

# Coffee to Cash Flow

Corporate executives inspire new ways to develop diversified revenue sources for the nonprofit boards they serve

by Marc Kellenberger

COFFEE BEANS. ESPRESSO. Fresh-baked goods. Granola. Garden-grown vegetables. Herbs ... It may come as a surprise that these items are synonymous with the Southwest Autism Research and Resource Center. Sold in SARRC's Beneficial Beans® Cafés and through its catering programs, these products represent a growing trend among nonprofit organizations to diversify their revenue streams.

What's not surprising is the opportunity for corporate executives sitting on nonprofit boards to inspire equally innovative and diverse revenue sources and income generators in the nonprofit organizations they serve.

"Our board members look at the financial health and well-being of the organization," says Daniel Openden, president and CEO of SARRC. "We want to ensure we don't become too dependent on any one source of revenue or customer base. We are focused on strategically identifying opportunities for program and revenue diversification."

Funded initially by grants from philanthropic foundations in Arizona, Beneficial Beans® is just one example of that revenue diversification. Not only does the program provide training and employment opportunities in its cafés for adults with Autism Spectrum Disorder, it also offers a full espresso menu, coffee, pastries and snacks for sale. Baked goods are provided by Stuttering King Bakery and SMILE Biscotti, businesses owned and operated by individuals with autism who learn valuable social and workplace skills as they handle packaging, distribution and sales. Additionally, SARRC has expanded its catering operation through the café, employing five part-time employees. Revenues from the Beneficial Beans® Cafés provide support for SARRC's valued programs for adults living with autism — currently 2.5 percent of its annual Fee for Service, and that number is expected to grow by the end of the year.

While many nonprofits have, for years, relied heavily on government grants as well as their own fundraising efforts to sustain and grow business operations, they are quickly realizing the importance of diverse revenue sources, including social enterprise ventures similar to SARRC's. They may open stores



(think Goodwill), sell products (think Girl Scout cookies), offer services for hire or create other revenue-generating operations.

Consider Phoenix-based Chicanos Por La Causa (CLPC), a nonprofit serving the local community through housing, economic development and human services programs as well as education. To support its programs and services, the organization manages a series of for-profit businesses. Among them are fast food restaurants, real estate development ventures, housing rentals and an insurance partnership with Blue Cross Blue Shield of Arizona.

Nonprofits may also expand their business ventures and services internationally, as in the case of SARRC, now a contractor with the Canadian government, offering its autism training curriculum and services to several centers serving teens with autism across Canada.

Key to every nonprofit's financial sustainability, however, is pairing such revenue-generating enterprises with a range of tried-and-true revenue solutions, paying mind that each reflects the nonprofit mission, vision and strategic plan. Optimal revenue generation can be achieved through social enterprises like SARRC's and CLPC's, as well as through:

- Sponsorships, partnerships and alliances — Corporations place a premium on marketing exposure and often support nonprofit events and activities through sponsorship or purchasing tables at nonprofit

gala events. Even naming opportunities on buildings, public benches and board rooms offer potential income to the nonprofit. Many businesses and organizations also realize financial benefits by partnering together; the vertical integration of services often provides enhanced revenue potential.

- Government grants and contracts — Federal, state, county and city support can help fund building and infrastructure projects, programs, education and outreach efforts, as well as result in research and operational assistance, making nonprofits more efficient and sustainable.
- Sales and marketing — These activities vary based on the nonprofit's focus, maturity and sophistication. Arts organizations generate revenue from ticket sales, events and rentals. Other organizations may sell seminars and classes to the public — a university, for example, or a hospital offering health and wellness education.

All of these components help round out a diverse revenue portfolio. But the nonprofit has one more critically important tool in its diversification arsenal: philanthropic fundraising.

"Philanthropic dollars can result in a more flexible, discretionary income for the nonprofit, allowing organizations to innovate and experiment," says Openden. "Unlike government contracts and grant awards, which

contractually spell out a predefined scope of work and deliverables for the nonprofit, philanthropic dollars offer more latitude — to create innovative new programs, seek and serve new target markets, or develop entrepreneurial ventures within the nonprofit.”

A relatively new and pioneering philanthropic revenue-generating strategy is crowdfunding. In this model, nonprofits rally financial support through social media and Internet platforms. Arizona State University and the ASU Foundation have experienced recent success in funding a series of specific research projects through its crowdfunding website. On it, projects and funding requests are listed, while project leaders aligned with those causes commit to driving potential donors to the site through personal email and targeted social media marketing.

Because of the very nature of their philanthropic missions, nonprofits have additional opportunities to generate revenue by seeking investment support from socially responsible companies, foundations and individuals who identify with their unique cause. Known as social impact investing, this concept offers supporters of the nonprofit the opportunity not only to “do good” by serving a nonprofit committed to helping others, but also the opportunity for personal financial return as negotiated by the nonprofit.

Board members, no doubt, can drive diverse revenue strategies, bringing their corporate experience and contacts to the conversation. They can help identify social impact investors who share common philanthropies with the nonprofit and, most importantly, they can help the organization think innovatively — think *big* — about the ways it can continue to generate sustainable income.

Chief Operating Officer David Adame of CLPC may explain it best. “As the demand for services from the nonprofit sector increases and government support declines, nonprofits have to take a much more proactive, aggressive and expansive approach to what their lines of business are and what their sources of revenue are. Diversification is paramount, and executives sitting on boards have the opportunity to formulate creative solutions that could have a lasting impact.” ■

#### The Phoenix Philanthropy Group

phoenixphilanthropy.com

Marc Kellenberger is founding partner of The Phoenix Philanthropy Group, an Arizona-based international consulting firm serving nonprofit organizations as well as institutional and individual philanthropists.



This article was published  
in the July 2014 issue of  
*In Business Magazine.*