Teach yourself how to build a Business Case for a Social Enterprise or Community Project

1a Funds are much easier to raise with a business case!

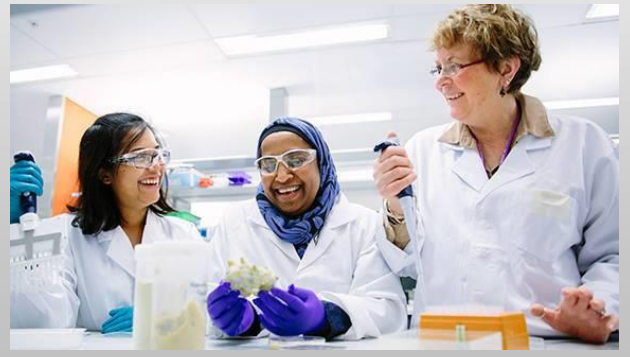
The purpose of this module is to show how you can get donors, investors and lenders a lot more confident in your project by presenting a 'business case'

Spend only a few seconds on each page

This website may contain errors so always check your own work and have it audited by a competent person

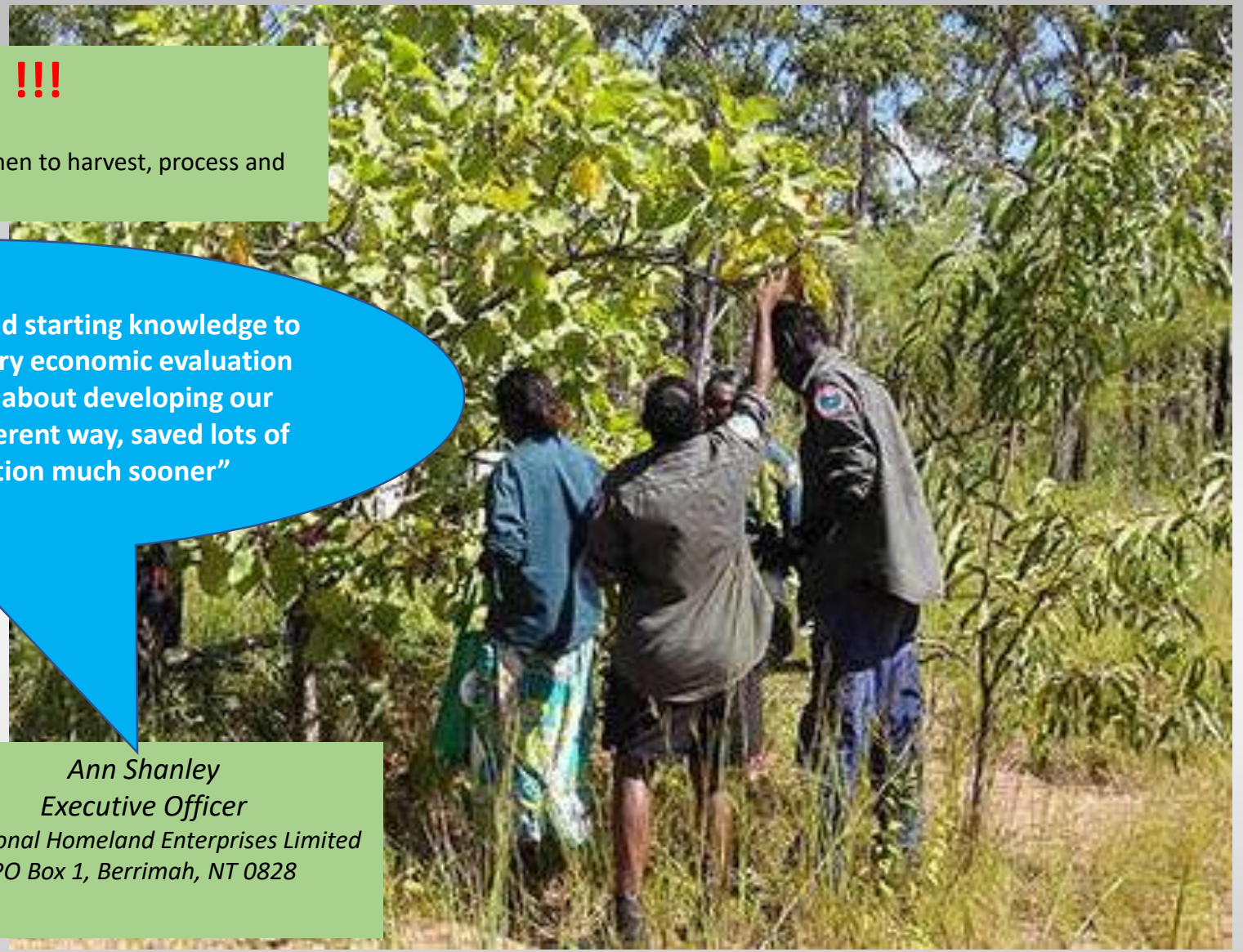
Do the business case first !!!

Ann Shanley, leader of a project for indigenous women to harvest, process and market native fruit says: -



Photos: Katherine Times 30/11/2018

"If we had used our ideas and starting knowledge to prepare a simple, preliminary economic evaluation then we would have gone about developing our project in a completely different way, saved lots of money and got into action much sooner"



Ann Shanley
Executive Officer
Traditional Homeland Enterprises Limited
PO Box 1, Berrimah, NT 0828

T.H.E. Kakadu Plum – Traditional Homeland Enterprise is a supplier of bulk, wholesale Kakadu plum frozen whole fruit, frozen purée, powder and extract.
The fruit is wild harvested by local Aboriginal communities in coastal north Australia from the Kimberley, WA across the Northern Territory from Wadeye to Arnhem Land.
A Central Hub partners with Regional Supply Hubs who work directly with Aboriginal people on their land and within their communities to facilitate local self-sustaining enterprises that focus on the value of the natural resources, ensure long term stability and preserve and promote indigenous culture and tradition.
For further information, please visit the website www.thekakaduplum.com.au

In the world of Social Enterprises there are: -

1. *many potential sponsors, donors and benefactors looking for projects, and*
2. *many projects looking for funding*

Nowadays, few sponsors will be willing to fund projects that simply <u>appear</u> to be good for a community or for the environment

Without evaluating monetary returns
And then be willing to contribute more and more funds if the project runs out of money

Increasingly, sponsors will invest or donate only after they have access to a 'business case' that shows that the project is likely to be viable

That it can stand on its own legs, once it is up and running.
That it is unlikely to want more and more money tipped in to make it survive

Sponsors want to know their money is going to be 'well spent' and will benefit communities into the <u>long term</u>.

The world of Social Enterprises is becoming more and more competitive!

Ben Jeffreys, leader of a multi-million-dollar project that is making, selling, installing and micro-financing biodigesters across SE Asia believes that: -

"If you're operating with a product or service that is suitable for a marketplace approach, then it is the expectation of donors and investors that you do have sound 'business plan'. This will show how your enterprise will be viable into the future.
Not only will this help you attract funding, but it will also help you answer fundamental questions on sustainability and the pathway to long term impact."

Ben Jeffreys
ATEC
Engineers Without Borders

A **preliminary business case** can be put together in a few hours using peoples' best ideas of: -

1. **Market & Revenue:** What will be produced and sold over the years ahead

2. **Start-up:** How long will it take & what will it cost to establish the project

3. **Operations:** How will the output/benefits be produced and distributed to customers/communities? What will be the operating costs and overheads?

4. **Community:** What will the community and governments expect in the way of support and taxes?

Net Cash flow → The money involved each of these four streams is added together each month, each quarter or each year over the immediate life of the project to get a net cashflow.
Usually the project will need cash funding to get established and then hopefully 'stand on its own legs' and generate excess cash once it gets going.

This is all it takes to create a preliminary business case!

A preliminary business case **does not include funding or ownership!**

1. **Donations: -** not yet!
2. **Loans:** - too early
3. **Sponsors and Aid Groups:** first let them see the business case
4. **Ownership:** - before trying to select from the various ownership and legal structures get a clear understanding of the project's economics in the business case!

*A preliminary business case looks at the **economics of the project** (cash inputted to start-up and cash generated during its operations) before working out where the money will come from and who will be the owners.*

A **preliminary business case** can be put together

- on paper using a hand calculator, or
- a far easier and more useful one can be put together in an Excel Workbook (spreadsheet)
  - Only basic Excel skills are needed
  - The business plan must be kept simple so others can easily understand

This Website has several worked examples of business cases in Excel that can be downloaded - free and without any obligation at www.economicevaluation.com.au

Tourist Campsite:

An indigenous community believes that a campsite for passing tourists might be bring multiple benefits.
But how to start?

A small group is sure that they should immediately hire a grader to make tracks and form campsites. Get a plumber to put in piping for an amenities block. Arrange a concreter to pour the floor. Then as more money becomes available construct and fit out the amenities, sewerage, camp-kitchen, office, water reticulation … and at sometime get permits, legals and insurances, etc

One of them who is experienced in social enterprises suggests that first they should create a ***preliminary business plan***. What would be required to establish the campsite, what it would cost to operate, how many locals would get employment, how many tourists might stay? Do not yet worry about where the funding comes from or who owns the campsite. First off, let's see if a campsite makes sense.

Tourist Campsite:

So they discuss the concepts for a few hours around a table. They make their own best estimates of how many tourist might stay, what price they would be willing to pay, the costs of constructing the campsite and the costs of operating the campsite. They work out how many local people might be employed and other benefits to the indigenous community.

The group thinks that a typical day in the future might be something like the following: -

- 20 campsites are occupied with tourists paying $75 per site → revenue = $1500 per day
- The start-up costs to construct the campsite will have already been paid out in cash → capital = $0 per day
- The campsite will cost $750 per day to operate for employment, consumables and services → op costs = $750 per day
- The Government will be paid income tax on the surplus – after deducting a proportion of the start-up costs → $192 for that day (but paid annually)

So the net cashflow generated on that day would be $1500 - $0 - $750 - $192 = $558 per day.

Tourist Campsite:

It is easy to put this one typical day into an Excel workbook ….

	One typical day in future
1. Camp sites occupied	
campsites occupied	20
price - campsite per night	$75
Cashstream 1: Revenue	$1,500
2. Start-up Costs	
Start-up costs	already paid
Cashstream 2. Start-up Costs	$0
3. Campsite Running Costs	
employment - including reception, cleaning, maintaining, and general cam	$600
consumables - office, cleaning & campsite general	$50
electricity, water, gas	$100
Cashstream 3: Campsite Costs	$750
4. Community & Government	
Company Income Tax Rate	28%
Cashstream 4: Income Tax	$192
Net Cashflow	**$558**

This level of Excel is easy to learn - and colours are used to make it easier-to-follow

What is fascinating, is that probably any **social enterprise** can be 'modelled' in this way.

It can be simplified to just four cashstreams: -

1. Revenue (usually sales * prices)
2. Capital Costs (buying things that last more than one year)
3. Operating Costs (buying things and services to make the items that will be sold)
4. Taxes (money that will be paid to governments and communities)

This leads to a **net cashflow**
(= revenue - capital costs - operating costs - taxes)

All very easy to understand!!!

What is more, almost any commercial business can be modelled like this too! - whether it is a tiny business operated from home or a gigantic enterprise.

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1. Camp sites occupied	
campsites occupied	20
price - campsite per night	$75
Cashstream 1: Revenue	$1,500
2. Start-up Costs	
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4. Community & Government	
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Net Cashflow	**$558**

Preliminary Business Model of Campsite

But the indigenous group cannot expect sponsors, lenders and donors to get involved after seeing just one typical day sometime in the future. Instead these people need a **business model (**or **'economic model')** that starts with construction of the camp site, then shows the gradual build-up of visitors and on to how it looks when the campsite settles down into a viable operation.

So an experienced volunteer worked with them to create the following economic model of the first years.

There is no need to read and understand the model below but be assured it is easy-to-follow when it is explained

Months -->	units	Total	2020 Jan	2020 Feb	2020 Mar	2020 Apr	2020 May	2020 Jun	2020 Jul	2020 Aug	2020 Sep	2020 Oct	2020 Nov	2020 Dec	2021 Jan	2021 Feb	2021 Mar	2021 Apr	2021 May	2021 Jun	2021 Jul	2021 Aug	2021 Sep	2021 Oct	2021 Nov	2021 Dec	2022 Jan	2022 Feb	2022 Mar	2022 Apr
Cashstream 1: Camp sites occupied																													
2019 06 22 Preliminary forecast of campsite sales by Jimmy Gnu																													
campsites occupied	hts/ mo	10,399							60	72	86	104	124	149	179	215	258	310	372	446	446	446	446	446	446	446	446	446	446
price - campsite per night	site per night		80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 2: Start-up Costs																													
2019 05 12 Preliminary estimate of start-up costs by Maddy Lee																													
earthworks	$	80,000	20,000	20,000	20,000	20,000																							
paving and fences	$	28,000		7,000	7,000	7,000	7,000																						
amenities block	$	50,000		10,000	10,000	10,000	10,000	10,000																					
outdoor cooking facilities		15,000			5,000	5,000	5,000																						
reception, office & storage	$	15,000					10,000	5,000																					
Cashstream 2: Capital Costs	$	188,000	20,000	37,000	42,000	42,000	32,000	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cashstream 3: Campsite Costs																													
2019 05 02 Preliminary estimate of operating expenses by Dustin Moore																													
employmentl - including reception, cleani	$							7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750
consumables - cleaning, office & campsite	$							120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
electricity, water, communications	$							300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
insurance, health& safety, admin	$							250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
cash surplus/deficit from campsite		570,926	0	0	0	0	0	-8,420	-3,620	-2,660	-1,508	-126	1,533	3,524	5,913	8,779	12,219	16,347	21,300	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244
Cashstream 4: Taxes																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Tax deductions for "small business""	$	95,299	417	1,179	2,029	2,862	3,469	3,709	3,632	3,556	3,482	3,410	3,339	3,269	3,201	3,134	3,069	3,005	2,942	2,881	2,821	2,762	2,705	2,648	2,593	2,539	2,486	2,435	2,384	2,334
Assessable Income	$	475,626	-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
2019 08 22 P Carmody: Income tax is computed on a monthly basis with income losses carried forward																													
Losses carried forward - opening balance	$		0	-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0
Assessable Income	$		-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Assessable income after losses carried forv	$		-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	3,577	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Company Income Tax Rate	essable income		28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Cashstream 4: Income Tax	$	133,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,002	6,822	6,839	6,855	6,871	6,887	6,902	6,917	6,932	6,947	6,961	6,975
Losses carried forward - closing balance			-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0	0
Cashflow																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 2: Capital Costs	$	188,000	20,000	37,000	42,000	42,000	32,000	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Cashstream 4: Income Tax	$	133,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,002	6,822	6,839	6,855	6,871	6,887	6,902	6,917	6,932	6,947	6,961	6,975
Net Cashflow	$	249,750	-20,000	-37,000	-42,000	-42,000	-32,000	-23,420	-3,620	-2,660	-1,508	-126	1,533	3,524	5,913	8,779	12,219	16,347	20,299	20,423	20,406	20,389	20,373	20,358	20,342	20,327	20,312	20,298	20,283	20,270
Net cashflow - Cumulative	$		-20,000	-57,000	-99,000	-141,000	-173,000	-196,420	-200,040	-202,700	-204,208	-204,334	-202,800	-199,276	-193,364	-184,584	-172,365	-156,018	-135,720	-115,297	-94,891	-74,502	-54,128	-33,771	-13,429	6,898	27,210	47,508	67,792	88,061

This business model (economic model) **of the campsite …**

- is in months across the top
- simplifies the social enterprise to four cashstreams down the left-hand side
  → leading to a net cashflow by month across the bottom

Months -->	units	Total	2020 Jan	2020 Feb	2020 Mar	2020 Apr	2020 May	2020 Jun	2020 Jul	2020 Aug	2020 Sep	2020 Oct	2020 Nov	2020 Dec	2021 Jan	2021 Feb	2021 Mar	2021 Apr	2021 May	2021 Jun	2021 Jul	2021 Aug	2021 Sep	2021 Oct	2021 Nov	2021 Dec	2022 Jan	2022 Feb	2022 Mar	2022 Apr
Cashstream 1: Camp sites occupied																													
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campsites occupied	nts/ mo	10,399							60	72	86	104	124	149	179	215	258	310	372	446	446	446	446	446	446	446	446	446	446
price - campsite per night	site per night		80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Cashstream 1: Revenue	$	**831,946**	**0**	**0**	**0**	**0**	**0**	**0**	**4,800**	**5,760**	**6,912**	**8,294**	**9,953**	**11,944**	**14,333**	**17,199**	**20,639**	**24,767**	**29,720**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**
Cashstream 2: Start-up Costs																													
2019 05 12 Preliminary estimate of start-up costs by Maddy Lee																													
earthworks	$	80,000	20,000	20,000	20,000	20,000																							
paving and fences	$	28,000		7,000	7,000	7,000	7,000																						
amenities block	$	50,000			15,000	15,000	10,000	10,000																					
outdoor cooking facilities		15,000			5,000	5,000	5,000																						
reception, office & storage	$	15,000					10,000	5,000																					
Cashstream 2: Capital Costs	$	**188,000**	**20,000**	**27,000**	**42,000**	**42,000**	**32,000**	**15,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cashstream 3: Campsite Costs																													
2019 05 02 Preliminary estimate of operating expenses by Dustin Moore																													
employmentl - including reception, cleanir	$							7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750
consumables - cleaning, office & campsite	$							120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
electricity, water, communications	$							300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
insurance, health& safety, admin	$							250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Cashstream 3: Campsite Costs	$	**261,020**	**0**	**0**	**0**	**0**	**0**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**
cash surplus/deficit from campsite		570,926	0	0	0	0	0	-8,420	-3,620	-2,660	-1,508	-126	1,533	3,524	5,913	8,779	12,219	16,347	21,300	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244
Cashstream 4: Taxes																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Tax deductions for "small business""	$	95,299	417	1,179	2,029	2,862	3,469	3,709	3,632	3,556	3,482	3,410	3,339	3,269	3,201	3,134	3,069	3,005	2,942	2,881	2,821	2,762	2,705	2,648	2,593	2,539	2,486	2,435	2,384	2,334
Assessable Income	$	475,626	-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
2019 08 22 P Carmody: Income tax is computed on a monthly basis with income losses carried forward																													
Losses carried forward - opening balance	$		0	-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0	0
Assessable Income	$		-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Assessable income after losses carried forv	$		-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	3,577	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Company Income Tax Rate	essable income		28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Cashstream 4: Income Tax	$	**133,175**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,002**	**6,822**	**6,839**	**6,855**	**6,871**	**6,887**	**6,902**	**6,917**	**6,932**	**6,947**	**6,961**	**6,975**
Losses carried forward - closing balance			-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0	0	0
Cashflow																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 2: Capital Costs	$	188,000	20,000	37,000	42,000	42,000	32,000	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Cashstream 4: Income Tax	$	133,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,002	6,822	6,839	6,855	6,871	6,887	6,902	6,917	6,932	6,947	6,961	6,975
Net Cashflow	$	**249,759**	**-20,000**	**-37,000**	**-42,000**	**-42,000**	**-32,000**	**-23,420**	**-3,620**	**-2,660**	**-1,508**	**-126**	**1,533**	**3,524**	**5,913**	**8,779**	**12,219**	**16,347**	**19,536**	**20,423**	**20,406**	**20,389**	**20,373**	**20,358**	**20,342**	**20,327**	**20,312**	**20,298**	**20,283**	**20,270**
Net cashflow - Cumulative	$		**-20,000**	**-57,000**	**-99,000**	**-141,000**	**-173,000**	**-196,420**	**-200,040**	**-202,700**	**-204,208**	**-204,334**	**-202,800**	**-199,276**	**-193,364**	**-184,584**	**-172,365**	**-156,018**	**-135,720**	**-115,297**	**-94,891**	**-74,502**	**-54,128**	**-33,771**	**-13,429**	**6,898**	**27,210**	**47,508**	**67,792**	**88,061**

Cashstream 1: Revenue

Cashstream 2: Capital Costs

Cashstream 3: Operating Costs

Cashstream 4: Taxes

Net Cashflow

This business model (economic model) **of the campsite shows that…**

- Cash will be needed from backers to fund the six months of construction (Approx. $200 000)
- More cash will be needed from backers to fund the first six months of operation when tourist numbers do not cover the campsite expenses (Approx. another $30 000)
- So the social enterprise needs funding of approx. $230 000 to survive through until the campsite becomes viable after about 1½ years

Months -->	units	Total	2020 Jan	2020 Feb	2020 Mar	2020 Apr	2020 May	2020 Jun	2020 Jul	2020 Aug	2020 Sep	2020 Oct	2020 Nov	2020 Dec	2021 Jan	2021 Feb	2021 Mar	2021 Apr	2021 May	2021 Jun	2021 Jul	2021 Aug	2021 Sep	2021 Oct	2021 Nov	2021 Dec	2022 Jan	2022 Feb	2022 Mar	2022 Apr
Cashstream 1: Camp sites occupied																													
2019 06 22 Preliminary forecast of campsite sales by Jimmy Gnu																													
campsites occupied	nts/ mo	10,399							60	72	86	104	124	149	179	215	258	310	372	446	446	446	446	446	446	446	446	446	446
price - campsite per night	site per night		80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Cashstream 1: Revenue	$	**831,946**	**0**	**0**	**0**	**0**	**0**	**0**	**4,800**	**5,760**	**6,912**	**8,294**	**9,953**	**11,944**	**14,333**	**17,199**	**20,639**	**24,767**	**29,720**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**	**35,664**
Cashstream 2: Start-up Costs																													
2019 05 12 Preliminary estimate of start-up costs by Maddy Lee																													
earthworks	$	80,000	20,000	20,000	20,000	20,000																							
paving and fences	$	28,000		7,000	7,000	7,000	7,000																						
amenities block	$	50,000		10,000	10,000	10,000	10,000	10,000																					
outdoor cooking facilities		15,000			5,000	5,000	5,000																						
reception, office & storage	$	15,000					10,000	5,000																					
Cashstream 2: Capital Costs	$	**188,000**	**20,000**	**37,000**	**42,000**	**42,000**	**32,000**	**15,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cashstream 3: Campsite Costs																													
2019 05 02 Preliminary estimate of operating expenses by Dustin Moore																													
employmentl - including reception, cleanii	$							7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750
consumables - cleaning, office & campsite	$							120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
electricity, water, communications	$							300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
insurance, health& safety, admin	$							250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Cashstream 3: Campsite Costs	$	**261,020**	**0**	**0**	**0**	**0**	**0**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**	**8,420**
cash surplus/deficit from campsite		570,926	0	0	0	0	0	-8,420	-3,620	-2,660	-1,508	-126	1,533	3,524	5,913	8,779	12,219	16,347	21,300	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244	27,244
Cashstream 4: Taxes																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Tax deductions for "small business""	$	95,299	417	1,179	2,029	2,862	3,469	3,709	3,632	3,556	3,482	3,410	3,339	3,269	3,201	3,134	3,069	3,005	2,942	2,881	2,821	2,762	2,705	2,648	2,593	2,539	2,486	2,435	2,384	2,334
Assessable Income	$	475,626	-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
2019 08 22 P Carmody: Income tax is computed on a monthly basis with income losses carried forward																													
Losses carried forward - opening balance	$		0	-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0
Assessable Income	$		-417	-1,179	-2,029	-2,862	-3,469	-12,129	-7,252	-6,216	-4,990	-3,535	-1,805	255	2,712	5,645	9,150	13,342	18,358	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Assessable income after losses carried forv	$		-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	3,577	24,363	24,423	24,482	24,540	24,596	24,651	24,705	24,758	24,810	24,861	24,910
Company Income Tax Rate	essable income		28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
Cashstream 4: Income Tax	$	**133,175**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,002**	**6,822**	**6,839**	**6,855**	**6,871**	**6,887**	**6,902**	**6,917**	**6,932**	**6,947**	**6,961**	**6,975**
Losses carried forward - closing balance			-417	-1,595	-3,625	-6,487	-9,956	-22,085	-29,337	-35,553	-40,544	-44,079	-45,884	-45,629	-42,918	-37,273	-28,122	-14,781	0	0	0	0	0	0	0	0	0	0	0
Cashflow																													
Cashstream 1: Revenue	$	831,946	0	0	0	0	0	0	4,800	5,760	6,912	8,294	9,953	11,944	14,333	17,199	20,639	24,767	29,720	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664	35,664
Cashstream 2: Capital Costs	$	188,000	20,000	37,000	42,000	42,000	32,000	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cashstream 3: Campsite Costs	$	261,020	0	0	0	0	0	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420	8,420
Cashstream 4: Income Tax	$	133,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,002	6,822	6,839	6,855	6,871	6,887	6,902	6,917	6,932	6,947	6,961	6,975
Net Cashflow	$	**249,750**	**-20,000**	**-37,000**	**-42,000**	**-42,000**	**-32,000**	**-23,420**	**-3,620**	**-2,660**	**-1,508**	**-126**	**1,533**	**3,524**	**5,913**	**8,779**	**12,219**	**16,347**	**21,300**	**27,244**	**27,244**	**27,244**	**27,244**	**27,244**	**27,244**	**27,244**	**27,244**	**20,298**	**20,283**	**20,270**
Net cashflow - Cumulative	$		**-20,000**	**-57,000**	**-99,000**	**-141,000**	**-173,000**	**-196,420**	**-200,040**	**-202,700**	**-204,208**	**-204,334**	**-202,800**	**-199,276**	**-193,364**	**-184,584**	**-172,365**	**-156,018**	**-135,720**	**-115,297**	**-94,891**	**-74,502**	**-54,128**	**-33,771**	**-13,429**	**6,898**	**27,210**	**47,508**	**67,792**	**88,061**

funding needed to construct campsite

funding needed until visitors cover costs

Positive cash being generated

Payback

Tourist Campsite:

So the indigenous community decided: -

1. $230 000 probably could be raised as donations and loans if the campsite could be shown to be viable.
2. These preliminary estimates of tourists, camp fees and costs needed to be investigated a lot more closely.
3. It was pleased it had not rushed ahead with the grader and amenities block before understanding the economics
4. They would start showing potential sponsors and donors what the community had in mind.

They decided this was their preliminary scenario and called it their "Base Case"

- with bad weather the campsite might take longer to become self supporting

Next up they wanted to create variations of this Base Case with unfavourable and favourable conditions to understand the **'range'** of possibilities. Smart thinking!

They could adopted one of the worked examples on this website as a starter for their business model.

"If you do not readily understand my business case, you do not have a problem. I do!"

It is my job as a modeller to make the business model easy for anyone else to follow!

Glossary

Business Case or 'Economic Evaluation'	A forecast of the social enterprise's operations, deliveries of benefits, sales, costs, taxes and net cashflow. It usually is over several years and computed in monthly intervals or in years. It gives a 'helicopter view' of the underlying economic health of the enterprise showing how much funding it will require and when it is likely to 'stand on its own legs' to be self-supporting. Fundraising and ownership can be added when the project looks promising.
Four Cashstreams	The business of any social enterprise (or any industry) can be shown in just four cash streams
Cashstream1: Revenue	The cash that will be received from sales of products and delivery of benefits
Cashstream 2: Capital Costs 'capex'	The cash that will be paid out to start-up the project and when up and running, on purchases of things that will last more than one year – 'sustaining capital' to keep it going
Cashstream 3: Operating Costs 'opex'	The cash that will actually be paid out to run the project and make the sales. Typically some will be 'fixed' or 'overheads' that are constant whether many units or few units are being made/sold and 'variable costs' that vary directly with the number of units made/sold.
Cashstream 4: Taxes	The cash that is paid out to meet the expectations of the governments and community - usually as income tax
Net Cashflow	Cash from revenue minus cash paid out as capital costs, operating costs and taxes.
Cumulative cashflow & payback	The running total of cash paid out/received from the beginning. Usually this becomes increasingly negative during construction and 'ramp up'. It improves when sales revenue exceeds all costs. When it improves back up to zero this is called "Payback". Then hopefully becomes strongly positive.

end