and Its Value Proposition - 1–2 pages)

In many ways this is the most important section of the plan because it is where readers come to understand what your organization is all about— expanding the vision and connecting it to the mission of the venture. Today this most often starts with a description of the problem (pain) you are trying to solve or the benefit you’re hoping to deliver to the client (gain). You then introduce your service (or product) as the solution and explain how it works and how it delivers on the need. The description is often bolstered by a graphic of the product to help readers better visualize it.

A person lying on a desk

Description automatically generated with low confidence

Include photos? Sure, if you have space and it saves words. How else to explain the *Ostrich Pillow?* [BTW, this is a text box, with tight word wrap.]

Where these descriptions for a for-profit firm is usually rooted in the idea of the value proposition introduced in Chapter 4 (with additional help defining it in Skill Module 9.7, and help mapping the client’s pains and gains to it in Skill Module 9.6) for social ventures there are often two value propositions, one reflects the financial benefit of the venture doing its work (e.g. increasing employment) and another focused on the social or environmental benefits of the work the venture does. (you can consider the cost and value benefits in Chapter 7, pages 202-206). A good place to start look at social impact description and measurement is the Stanford Social Innovation Review’s “Playbook for Designing Social Impact Measurement”: [https://ssir.org/articles/entry/a\_playbook\_for\_designing\_social\_impact\_measurement#](https://ssir.org/articles/entry/a_playbook_for_designing_social_impact_measurement)

For a social venture the key is the organization’s mission and the vision underlying it (pages 229-230). If there are competing service offerings, your organization’s competitive advantage (Skill Module 7.4) is might also mentioned here. Additionally, if the service has protection through a **proprietary technology** or from patent, trademark, or copyright, you mention it here (a list of these possibilities is given in Table 17.9).

# The Market

Icon

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The market section talks about you’re the two groups of interest to social ventures: (1) the recipients of the offering your organization provides and (2) the individuals and organizations that support the provision of the offering. For both we want to know who they are and what they are like, who else is pursuing them, and how you plan to get, keep and develop both groups. The market section builds on material you may have developed in the IDEO (Skill Module 4.2), business model canvas (Figure 4.6), and feasibility analyses (Exhibit 4.2) you’ve done earlier), the industry analysis (see Skill Module 7.5), and the marketing efforts you plan (see Chapters 9, 10, and 11).

## Market and Target Client (1–2 pages)

Icon

Description automatically generatedAs you can probably tell from the amount of space allocated, this is the second most important part of your business plan, because it tells us: (1) who is your client and why they need and will benefit from your service and (2) who is your sponsors or donors and why they will support your efforts. The two markets refer to the total population of people, communities or organizations whom you plan to help and those who in turn will help you craft and deliver your offering. Client markets are usually described in terms of their size (both in numbers of people or communities and size of deliverable services) and scope (local, regional, national, international, global). The major ways the market is organized, and services are delivered, what are called channels in the business model canvas, are also covered. Professional, trade, or indus­try associations (Skill Module 3.1), special-interest clubs, major national gatherings, and media dedicated to the target audience (e.g., local newspapers, social media sites, churches, etc.) are all relevant for both kinds of markets.

The target client section focuses attention on the individual who would benefit from your offering. Target clients are described in terms of demographics (such as age, gender, educa­tion, income, experience – look at Skill Module 9.3 to learn how to find this information by zipcode, or try Headwaters Economics (<https://headwaterseconomics.org/apps/economic-profile-system/>), Facebook (<https://data.humdata.org/organization/facebook>), or US government sources (<https://www.orau.gov/sns/atrisktool/accessible.html>) to get more demographics on at-risk populations).

Also consider their reaction to your offering (will they use it themselves, apply it to others, build on it, connect it to other offering to get synergies, etc.), how often they will interact with your organization and the offering (once a day, once a week, twice a month, every three years, once in a lifetime, etc.), their past experience with your kind of offering (new user, prior user of competitor’s offerings, prior user of your offerings), and what they are looking for when considering using your offering. Often target clients are described in terms of the mar­keting funnel introduced in Chapter 10. What target clients are looking for should be based on discussions with potential clients, and it hopefully matches closely with the value benefits your service offers. Providing a comparison of the two is often a good idea.

It is very common to have multiple target client groups, also called client segments. When this is the case, you should provide a separate description of each one. It often helps to give each target group a specific name when you refer to them in the rest of the business plan. For an food security program, the target clients might have names like “moms,” “grandmoms,” “cooks,” and “kitchen organizers. Since your marketing plan can differ dramatically among the different groups— imagine how to sell to “mom’s” cooking for their family and “kitchen organizers” cooking for hundreds — you want to have an easy way to differentiate them. There are several ways to develop these, such as empathy maps, user personas, and value canvases, which will be discussed in Chapter 9.

Once the client side is covered, you need to pay similar attention to the sponsor/donor side of the effort. Who are these people or organizations, where are they, how do you find them, connect to them, and help fulfill their needs. Donors/sponsors can likewise be segmented, e.g. foundations, crowdfunders, government agencies, product purchasers, etc. Profiling them (Skill Module 9.2) makes sense here too.

Competition and Competitive Advantage (1 page)

Logo, icon

Description automatically generatedConsider doing this section with a half-page of text and a half-page table. The table identifies the major competitors for your market by name. Remember from Chapter 7, the vast majority of businesses are imitative in nature, not new, and rarely disruptively new. If you think you don’t have competition, think again! What do your clients use to achieve their goals now? Find those organizations or services and list them here. Other columns mention market shares, com­petitive strength, and competitive weakness. You can see examples in Exhibit 9.1 and Table 8.6. These are the key elements you get from Skill Module 7.4, and if you’re going to map it against your value proposition look at the work you did on Skill Module 9.8. Note you can similarly map missions/visions too.

The accompanying paragraph summarizes the table’s results and focuses on your venture’s com­petitive advantage—what makes your offering unique—and how your competi­tive advantage gives you an opportunity to win adoptions from competing firms. Often this information is based on material gathered from the industry analysis (see Skill Module 7.5), the Value Proposition (Skill Module 9.7) and Customer Job Map (Skill Module 9.6) and the combination of all of these, described in Skill Module 9.8.

## The Marketing Strategy (1 page)

A pair of scissors

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A good marketing strategy section focuses on three ideas: (1) the overall strategy your venture pur­sues in each of the two markets – clients and donors/sponsors, (2) the recruitment plan that shows the specific ways you apply strategy to secure commitments from both markets, and (3) the longer-term competitive plan that shows how you protect your organization and offering from efforts of the competition to unseat you. Many of the specifics are built from the ideas you develop in the marketing chapters of the book, Chapters 9, 10, and 11.

The marketing strategy may add a paragraph addressing the day-to-day specifics of how commitments or adoptions are achieved. It builds on the value benefits being sought by both of your markets and shows how these are turned into promotional efforts and incentive programs, distribution techniques, and loca­tion. Most of all, it emphasizes the way you or your team go about recruiting both. Examples of advertising materials, displays, talking point lists, social media campaigns, or the like are useful and typically mentioned here, but details are put in an appendix. The proof that your approach is working comes from adoptions made using these approaches, so the strongest marketing plans talk positively about the results of pilot tests, **preselling** efforts, or conventional adoptions already made. Being able to name customers (especially repeat or referring customers) really builds up this section.

## R&D/Growth Plan or Next Steps (1 paragraph)

A picture containing text, basket, container

Description automatically generated

Over the longer term, even with a clear competitive advantage, a sound strategy, and a good sales plan, your competitors are not likely to give up the market. They will fight back. When they do that, trying to match your offering’s features or competitive advantage, what are you keeping in reserve to help you fight back? Here is where you want to have several additional strategies that play against weaknesses in the competition, or further improve or expand your offering. These can include protections through trademarks, patents and intellectual property protection or relationships with powerful partners. You may have contracts that tie adopters to you long term, but most often advantages come from bringing out improved versions of your offering before the competition introduces its own improvements.

# The Organization

A picture containing text

Description automatically generatedIn this section you lay out the components and supports for the firm itself. So far you have cov­ered the product and the customer. The goal for this section is to convince the reader that the business will be successful because it has access to high-quality people both within the firm and within the larger business community, and the organization itself is structured to make the best use of those people.

## Legal and Organizational Structures and IP and Locations (1 paragraph)

Text, icon

Description automatically generated with medium confidenceThis subsection describes the legal form of the business (nonprofit, 501(c)3, B corporation, etc.) and where it is formally registered (topics discussed in Chapter 17) and located (both physically and on the Internet). If you are operating internationally, those legal accommodations are mentioned here. If the firm has acquired licenses or certifications, they are men­tioned here, along with the firm’s intellectual property protections, such as patents, trademarks, and trade secrets (to see what you can protect, look at Table 17.9). If some of these are in process, mention that.

## Key Personnel (1–2 paragraphs)

Icon

Description automatically generatedBy now you have sold people on your vision, mission, offering, competitive advantage, and even your adoption approach. It is now time to promote the most important single element in the social venture plan—you! In any organization and any venture plan, everything hinges on the quality of the social entrepreneur behind it. If we do not have confidence in the social entrepreneur, there is no way to have confidence in the other parts of the plan. The goal for the key personnel subsection is to inspire that confidence in your reader.

Who are your key personnel? Any founders or senior managers count, as do people who will be handling key aspects of the business. For example, an expert with an extensive client experience would be a key employee, as would an employee who is locally famous for a prior good works in the community. Often ventures have a circle of outsiders involved. This might include a local media per­sonality who will be promoting your efforts, or a key outside venture partner.

While you might put in the résumés of one or two key people in the appendix if you have the space, typically the key personnel are each described in a two- to three-sentence description. Simply put, the goal is to impress the reader. What is impressive? Accomplishments, and the closer these are to the venture, the better. Having been successful in other social ventures is the best proof. Having been successful in another line of business is a good second choice. Having experience in convincing people to do something is always useful, as is experience managing projects or people.

Whenever possible talk about accomplishments rather than just experience. Achieving some mark of distinction, such as being a recognized trainer or expert, is best, followed by years of experi­ence in some aspect of business, followed by education. Sometimes giving the specifics of the accomplishment does the job, even if no award was given. For example, being able to say “In my five years at FeedThePoor, I was able to recruit an average of 50 percent more people each year” shows your abili­ties are improving, which is good.

When looking for accomplishments, do not limit yourself to social ventures. Particularly for stu­dents and stay-at-home spouses, there are often organizational accomplishments that are rele­vant. Activities undertaken or managed for schools, churches, social organizations, civic organizations, or community groups are often important indicators of expertise. For example, managing a team during a fund-raising event may help prove your skills in people management and making quick decisions.

Often this section concludes with a sentence or two that makes clear how many employees there are and whether they are full time or part time, permanent or seasonal, family or nonfamily. Personnel and human resource management issues are discussed in Chapter 18.

## Volunteers (1 paragraph)

One unique aspect of nonprofits and social ventures is the potential of recruiting and deploying volunteers as providers of a substantial portion of the workforce. The recruitment, training, supervision and support of volunteers are central to the operation and success of the organization, and this needs to be conveyed to readers of the plan.

## Board of Directors (1 paragraph)

Directors are key for social ventures, because nonprofits can’t be owned as businesses are, but their directors are responsible for the organization (both legally and fiduciarily), and through that responsibility “run” the organization. They are as important as the key employees. Here you want to talk about how the directors are connected to the client or donor/sponsor markets, their visibility and expertise.

## Board of Advisors (1 paragraph)

Where directors have legal and fiduciary responsibilities to and for the organization, advisors are there to offer advice, networks, and other forms of help. It is specific to individual employees or directors. But having well-known individuals or experts “on call” to your organization is a testament to your work and their faith in you. Be ready to drop names and why they’re notable.

## Related Service Providers (1 paragraph)

Shape, company name

Description automatically generatedText, whiteboard

Description automatically generatedThese days, small businesses are rarely alone, and the quality of the professionals surrounding you tells people a lot about how good you might be. Taking a paragraph or two to identify your bank and banker (maybe include their logo to solidify the association), your attorney and legal firm, accountant or bookkeeper, and other consultants can help show that you have high-quality supports. If you have major relationships established with well-known suppliers or customers, list these here also. If you have a board of directors, members can be mentioned here or under key personnel. If you have a board of advisers made up of people who are not owners, they would be listed here.

# Key Metrics: Impacts and Finances

A picture containing text, clock, watch

Description automatically generated

For many people reading the business plan, this section defines the “proof is in the pudding.” This section describes how you imagine your organization to operate, to deliver on its promise of helping, and doing so in ways that make financial sense. For non-profits, doing good for clients may mean an unending run of fund-raising activities to keep the doors open, but then it becomes important to know that the organization (1) isn’t wasting money, (2) is living and delivering its offering within its means, and (3) has a sound plan for funding their operations, with backups for the inevitable shortfalls and unexpected problems.

This means there are two sections, one measuring the social impact of your organization and its offering(s), and another showing the financial operations of the organization as it is delivering on that social impact.

## Social Impact Analysis (0.5-1 page)

Icon

Description automatically generatedAs a social venture, you should be thinking about [double bottom line](https://ssir.org/articles/entry/the_new_double_bottom_line) (people and profits) [measures](https://centers.fuqua.duke.edu/case/wp-content/uploads/sites/7/2015/02/Report_Clark_DoubleBottomLineProjectReport_2004.pdf), or even [triple bottom line](https://www.ibrc.indiana.edu/ibr/2011/spring/article2.html) (people, profits and planet) approaches. In this section you will talk about how you measure the impacts of your organization’s offering(s) on the target client audiences. In reality, this is done with a strong basis in numbers and an element of “human interest” storytelling to help us understand intuitively what you’re organization is all about.

A good way to think about the measures portion comes from our fellow religious school [Seattle Pacific University’s Social Venture Plan Competition’s Template](https://spu.edu/~/media/academics/school-of-business/documents/SVPC_planning_template_2021.ashx) about social impact (what we added is in black:

*How will you determine the success of your venture with respect to your mission statement?*

1. *What measurements or metrics will you use (e.g., number of clients fed; number of clients without hunger; number of clients earning livable wages)? Look at this article from Stanford to help you develop measures:* [*https://ssir.org/articles/entry/a\_playbook\_for\_designing\_social\_impact\_measurement#*](https://ssir.org/articles/entry/a_playbook_for_designing_social_impact_measurement)
2. *What are the 3-5 keys to success in this business – those factors that are really important to those you serve? How do you measure them, and how are you performing on those measures?*
3. *How will you report these to your investors, donors and external audiences? And what is the historic performance and your projections for future performance?*

## Financial Analysis (4 pages)

Icon

Description automatically generated

Page 1 of this section may start with a 1-2 paragraph financial summary section followed by “the ask” from donors, granting agencies or other sources. For the summary and the full financials themselves, it is always important to develop them in the most conservative way possible. It is usually better to include fewer numbers, but ones you understand inside-out, rather than having lots of numbers, but knowing only in a general way how you arrived at them. The three pages should look like:

* Page 2: Income statement and cash flow tables (year 1 by month, years 2–3 [or 2–  
   5] by year). Assumptions given in endnotes or footnotes. Remember that social ventures and nonprofits have a broader typical range of funding sources than for-profit entities, including private contributions from individuals or major donors, bequests/gifts, government grants and contracts, foundation grants, corporate contributions, and sponsorships, membership dues and fees, in addition to products and services purchased (or bartered). Most nonprofits use a variety of funding strategies, see the graphic below.See <https://www.thebalancesmb.com/where-do-nonprofits-get-their-revenue-2502011> and <https://learning.candid.org/resources/knowledge-base/how-are-nonprofits-funded/>.
* Page 3:
  + - Balance sheet for years 1–3 (or 1–5) by year. Assumptions given in endnotes or footnotes.
    - Start-up cost budget. Assumptions given in endnotes or footnotes.
* Page 4:
  + - Overflow from financial statements, footnotes or endnotes.
    - Timeline or milestone list.

Chart, pie chart

Description automatically generated

Source: <https://learning.candid.org/resources/knowledge-base/how-are-nonprofits-funded/>

The financial statements expected include (1) income statements (also called a P&L for profit and loss) and its assumptions; (2) cash flow and its assumptions; and (3) balance sheet and its assumptions. For start-up businesses, it is also common to include a listing of the expenses in­curred in the start-up process.

For an existing business, the financials report the last two years of actual data, and then offer three-year projections for the income, cash flow, and balance sheet. For a start-up business, the tradition is to offer three years of data projections. If you will take three or more years to show a profit, it makes sense to give projections for five years. In either case, income and cash flow are given monthly for the first year, and annually for the second and later years. Think in terms of a layout described in Exhibit 8.2.

Note that each of the financial statements also includes its assumptions. Included as end­notes or footnotes, the assumptions are often considered to be the most important part of the financials. Assumptions explain how the computations are made, which items are included or excluded, and whether there are any special considerations underlying the particular numbers. For example, key assumptions include how sales are computed, which items are expensed versus depreciated, and how inventory and business valuations are made.

Some people build the financial templates from scratch. Others prefer using a template (a pre-formatted set of purpose-specific spreadsheets). There is a template which comes from *Entrepreneurial Small Business* and is built using the model in Chapter 12 of the text. The template asks you questions for which you give your estimates or current thinking. For nonprofit resources, check out: <https://www.nonprofitworks.com/resources/>, <https://nff.org/fundamental/cash-flow-projection-template>, <https://www.docformats.com/nonprofit-budget-template/>, and the Wallace Foundation’s

<https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/budgeting.aspx>. Good general advice on non-profit accounting issues can be found at <https://www.thebalancesmb.com/template-for-nonprofit-accounting-4691209>.

* NOTE: For for-profit organizations, SCORE has a template of their own, which you can access at <https://www.score.org/resource/financial-projections-template>. They also have a fine startup budget template at You would probably find it easiest to cut-and-paste the specific financial projections you need into this document. BTW, there are lots of business plan financial templates out there, including some specialized for particular industries. A good source can be found at Eloquens (<https://www.eloquens.com/category/finance/financial-projections-excel-template-model/666>), which has free templates for startups in [e-commerce](https://www.eloquens.com/tool/nkxtvM/startups/e-commerce/e-commerce-financial-model-for-startups), [restaurants](https://www.eloquens.com/tool/nkxtvM/startups/e-commerce/e-commerce-financial-model-for-startups) and [home health care firms](https://www.eloquens.com/tool/3MgsA0/finance/healthcare-financial-models/startup-home-health-care-financial-projections).
* If you need to build a start-up budget SCORE also has a fine template at at <https://www.score.org/resource/startup-expenses-1>. [If you want to get into the details the Wallace Foundation has a really complete nonprofit budgeting template at <https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/budgeting.aspx> (with instructions and videos).]
* To get an idea what financials for nonprofits look like, check out [Religious, grantmaking, civic, professional, and similar organizations](http://bizstats.com/sole-proprietorship-business-financials/other-services-147/religious-grantmaking-civic-professional-and-similar-organizations-154/) on the free Bizstats.com website, or try the NAICS industry code 8133 or 8134 on the for-fee Bizminer.com website. For nonprofits doing food, housing and health related services, check out [Social Assistance](http://bizstats.com/sole-proprietorship-business-financials/health-care-social-assistance-121/social-assistance-136/) in Bizstats.com or NAICS code 624 in Bizminer.com.

A schedule of the major milestones or benchmarks the company plans to achieve is often included in the financials section, typically toward the end. If significant milestones or benchmarks have already been achieved, these can top off the schedule, so readers can see how the firm has progressed.

# Possible Appendices

Appendices exist to help you tell your story better. If page limits are in place, consider creating a website (or Google Drive/OneDrive/Dropbox/etc. shared folder) with materials like this, and include links to them on the Appendix page. See the bulleted list below for possible examples.

* + Offering (i.e. product or service) pictures or specifications (important when you stress features or style, or when your product or service is not familiar to readers).
  + Copies of signed contracts, letters of intent or commitment, or contingency contracts from customers or investors (useful to show acceptance).
  + Results of marketing studies or pilot sales efforts (useful for showing market acceptance).
  + Industry reports (if there is significant information not included in the plan).
  + Floor plans of the location, if it is central to the business (e.g., a manufacturing facility or restaurant).
  + Advertising copy, such ads, logos, catalog pages, brochures, sales letters, or press releases.
  + Customer or spokesperson testimonials.
  + More detailed biographies of principals, or a one-page version of the owner’s résumé (see Skill Module 8.3 in Appendix A of Chapter 8).

## (OPTIONAL) Finding Your Firm’s Industry (Social Venture Edition of Skill Module 7.2)

## The government organizes firms by their industry and gives each industry a formal name and numerical code. That coding system is called the North American Industry Classification System: United States, 2012 (NAICS, 2012). Knowing the formal name and NAICS number can help you find a wealth of government data on your target industry.

## It’s easiest to search online using the Census Business Builder. Go to cbb.census.gov and find the text box that says “or Search for your type of business.” Enter the name of your industry. For today’s nonprofit/social venture example, think about opening a youth development program to compete with Boy’s Club in your little corner of Texas. For our example, you could start typing “youth” and you’ll begin to see all sorts of industries with those letters in the name.

## Graphical user interface, text, application, chat or text message, email Description automatically generated

## You will see “Youth self-help organizations,” which is what we’re seeking. Its NAICS code is 624110. In this case, Youth self-help organizations are what the government calls this sort of nonprofit. Click on the hot link, and you’ll find yourself looking at a hotlink saying “You selected; Child and Youth Services.”

## If you look to the right, there is question 2. Where are you considering locating the business?” Here you can type in the location of interest to you and generate a map or report with information on that industry in the locality you pick. Let’s type San Antonio and choose “San Antonio city, Texas.” Then pick “Create Report.”

## The resulting report will have a section “My Potential Customers” (the people of San Antonio), a section called the “Business Summary” about the youth services sector in San Antonio, and a section titled “Consumer Spending.” For our purposes (given our focus is on nonprofits or social ventures), the Business Summary and Consumer Spending section are unlikely to be useful. The potential customers are useful in that it includes a listing of people under 18 (our target audience). Armed with the NAICS codes, you can go to library and online sources listed later in the chapter in Table 7.1 to find more detailed information about the industry you’re thinking of entering, as well as using the NAICS code for Skill Module 7.5 below.

## (OPTIONAL) Short and Sweet Industry Analysis (Social Venture Edition of Skill Module 7.5)

The basics of industry analysis (IA) consist of knowing seven pieces of information:

1. **NAICS number and description (online):** Getting this information is detailed in Skill Module 7.2. It is important to know this number in order to search for other information about the firm.
   1. For social ventures that are classic nonprofits (food banks, youth programs, community improvement efforts, etc.) the general NAICS number is 624, with additional digits (e.g. 624110) representing specific types of nonprofits (e.g. child and youth services). The free Bizstats.com workup for “social assistance” firms is available here <http://bizstats.com/sole-proprietorship-business-financials/health-care-social-assistance-121/social-assistance-136/show>, the Bizminer link (subscription required) is:

<https://www-bizminer-com.ezp.slu.edu/industry/?s_reset=&s=industry-search-tools&searchType=0&term=624>.

* 1. The other category applies to the class of “religious, grantmaking, civic, professional and similar organizations” (<http://bizstats.com/sole-proprietorship-business-financials/other-services-147/religious-grantmaking-civic-professional-and-similar-organizations-154/show> in Bizstats), which is NAICS 813 and is found in Bizminer at <https://www-bizminer-com.ezp.slu.edu/Other-Services/>.
  2. If this is more of a for-profit business which a social mission, like Tom’s Shoes or Ben & Jerry’s, use the NAICS code for the type of for-profit business, e.g. 448210 for Tom’s Shoes.

1. **Industry size over time (online):** Getting this information is detailed in Skill Module 7.2 for 2016 data for San Antonio, but the Census Business Builder can also generate data for any industry across all of the United States. These numbers tell you the *overall trend* (growing, stable, declining).
2. **Profitability:** Profits are key in the case of for-profit business but is less important for nonprofits and social ventures because the impact of their mission is a more important outcome measure. As noted above, though, you can get the basic information for a wide variety of industries from the **BizStats.com** website under “Sole Proprietor.”
   1. **Profits:** Look for **gross profit** (what is left after deducting the cost of goods sold) and **net profit** (what is left after deducting the operating expenses of the business). You can get more detailed reports for more individual industries for a fee from the Risk Management Association (RMA) or Bizminer websites, or you can check if your school or local library has a copy of the RMA’s *Annual Statement Studies: Financial Ratio Benchmarks*. One valuable number you can find in the RMA report is the **profit before taxes**, which represents the amount of money the owners take out of the firm annually and on which they pay taxes. When the business can sustain it, owners tend to put their sala­ries in the operating expense category. However, if the firm cannot afford the owners’ salaries, the only income is the profit before taxes.
   2. **Impacts:** Unlike profits, there are few hard and fast rules for how to measure impact. Many organizations might talk about how many clients they helped (e.g. kids enrolled in programs) or how many of their offerings they delivered (e.g. how many meals were served to the hungry). More involved outcome measures are possible too (e.g. number of youth program graduates who went onto college, or got jobs). Websites and annual reports of nonprofits may talk about these outcome measures, or you may cast a wider next, as given in the next point.
3. **How profits or impacts are made (interview or articles):** Armed with the previously listed information, you can look for the last piece of the puzzle—*how* profits or impacts are made. It isn’t always obvious. McDonald’s single biggest source of profit is real estate; GM’s is financing! Toy stores make almost all their profit during the Christmas shopping season. There are usually four activities to evaluate.
   1. One is what can be done to generate more sales/impacts.
   2. Second is a judgment of whether it is possible to charge a premium for a product or service or for nonprofits, target an especially important or difficult-to-serve population.
   3. Third is how to keep the cost of goods, services or operations below the industry’s average.
   4. Fourth is looking at ways to keep operating expenses below industry averages.
      1. Small businesses may use one or more of these approaches. Finding out which get used and the specifics of how they are used generally requires either talking to people in the industry or checking out the industry press. Skill Module 3.1 talks about where to find the trade and professional press for particular industries. If you go the interview route, you can talk to people at companies in the industry. Among the owners most willing to talk are those who have been officers in trade and professional associations or owners of businesses who would not see you as competition, such as owners in other cities. Whenever pos­sible, try to get at least five different sources to make sure you know what is really going on.
4. **Target market competitor concentration (directory checking):** By looking at the listings for local and commercial directories, companies’ websites, and map searches such as **maps.google.com** or the Census Business Builder (Skill Module 7.2) you can get an idea of the market scope and scale of the businesses with whom you’ll be competing. For example, keeping with our fast-food theme, type into Google Maps “fast food restaurants near San Antonio, TX 78205.” [A nonprofit variant of this would use for example “child and youth services” for the same area.] You’ll see a map and listing of organizations, which you can use to count those places you see as competitors. By getting the number that matches your firm in scale and scope, you can get a clear idea of the concentration of competitors in your segment of the industry—and whom you will need to keep an eye on.
5. **Analysis:** In general, the data you have gathered are put into a report, which helps readers under­stand what the numbers mean for the industry under consideration. When analyzing the industry, give an overview of the industry (e.g., growing, stable, declining, does it have any major segments like fine-dining versus quick-service restaurants) in words and numbers, its size and profitability (as well as the trends for each over the past three to five years), and the major strategies by which businesses in the industry make money (e.g., cost or differentiation strategies; see the section “Strategy Selection: The Fourth Step in Strategic Planning” later in this chapter).
6. **Sources:** Let readers know where you obtained your information (e.g., books, websites, or personal interviews). It is important to assure them of the quality of your work. Without sources, you could be accused of plagiarism.