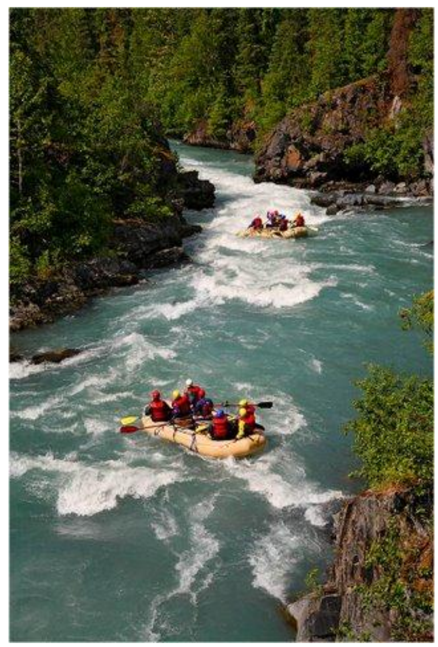
National Heritage Areas

Place-Based, Community Driven
Conservation & Economic Development

Business Planning for Organization Sustainability

TOOLKIT



Kenai Mountains – Turnagain Arm National Heritage Area

Presented by the

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A Business Plan Answers These Questions

1. What is or will be the purpose of your organization.
2. What needs does the organization intend to serve.
3. What services and/or products will the organization provide.
4. How the organization can service those needs better than your competition.
5. How and where will the organization provide services or products.
6. What people are required and available to make the organization work.
7. Why will the organization be able to attract funding and from whom.

6 Phases of Business Plan Development

One	Concept
Two	Research and Development
Three	Production
Four	Beta Test
Five	Adopt
Six	Roll Out

6 Phases ~ Think Butterfly

Concept **R&D** **A Time To Grow**	**Production** **Beta Test** **A Time To Change**	**Adopt** **Roll Out** **A Time To Fly**

V =CCCCJH

PROCESS CHECKLIST

Phase One: Concept

- ✓ Review Strategic Plan to define the Business Plan focus
- ✓ Discuss audience for the Business Plan
- ✓ Discuss Business Plan expectations with organization's leadership
- ✓ Outline the scope and scale of the Business Plan
- ✓ Select either a committee or individual approach
- ✓ Discuss the need for external expertise
- ✓ Establish a timeframe for development of the Business Plan

Phase Two: Research & Development

- ✓ Draft the business plan based on known information
- ✓ Review and analyze the organization's financial information
- ✓ Research the market for the organization's services and or products
- ✓ Research competitors
- ✓ Review industry economic information
- ✓ Review or analyze the organization's marketing materials
- ✓ Gather legal documents, i.e. IRS Letter of Determination, Trademarks, etc.
- ✓ Select illustrations
- ✓ Review organization chart, management team and or decision-making authority list and bios

Phase Three: Production

- ✓ Discuss R&D findings with the organization's leadership
- ✓ Revise draft plan with select R&D findings
- ✓ Address strategies to seize opportunities
- ✓ Address strategies to minimize threats
- ✓ Add illustrations
- ✓ Prepare the Executive Summary
- ✓ Add appendices, i.e. contracts, letters of support, trademark verification, etc.

Phase Four: Beta Test

- ✓ Vet the draft plan with the organization's leadership and staff
- ✓ Review and discuss with a financial advisor
- ✓ Review and discuss with legal counsel
- ✓ Create an elevator pitch for the Business Plan
- ✓ Review and discuss with current and potential investors and strategic partners
- ✓ Incorporate comments into final draft document

Phase Five: Adopt

- ✓ Adopt the Business Plan
- ✓ Distribute to leadership of the organization
- ✓ Discuss with staff and volunteers
- ✓ Share with strategic business partners

Phase Six: Roll Out

- ✓ Create a one-year action plan for each revenue line
- ✓ Develop a one-year marketing action plan
- ✓ Establish evaluation criteria for the action plans
- ✓ Monitor progress
- ✓ Apply adaptive management

How to Write a Business Plan

Overview

Whether you are planning to start a new project or are looking for financing options, you should prepare a business plan for your organization. You can write the plan yourself, use software with basic templates, or hire a consultant.

You have to follow certain guidelines when you write a business plan. Topics covered should include your organization's goals, products, services, and client base. You should provide a description your organization, target market, and information regarding how you will reach customers. The business plan should be attention grabbing, precise, and positive.

A business plan should include a cover page that includes your organization's name, logo, address, phone number, website, and e-mail. A statement of purpose and table of contents should follow the cover page. The plan should then include an executive summary that explains a organization's rationale in addition to facts and figures. Other sections should include business descriptions, products/services, targeted market, marketing strategies, development, management, finances, plan, and indexes.

In the heading where you describe your organization, you can talk about what exactly your organization deals with, competitors, personnel, operating procedures, and insurance. In the finances section, you should attach balance sheets, cash flow analysis statements, profit and loss statements, accounting protocols and loan applications,

Business plans should include supplemental documents such as copies of license, lease deeds, and other legal documents.

Elements of A Business Plan

- Executive Summary
- Organization Description
- Products and Services
- Market Analysis
- Marketing Plan
- Strategies and Implementation
- Organization Structure
- Financial Analysis

Executive Summary

- **Prepare last**
- **One to two pages**
- **Introduce reader to key findings**

Organization Description

Key Points:

- **Who you are**
- **What you do**
- **Goals and objectives**
- **Type of business**

Detail to include as appropriate to your organization:

1. Vision
2. Mission
3. Where and when the organization was established
4. Core Values
5. Brief History – Timeline
6. Identify the type of organization in terms of the IRS, i.e. 501(c)3
7. Current status of the organization and stage of development
8. Describe the business opportunity and why your organization is in a position to lead
9. Demonstrate that the organization provides something novel/unique/special
10. Describe the present and future goals and objectives of the organization
11. Introduce the organization's business and revenue models
12. Identify ownership of trademarks, patents, copyrights, URLs, licenses, contracts, etc.
13. Demonstrate a successful proof of concept through existing clients, beta tests
14. Identify the organization's strengths and weaknesses
15. Identify the organization's opportunities and threats
16. Formulate a clear, coherent strategy that will serve as the organization's "game plan"

Products and Services

Key Points:

- **Describe products and services**
- **Identify target markets**
- **Assess relative to competitors**
- **Discuss expenses and revenues**
- **Highlight R&D**
- **Address risk**

Detail to include as appropriate to your organization:

1. Describe each product and service
2. Include unique features offered by each product or service
3. Include pictures and other visual aides
4. Describe the need for each
5. State how and why the product/service is a better alternative to competitors
6. Demonstrate evidence of the need for each product/service (surveys, existing customers, etc.)
7. Describe how these products and services are designed to meet customer needs
8. State the benefits to customers
9. Describe opportunities for expansion
10. Describe costs associated with products and services
11. Discuss pricing strategy for products and services
12. Provide a comparison to competitors
13. Indicate if these are market ready or in the development process
14. Describe R&D related to products and services
15. Discuss any legal or environmental requirements and how they will be addressed
16. Discuss guarantees, warrantees, insurance
17. Identify product life cycle
18. Address copyrights and intellectual, property

Market Analysis

Key Points:

- **Market Niche**
- **Characteristics**
- **Competition**
- **Leadership**
- **Customers**

Detail to include as appropriate to your organization:

1. State the industry in which you operate
2. Discuss how the industry compares to GNP
3. Discuss the characteristics of the industry
4. Identify the largest and most important players
5. Identify the current status and prospects for the industry
6. Describe factors influencing growth or decline in the industry
7. Describe the role technology plays in the growth and future of the industry
8. Describe local, regional, national and international trends or events influencing the industry
9. Discuss the sensitivity to economic cycles and seasonality
10. Describe any cultural, social, political or legal issues that affect the industry
11. Identify market structures, key associations and governing bodies
12. Describe the organization's niche in this industry
13. Describe level of competition in the market (low, medium, high)
14. Identify major competitors in the market by service and or product
15. Discuss whether the product/service is better than the competitor and why
16. Articulate the source of the organization's competitive advantage
17. Describe primary and secondary target markets, including size and projected growth
18. Identify whether customers are local, regional, national or international
19. Identify the needs and wants of those customers
20. Describe the target customers in terms of demographics and psychographic criteria
21. Describe purchasing decisions in terms of planned or impulse

Psychographic Criteria

- In the field of marketing, demographics, opinion research, and social research in general, **psychographic variables** are any attributes relating to personality, values, attitudes, interests, or lifestyles.
- They are also called IAO variables (for Interests, Activities, and Opinions).
- They can be contrasted with demographic variables (such as age and gender), behavioral variables (such as usage rate or loyalty), and firmographic variables (such as industry, seniority and functional area).

Marketing Plan

Key Points:

- **How are you going to market products and services**
- **What is your marketing message**
- **Who are your marketing partners**
- **How will you evaluate your marketing programs**
- **How much will it cost**

Detail to include as appropriate to your organization:

1. Identify specific marketing philosophies and strategies
2. Describe the "Key Success Variables" in the marketing plan
3. Identify specific marketing media that will be used to reach customers
4. Describe why these marketing media were chosen
5. Identify how much each marketing medium will cost
6. Identify how often each marketing medium will be used
7. Discuss sales, fundraising or investment strategy
8. Identify existing and or potential marketing partners and strategic alliances
9. Describe personnel needed to sell products/services and whether in-house or outsourced
10. Indicate whether specialized training will be needed
11. Describe how the customer will pay (e.g. cash, credit cards, etc. and when (e.g. payment terms)
12. Describe discounts
13. Describe evaluation criteria
14. Discuss key points of marketing message

Strategies and Implementation

Key Points:

- **Infrastructure Needs**
- **Customer Relations**
- **Action Plans:**
- **Revenue, Products, Services, Marketing**
- **Timeline**

Detail to include as appropriate to your organization:

1. State what the organization has accomplished and what needs to be done
2. Provide a graphical representation of implementation timeline
3. Describe any significant equipment needs and related acquisition costs or lease terms
4. Describe any licensing/regulatory requirements
5. Explain the organization's philosophy towards customer service
6. Describe customer complaint and feedback processes
7. Outline technology needs and costs including:
   - Database development
   - Operating platforms
   - Software applications
   - Internet presents (i.e. website, social media, aps, QR codes)
8. Outline marketing implementation plan
9. Outline services implementation plan
10. Outline product implementation plan
11. Outline revenue generation/ fundraising implementation plan

Organization Structure

Key Points:

- **Management Team**
- **Management Team Gaps**
- **Personnel Plan**
- **Advisors and Consultants**

Detail to include as appropriate to your organization:

1. Provide an organizational chart and describe structure
2. Describe key management roles and who fills each position
3. Discuss relevant experience, skills, track- record and education for management team
4. Identify positions that need to be filled and the skills/experience required for each position
5. Discuss the relationship between the leadership and sources of funding for the organization
6. Identify Board of Directors and/or advisors and relevant experience and contribution
7. List the firms the organization has retained to perform the following functions and provide contact information:
    - Legal
    - Accounting/Audit
    - Insurance
    - Technology
    - Marketing
    - Public Relations
    - Consulting

Financial Analysis

Key Points:

- **Projected or Current Balance Sheet**
- **Projected or Current Profit and Loss Statement**
- **Projected or Current Cash Flow**
- **Break-even Analysis**
- **Business Ratios**

Detail to include as appropriate to your organization:

1. Introduce the organization's financial statements with a brief summary of key findings from analyzing financial records.
2. Balance Sheet or Statement of Financial Position
3. Income Statement or Profit and Loss Statement
4. Cash flow projection
5. Break-even analysis
6. Cost – benefit analysis
7. Nonprofit Business Ratios

The following definitions and descriptions are from: Harold Averkamp (CPA) an accountant, consultant, and university accounting instructor for more than 25 years.
From the web site: www.accountingcoach.com/online-accounting-course

The Balance Sheet or Statement of Financial Position: Sample

Example Company
Balance Sheet
December 31, 2010

ASSETS		**LIABILITIES**	
Current Assets		**Current Liabilities**	
Cash	$ 2,100	Notes Payable	$ 5,000
Petty Cash	100	Accounts Payable	35,900
Temporary Investments	10,000	Wages Payable	8,500
Accounts Receivable - net	40,500	Interest Payable	2,900
Inventory	31,000	Taxes Payable	6,100
Supplies	3,800	Warranty Liability	1,100
Prepaid Insurance	1,500	Unearned Revenues	1,500
Total Current Assets	89,000	Total Current Liabilities	61,000
Investments	36,000	**Long-term Liabilities**	
		Notes Payable	20,000
Property, Plant & Equipment		Bonds Payable	400,000
Land	5,500	Total Long-term Liabilities	420,000
Land Improvements	6,500		
Buildings	180,000		
Equipment	201,000	**Total Liabilities**	481,000
Less: Accum Depreciation	(56,000)		
Prop, Plant & Equip - net	337,000		
Intangible Assets		**STOCKHOLDERS' EQUITY**	
Goodwill	105,000	Common Stock	110,000
Trade Names	200,000	Retained Earnings	229,000
Total Intangible Assets	305,000	Less: Treasury Stock	(50,000)
		Total Stockholders' Equity	289,000
Other Assets	3,000		
Total Assets	$770,000	**Total Liability**	$770,000

BALANCE SHEET or STATEMENT OF FINANCIAL POSITION

The accounting balance sheet is one of the major financial statements used by accountants and businesses either for profit or nonprofit. The other major financial statements are the income statement and statement of cash flows. The balance sheet is also referred to as the statement of financial position.

The balance sheet presents a nonprofit's financial position at the end of a specified date. Some describe the balance sheet as a "snapshot" of the nonprofit's financial position at a point (a moment or an instant) in time. For example, the amounts reported on a balance sheet dated December 31, 2010 reflect that instant when all the transactions *through December 31* have been recorded.

Because the balance sheet informs the reader of an organization's financial position as of one moment in time, it allows someone—like a creditor—to see what an organization *owns* as well as what it *owes* to other parties as of the date indicated in the heading.

This is valuable information to the banker who wants to determine whether or not an organization qualifies for additional credit or loans. Others who would be interested in the balance sheet include current investors, potential investors, the organization's management, suppliers, some customers, competitors, grant-markers and public agencies.

We will begin our explanation of the accounting balance sheet with its major components, elements, or major categories**:** Assets and Liabilities.

Assets are things that the organization owns. They are the resources of the organization that have been acquired through transactions, and have future economic value that can be measured and expressed in dollars.

Assets also include costs paid in advance that have not yet expired, such as prepaid advertising, prepaid insurance, prepaid legal fees, and prepaid rent.

Usually these asset accounts will have *debit* balances.

Accountants usually prepare classified balance sheets. "Classified" means that the balance sheet accounts are presented in distinct groupings, categories, or classifications. The asset classifications and their order of appearance on the balance sheet are: Current Assets, Investments, Property, Plant, and Equipment, Intangible Assets and Other Assets.

Liabilities are obligations of the organization; they are amounts owed to creditors for a past transaction and they usually have the word "payable" in their account title. Along with owner's equity, liabilities can be thought of as a *source* of the organization's assets. They can also be thought of as a claim *against* an organization's assets.

For example, an organization's balance sheet reports assets of $100,000 and Accounts Payable of $40,000 and owner's equity of $60,000. The source of the organization's assets is creditors/suppliers for $40,000 and the owners for $60,000. The creditors/suppliers have a claim against the organization's assets and the owner can claim what remains after the Accounts Payable has been paid.

Liabilities also include amounts received in advance for future services. Since the amount received (recorded as the asset Cash) has not yet been earned, the organization *defers* the reporting of revenues and instead reports a liability such as Unearned Revenues or Customer Deposits.

Examples of liability accounts reported on a company's balance sheet include: Notes Payable, Accounts Payable, Salaries Payable, Wages Payable, Interest Payable, Other Accrued Expenses Payable, Income Taxes Payable, Customer Deposits, Warranty Liability, Unearned Revenues.

These liability accounts will normally have credit balances.

Liability and contra liability accounts are usually classified (put into distinct groupings, categories, or classifications) on the balance sheet. The liability classifications and their order of appearance on the balance sheet are: Current Liabilities, Long Term Liabilities, etc.

Current vs. Long-term Liabilities

If an organization has a loan payable that requires it to make monthly payments for several years, only the *principal* due in *the next twelve months* should be reported on the balance sheet as a current liability. The remaining principal amount should be reported as a long-term liability. The interest on the loan that pertains to the future is not recorded on the balance sheet; only unpaid interest up to the date of the balance sheet is reported as a liability.

Notes to the Financial Statements

As the above discussion indicates, the notes to the financial statements can reveal important information that should not be overlooked when reading an organization's balance sheet.

Statement of Cash Flows

Cash flow is the single most important numerical analysis in a plan, and should never be missing.

The Statement of Cash Flow is one of the main financial statements (along with the income statement and balance sheet). The statement of cash flows reports the sources and uses of cash by operating activities, investing activities, financing activities, and certain supplemental information for the period specified in the heading of the statement.

Because the income statement is prepared under the accrual basis of accounting, the revenues reported may not have been collected. Similarly, the expenses reported on the income statement might not have been paid. You could review the balance sheet changes to determine the facts, but the cash flow statement already has integrated all that information. As a result, savvy business people and investors utilize this important financial statement.

The official name for the cash flow statement is the statement of cash flows. The cash flow statement reports the *cash* generated and used during the time interval specified in its heading. The period of time that the statement covers is chosen by the company. For example, the heading may state "For the Three Months Ended December 31, 2010" or "The Fiscal Year Ended September 30, 2010".

<u>Cash Flow Projection Statement: Sample</u>

	Cash 1/1/04	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**
Revenue					
Special Event		$25,000			
Individual Donations		$12,500	$12,500	$12,500	$12,500
Corporate Donations		$12,500	$12,500	$12,500	$12,500
Foundation Grant				$5,000	$25,000
Total		$50,000	$25,000	$30,000	$50,000
Expenses					
labor		$25,000	$25,000	$25,000	$25,000
other		$25,000	$12,500	$40,000	$5,000
Total		$50,000	$37,5000	$65,000	$30,000
Net		-	($12,500)	(35,000)	$20,000
Cash on hand	**$50,000**	**$50,000**	**$37,500**	**$2,500**	**$22,500**

The cash from operating activities is compared to the organization's net income. If the cash from operating activities is consistently greater than the net income, the organization's net income or earnings are said to be of a "high quality". If the cash from operating activities is less than net income, a red flag is raised as to why the reported net income is not turning into cash.

Some investors believe that "cash is king". The cash flow statement identifies the cash that is flowing in and out of the organization. If a nonprofit is consistently generating more cash than it is using, the nonprofit will be able to increase its operating budget, contribute to its reserve fund or invest in an endowment.

Income Statement or Profit and Loss Statement

Sample Products Co. Income Statement For the Five Months Ended May 31, 2010	
Revenues & Gains	
Sales Revenues	$100,000
Interest Revenues	5,000
Gain on Sale of Assets	3,000
Total Revenue & Gains	108,000
Expenses & Losses	
Cost of Goods Sold	75,000
Commissions Expense	5,000
Office Supplies Expense	3,500
Office Equipment Expense	2,500
Advertising Expense	2,000
Interest Expense	500
Loss from Lawsuit	1,500
Total Expenses & Losses	90,000
Net Income	$ 18,000

The Income Statement is one of the main financial statements (along with the balance sheet and the statement of cash flows). The income statement is also referred to as the profit and loss statement, P&L, statement of income, and the statement of operations. The income statement reports the revenues, gains, expenses, losses, net income and other totals for the period of time shown in the heading of the statement.

The income statement is important because it shows the *profitability* of a nonprofit during the time interval specified in its heading. The period of time that the statement covers is chosen by the business and will vary.

For example, the heading may state:

"For the Three Months Ended December 31, 2010" (The period of October 1 through December 31, 2010.)

"The Four Weeks Ended December 27, 2010" (The period of November 29 through December 27, 2010.)

"The Fiscal Year Ended September 30, 2010" (The period of October 1, 2009 through September 30, 2010.)

Keep in mind that the income statement shows revenues, expenses, gains, and losses; it does not show cash receipts (money you receive) nor cash disbursements (money you pay out).

People pay attention to the profitability of a nonprofit for many reasons. For example, if an organization was not able to operate profitably—the bottom line of the income statement indicates a net loss—a banker/lender/creditor/grant-maker may be hesitant to extend additional credit to the nonprofit.

On the other hand, a nonprofit that has operated profitably—the bottom line of the income statement indicates a net income—demonstrated its ability to use grants or borrowed and invested funds in a successful manner. A nonprofit's ability to operate profitably is important to grant-makers, current lenders and investors, potential lenders and investors, the organization’s management, competitors, public agencies, and others.

The format of the income statement or the profit and loss statement will vary according to the complexity of the business activities. However, most organization’s will have the following elements in their income statements:

A. Revenues and Gains
Revenues from primary activities
Revenues or income from secondary activities
Gains (e.g., gain on the sale of long-term assets, gain on lawsuits)

B. Expenses and Losses
Expenses involved in primary activities
Expenses from secondary activities
Losses (e.g., loss on the sale of long-term assets, loss on lawsuits)

If the net amount of revenues and gains minus expenses and losses is positive, the bottom line of the profit and loss statement is labeled as net income. If the net amount (or bottom line) is negative, there is a net loss.

Is your organization ready to develop a business plan?

	Assessment Questions	Yes=5	No=0
1	Is the organization guided by a strategic plan?		
2	Has the organization developed or conceptualized services and or products?		
3	Has the organization identified its market niche?		
4	Is the organization seeking grants, contributions, contracts and or developing market-based revenue lines?		
5	Has the organization identified staffing needs or levels related to services and products?		
6	Has the organization identified or developed marketing materials related to services and or products?		
7	Do the financial records of the organization guide decision making?		
8	Has the organization identified its primary customers?		
9	Is the organization recognized and certified as a business (public, private or nonprofit)?		
10	Does the organization have a financial advisor?		
	Total		

How Did You Score?

50-35 Points
Develop the organization’s business plan and review annually

35-20 Points
Discuss missing elements with the decision-making authority, advisors and strategic partners

20-0 Points
Focus on Strategic Planning