

CROWDFUNDING FOR THE NEW ECONOMY

ROOTSKILLS TRAINING SERIES
NEW ENGLAND GRASSROOTS ENVIRONMENTAL FUND



CROATAN
INSTITUTE

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Croatan Institute

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- ▣ Independent, nonprofit research institute whose mission is to harness the power of investment for social good and ecological resilience
- ▣ Working at the critical nexus where sustainability, finance, and economic development intersect.
- ▣ Based in Durham, NC, with team members in Boston, New York, and Geneva.
- ▣ Projects focused on nexus between sustainability and finance.
- ▣ Led Crowdfunding trainings online and in person across Appalachia and the South.



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www.croataninstitute.org

Agenda

- Overview of WealthWorks model
- Financing Enterprise Development
- Introduction to Crowdfunding
- Supporting the New Economy
- Spotlight: Black Belt Treasures Campaign

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A new development approach



Connecting Community Assets
with Market Demand
to build Lasting Livelihoods

WealthWorks Goal

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Build wealth that sticks by...

- A. Investing in and building the 8 capitals
- B. Expanding local ownership & influence
- C. Intentionally including low-income people



Wealth Components: 8 Capitals

Individual — • Skills, education, health



Intellectual — • Knowledge and innovation



Social — • Trust and relationships



Cultural — • Traditions, customs and ways of doing



Natural — • Natural resources



Built — • Infrastructure



Political — • Influence on decision makers & shapers



Financial — • Savings and investment



All are required to grow and sustain a healthy economy over the long-term!

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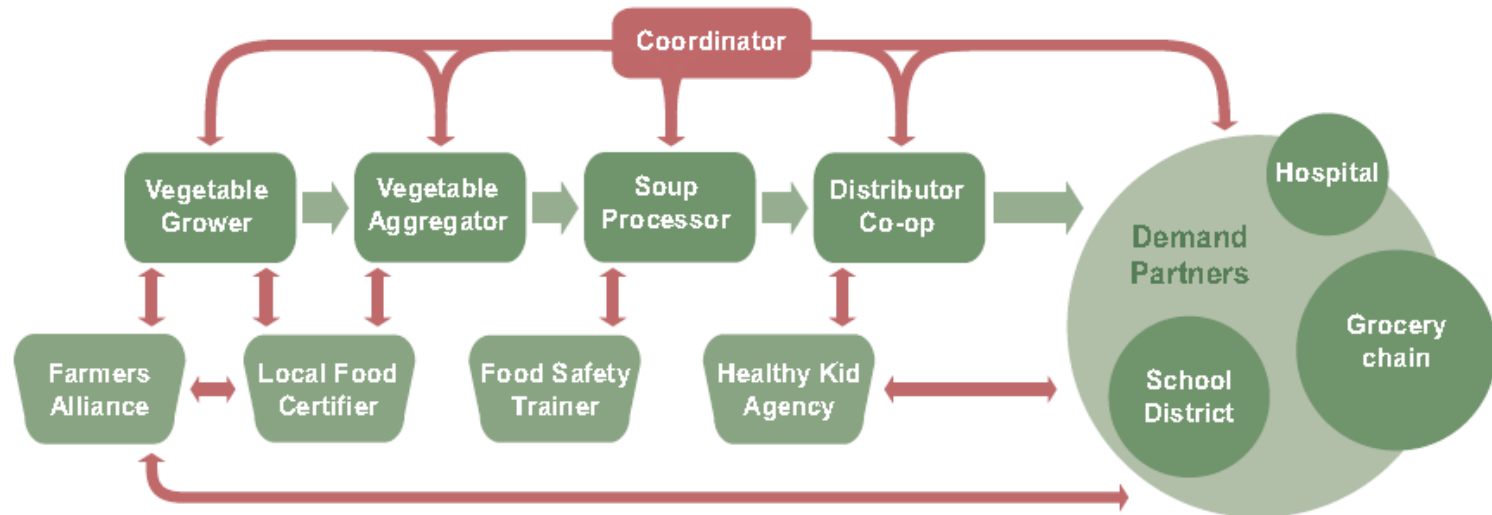


These capitals are used for assessment, planning, and to track results!

All are required to grow and sustain a healthy economy over the long-term!

Value Chain

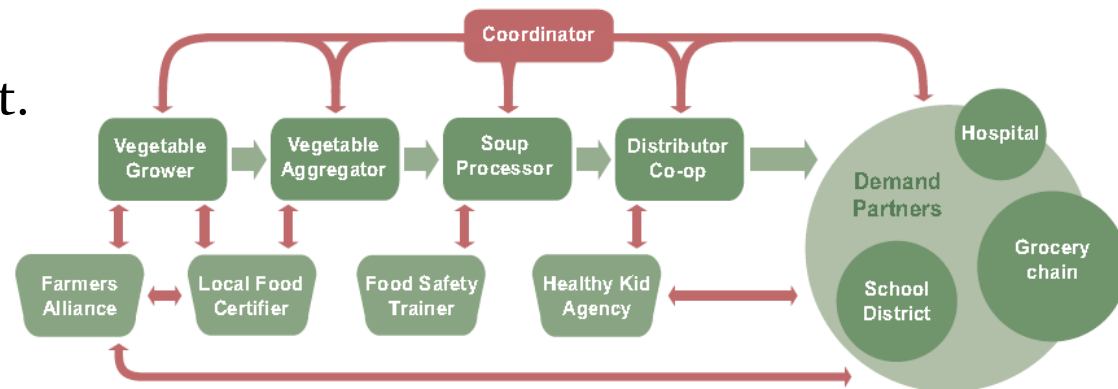
- WealthWorks puts these ideas into action by connecting a region to markets using a **Value Chain**, a coordinated network of:
 - ▣ people,
 - ▣ businesses,
 - ▣ organizations, and
 - ▣ agencies.
- A Value Chain is a framework for identifying opportunities and leverage points (i.e., competitive advantages, enterprises, stakeholders).



Value Chain Coordinator

- **Value Chain Coordinator** connects transactional, support and demand partners around the market opportunity.
- Find and address wealth-building opportunities
 - ▣ Identify gaps, bottlenecks and underutilized resources,
 - ▣ Secure ongoing investment.

Coordinators work to build multiple forms of capital and increase mutual benefit among value chain partners.



Coordinators deploy existing assets to support the value chain goals.

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Financing Enterprise Development

Financing Value Chains

Attracting Funds and Investments

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Traditional Sources of Capital

- Credit cards
- Family
- Bank debt
- Venture capital
- Private equity
- Sale of company

Stakeholder Sources of Capital

- Crowdfunding
- Community loan funds
- Slow Money
- Impact investors
- Local angel investors
- Direct public offering

Life Cycle of Stakeholder Finance

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Seed Stage

- Crowdfunding
- Grants

Emerging

- Community loan fund
- Slow Money
- local angel investors
- *(plus crowdfunding and grants)*

Growth

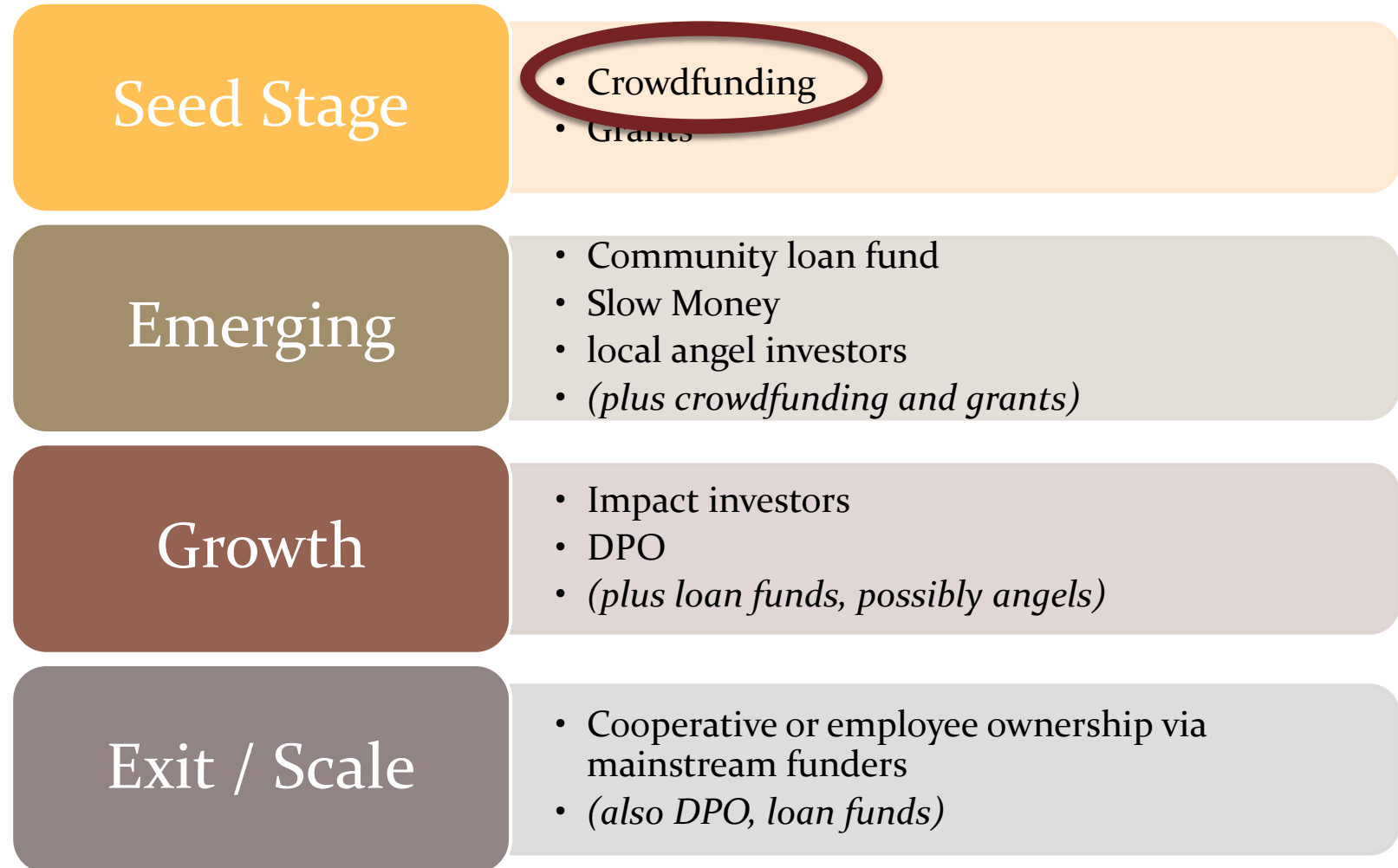
- Impact investors
- DPO
- *(plus loan funds, possibly angels)*

Exit / Scale

- Cooperative or employee ownership via mainstream funders
- *(also DPO, loan funds)*

Life Cycle of Stakeholder Finance

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Crowdfunding Basics



What is Crowdfunding?

<http://prezi.com/crgwulorzpcs/crowdfunding>

What is Crowdfunding?

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- The use of small amounts of capital from a large number of individuals to finance a project or business (non-profit or for-profit).

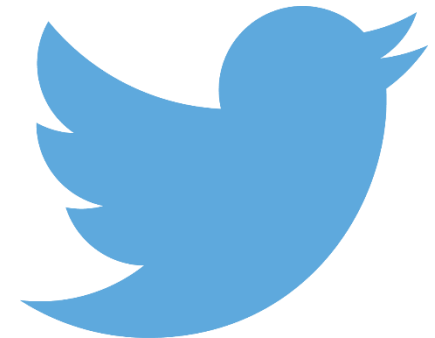


Relies on Social Media Connections

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- Makes use of the easy accessibility of vast networks of friends, family and colleagues through social media websites like Facebook, Twitter and LinkedIn to get the word out about a new project and attract funds.

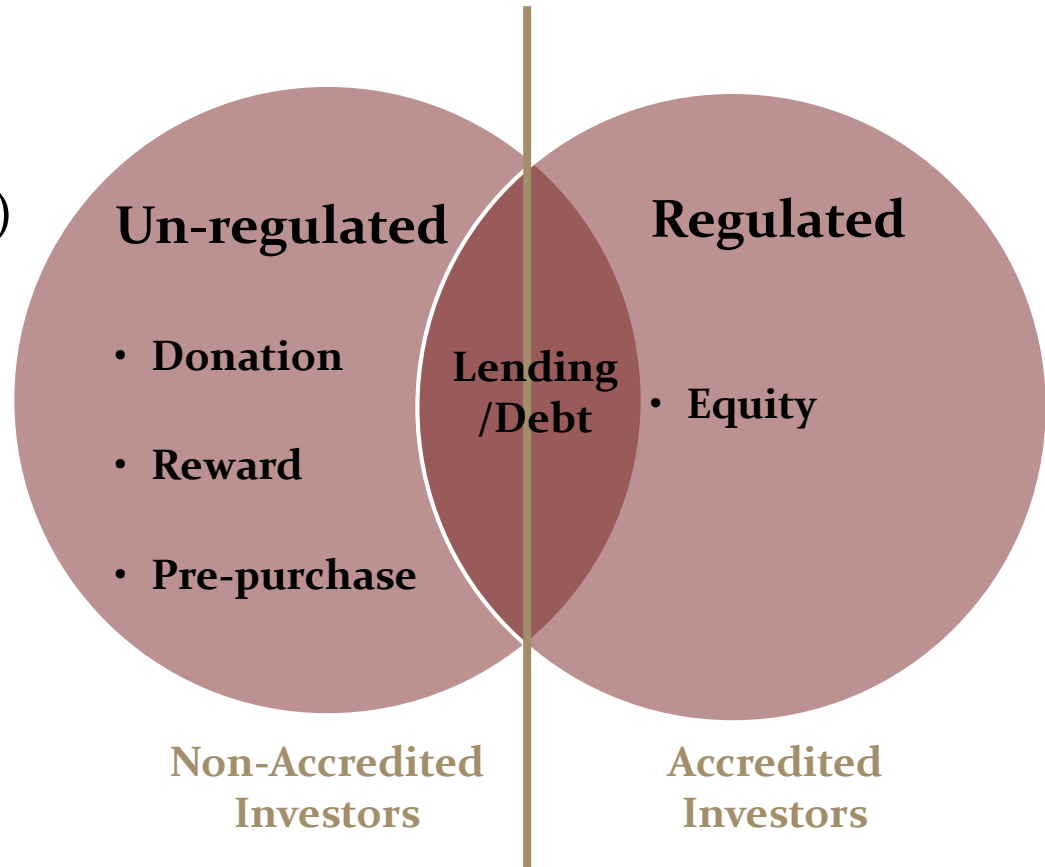


Three Types of US Crowdfunding

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- Donations/Reward
- Interest-free loans
- Equity (ownership shares)

Until recently, only the first two were available to non-wealthy donors/investors (98% of the population)



Hundreds of Platforms Available

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AngelList

**KICK
STARTER**



Specialty platforms

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**BARN
RAISER**



WorthWildTM
FUNDING THE ENVIRONMENT

CC
CROWD COW



iobly

pie:shell



StartSomeGood

Kiva Zip Crowdfunded Loans

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- 0% interest loans to small businesses not otherwise qualified for conventional loans.
 - Designed specifically for financially excluded, socially impactful entrepreneurs who need small starter loans up to \$5,000.
- Funded entirely via online crowdfunding.
 - Lower cost of lending through using PayPal.
 - Directly connects borrowers with a ready community of lenders who they can turn into fans and advocates.



Note on the JOBS Act Title III

now in effect a/o May 16 2016

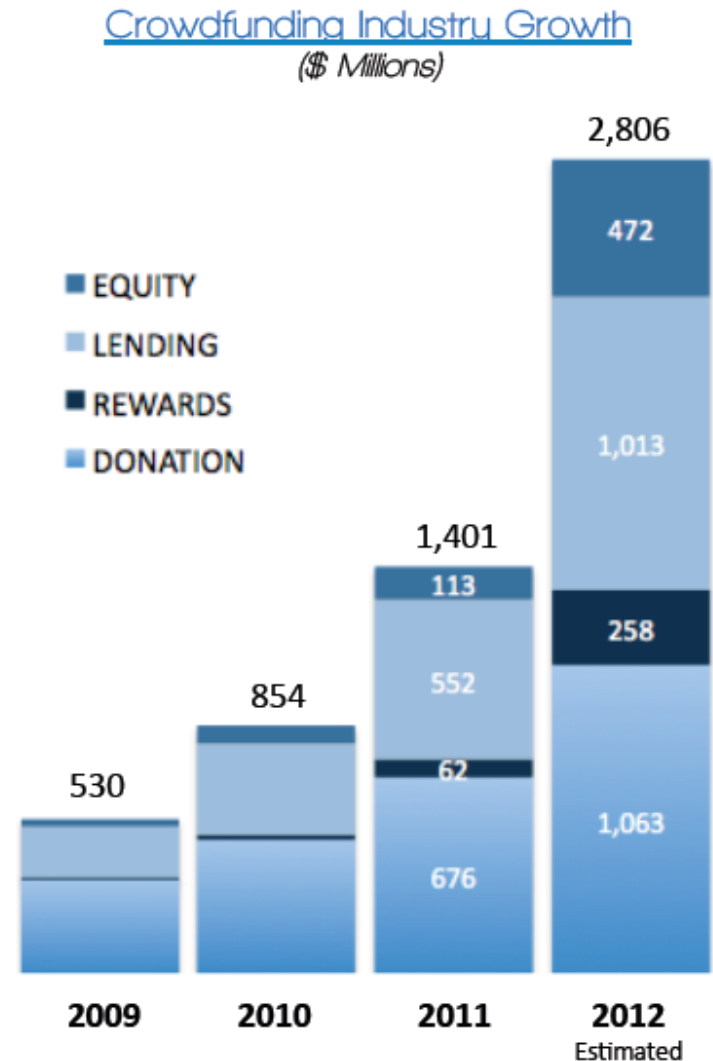
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- Traditionally, the law has not allowed average citizens to invest in startups.
- The new law allows non-accredited investors to now participate in Equity Crowdfunding
- The SEC still places restrictions on how much your crowdfunding investment can be if you are not an accredited investor to 10% of your income or net worth, whichever is higher, every year.
- The SEC has placed this limit to protect investors—early stage companies are notoriously risky and enthusiastic investors could stand to lose their entire investments.
- Startup companies and small business typically raise money from banks, private equity firms and venture capitalists
- Small companies that are looking to raise up to \$50 million in securities over a 12-month period can make use of the equity crowdfunding provision to make a streamlined public offering.
- The government hopes that by lifting and easing regulations and allowing smaller investors to participate, businesses will be able to more easily and efficiently raise capital, creating more capital and more jobs.

Growth of Crowdfunding Economy

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- **2008 - 2009:** Credit was limited during economic downturn, so crowdfunding took off.
- **2011-2012:** Gains Washington's support with JOBS Act.
- **2012:** Globally, crowdfunding platforms raised \$2.7B.
- **2013:** Projected to raise \$5.1B.
- **2014:** Equity crowdfunding investment alone projected to reach \$700M.



Equity Crowdfunding Platforms

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INDIEGOGO and **MICROVENTURES** present First Democracy VC




Invest in startups

Equity crowdfunding lets anyone invest in innovative startups and growing companies.

[VIEW COMPANIES ▼](#)

Invest in the ideas you believe in through **First Democracy VC**, a registered funding portal formed through a partnership between Indiegogo and MicroVentures.

investibule



**GET INVESTED
IN YOUR COMMUNITY.**

DISCOVER INVESTMENT OPPORTUNITIES ACROSS 20+ FUNDING SITES

Two Basic Models for Donation/Reward Crowdfunding

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All-or-nothing

- ❑ Hit the goal or receive no funding



Flexible Funding

- ❑ If you don't reach your goal, you can take what you raised



Comparing Platforms

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	Kickstarter	Indiegogo
Project Type	Creative projects, with an ever-expanding definition.	Creative projects, causes, business ventures, entrepreneurs.
Platform Fees	All or nothing campaigns: 5% fee if successful.	All or nothing option (Fixed Funding): 5% fee if successful. Flexible funding campaign option – keep what you raise: 5% fee if goal not met.
Nonprofit Benefits?	No discount for nonprofits.	Donations tax-deductible. Only flexible funding campaigns. Payments through FirstGiving, tax receipts will have to be issued directly by the beneficiary nonprofit..
Payment Processing	3-5% of donations	Fixed Funding only use PayPal, Flexible allows CC processing 3-5%% of donations for US campaigns
Comments	Greatest name recognition, “cool” factor. Shows that you’re only going to do this project if campaign succeeds.	Growing popularity, as second largest platform. Flexible campaign shows you’re going to do this work regardless.

Crowdfunding

Pros

&

Cons

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- Ability to reach many fans, expand your following & advertise your idea/business.
- Gauge interest and support for a project.
- In “all-or nothing” campaigns, if don’t hit your goal, you don’t owe any rewards.
- “Free money.”
- You can raise funds above your goal.
- You keep 100% ownership of your work.
- If you fail, it may discourage fans and future funders.
- It can be hard work to run a successful campaign.
- If you don’t reach your goal, you get nothing (in all-or-nothing campaigns).
- Money not really “free.”
- Staff/your time has been used, even if you fail.
- Rewards and fees can take 1/3 of funds.
- You must openly share your idea with the world.

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Supporting the New Economy



What is the New Economy Movement?

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- New Economy Movement believes:
 - Entire economic system must be radically restructured if critical social and environmental goals are to be met.
 - Economy should be restorative to people, place and planet.
 - Should operate according to principles of democracy, justice and appropriate scale.
 - Values shared prosperity, sustainability and an equitable society.
- As a result, new kinds of businesses are growing:
 - Social enterprises, nonprofits crossing into economic activity,
 - Worker-owned cooperatives,
 - ESOPs, B “for benefit” Corporations.

Crowdfunding Supports New Economy Businesses

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- A particular business in the value chain may need extra funds for start-up, or to grow to next stage.
 - Ex: Farmers need better tools to grow more on their land, or a new trucking service is needed to transport goods.
 - Need to prove a business concept or demand to unlock traditional financing.
- A value chain may be missing a crucial piece of infrastructure or equipment.
 - Ex: A food processor needs new equipment to make value-added agricultural products, or a store has capital needs to sell goods.
- Opportunity to improve cohesiveness of your value chain by campaigning and advertising together.

Example:

Sustainable Food and Ag Projects

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- Kickstarter has become a boon for sustainable agriculture entrepreneurs, raising \$99 million in funding (success rate of 25%) for 5,790 food projects.
- Sustainable agriculture projects generally fall into Kickstarter's **food** category, which is one of the smaller ones, making up only 4% of all projects (2013 report).
- For food campaigns, value-added projects are best
 - Value added made up a third of successful projects.
 - Farming related projects often have community or educational component (giving back in some way), or produce a product like cured meats or honey.

The Wild Ramp Fills Gap for Agricultural Value Chain in WV

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- **Goal:** \$11,500. Raised \$11,763.
- **Purpose:** Expand capacity of nonprofit local grocery through a year-round market for local agricultural goods.
- **Timeframe:** 30 days.
- **Backers:** 173.
- **Fans:** Very active volunteers, Facebook page had over 1400 “likes” before campaign. KS page got 1,599 “likes.”
- **Needs included:** \$300 - laminating machine, \$1600 - commercial grade produce scale, \$3000 - commercial grade refrigeration unit, \$1000 - materials to create produce carts, \$1000 - new checkout counter, \$2100 – signage, \$500 - folding tables.
- **Referrals:** 65% came from Facebook, 19% from Twitter, 12% direct/emails, 7% from [specific blog](#).



- <http://www.kickstarter.com/projects/wildramp/ramp-up-the-wild-ramp-a-local-food-market>

Hoop House for Year-round Harvest at Hand Picked Farm, in New Jersey

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- **Goal:** \$1,000. Raised \$1,610.
- **Purpose:** Build hoop house to extend growing season and provide community with organic vegetables year-round.
- **Timeframe:** 14 days.
- **Backers:** 314.
- **Fans:** Friends, family.
- **Needs:** \$1,000 covers all of the material to construct a 15'x65' hoop house, irrigate it using water-saving drip irrigation, and cover all of the fuel cost for driving around getting all of this.
- **Rewards:** all small values, with creative text, and variations of visits and produce from the farm.



- <http://www.kickstarter.com/projects/1205940715/hoop-house-for-year-round-harvest-at-hand-picked-f?ref=card>

Statistics of Success

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<http://www.kickstarter.com/help/stats>

- 36% of all Kickstarter projects launched have succeeded.
 - ▣ That means that 64% have failed.
- Rule of thumb: *Smaller projects are more successful than larger ones.*
 - ▣ *Two thirds* of successful campaigns were in the less than \$10,000 range.
 - ▣ 52% of successful food category campaigns were in this range.
- Sweet spot for **food** projects was around \$5,000 to \$15,000.
 - ▣ Nearly 23% of successful food campaigns were \$20,000-\$100,000.

Strong Following is a Prerequisite

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- Crowdfunding is a way of organizing your tribe of followers, not a way to build a following.
- A decent set of Facebook friends, Twitter followers is a prerequisite to a successful campaign.
- With food projects, failed campaigns have an average of 385 Facebook friends, compared to 427 for successful ones.
 - Wild Ramp had 1,400 likes on Facebook before its campaign began.



Keys to Success

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- ❑ Specific project defined.
- ❑ Outreach to fan base prior to launch.
- ❑ Strong pitch (video, images, links to your other pages).
- ❑ Offer three to seven perks.
- ❑ Achievable funding goal.
- ❑ Getting the media to cover it.
- ❑ Sustained outreach throughout campaign.
- ❑ Campaign for shorter periods to create urgency.



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Campaign Spotlight

Black Belt Treasures Community Art Center



\$3,840 USD
RAISED OF \$10,000 GOAL

38%

⌚ 8 days left

This campaign started on Aug 18 and will close on October 17, 2014 (11:59pm PT).

👤 Verified Nonprofit

🕒 Flexible Funding ?

CONTRIBUTE NOW

Background

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- ❑ Nonprofit located in Alabama's Black Belt Region, 120 miles north of the Gulf Coast
- ❑ Mission: Preserve region's unique arts and crafts heritage
- ❑ As a WealthWorks value chain coordinator, also focused on role as economic developer, helping community members earn a living making and selling art
- ❑ www.blackbelttreasures.com



Building Wealth in the Black Belt

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- ❑ **Intellectual & Individual:** Arts education for all ages.
- ❑ **Social:** Fosters relationships through art.
- ❑ **Cultural:** Preserves the region's arts and crafts heritage.
- ❑ **Financial:** Builds the arts and tourism sectors.



Filling the Gaps: Built Capital

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- WealthWorks approach allowed them to see the gaps in their value chain:
 - ▣ A lack of studio space and equipment,
 - ▣ Materials for artists and budding artists to use.
- Filling this gap will:
 - ▣ Educate and train community members and artists,
 - ▣ Allow artists to produce art locally, expand their portfolio, become entrepreneurs, do demonstrations,
 - ▣ Engage community members and tourists, where they can interact with artists, purchase art.



Black Belt Art House- Pottery Station

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- **Goal:** Raise \$10,000
- **Purpose:** Raise money for renovating an auto-body shop to create the Black Belt Art House, to be used for studio space for artists to use, and for students and tourists to visit and learn.
- **Timeframe:** 60 days
- **Backers:** 61 online, plus in-store and change challenge donors.
- **Fans:** local community, friends, artist networks, WealthWorks network.
- **Needs:** Donations will go toward equipment and materials including: bent wheels, tables, storage, tools, drying racks, clay, and glazes.
- **Rewards:** Art postcards, prints, and future art from pottery station (coasters, mugs, face jugs, etc.).



- <https://www.indiegogo.com/projects/black-belt-art-house-pottery-station>

BBTCAC Updates After Campaign

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- Final plans for renovation of space were completed by a ASID certified designer and approved by the BBTCAC Board of Directors in 2016.
- Some equipment, including a 16 cubic foot kiln and a Brent wheel, has been purchased. The remaining equipment will be purchased when the renovation is complete.
- Matching funds have been secured from foundations totaling \$35,000. and just received confirmation of a \$55,000 grant from USDA Rural Development for Phase 1 of Renovation.
- Preparation for construction bid package will be complete by mid-August 2017. With bid opening by late August and renovation starting no later than mid-September.
- Throughout the entire two years since our campaign, they have continued hand-building classes for youth and adults.

Crowdfunding Program Learnings

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- Campaigns take a lot of work!
 - ▣ Plan to launch when people can really be focused on it for the duration of the campaign.
 - ▣ Work with a team of multiple people.
- Creative ways to encourage participation works.
 - ▣ i.e., change challenge, student spotlight.
- Opportunity to reconnect with many fans by calling them to action:
 - ▣ In-store donations bring people in the door.
 - ▣ In-kind donations of equipment.
 - ▣ New volunteers surface.
- Great opportunity to gain exposure to a wider audience.
- Social media and video making experience will be useful well beyond the campaign.



Resources

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- WealthWorks approach
 - See www.WealthWorks.org for related reports,
 - Training modules developed by the Aspen Institute Community Strategies Group.
 - [*Enterprise Financing for WealthWorks Value Chains*](#)
 - [*Financing the Evolving Role of the Value Chain Coordinator*](#)
 - [*Place-Based Investment for Resilient Rural Development*](#)
- Crowdfunding
 - <http://www.croataninstitute.org/publications>
 - [*Guide to crowdfunding*](#), including list of U.S.-centered crowdfunding and online fundraising platforms.
 - Report on the [*Crowdfunding Action Learning Program: Lessons Learned*](#).

Launch your campaign this fall – Join new Crowdfunding Program

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- New Crowdfunding Action Learning Program will be organized to start this fall:
 - ▣ [See Course Brochure](#)
 - ▣ Curriculum includes a set of six interactive webinars, homework and individual feedback.
 - ▣ We need a minimum of eight groups per each class to allow for peer learning.
 - ▣ No more than twenty projects will be allowed per cohort in order to ensure each group gets good feedback from other participants and enough individualized technical assistance from the Croatan Institute team.
 - ▣ Scholarships and sliding scale may be available (please inquire)

Thank You!

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- Contact us:
 - ▣ Christi Electris – christi@croataninstitute.org

Learn more about Croatan Institute
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Successful Examples

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- [Farm CSA](#) Moving from VT to Maryland (\$10k goal, raised \$14,510).
- [Raise the Barn](#) educational farm expansion (\$75k goal, raised \$86k).
- Automated [milking system](#) for raw milk goat dairy (raised \$2,625).
- [Aging room](#) to cure meat on PA farm. (\$25k goal, raised \$48,003).
- Know thy food [local organic market](#) (goal \$25,000, raised \$30,854).
- [Food Hub](#) - farmers aggregating product to take to market (\$3,500 Flexible Funding)
- “Organic To-Go” [vegan pop-up](#) in Appalachia (\$8,000, raised \$8,370).
- Honey Farm [bee yard expansion](#) (\$1,800 goal, raised \$3,102).
- Williams [Community Forest Project](#) (\$9,951 Flexible Funding)
- [Appalachia ginseng documentary](#) (\$2,000 goal, raised \$2,180).
- [Biofuel for everyone](#) (\$2,000 goal, raised \$7,294).
- Building [wind turbines for a school](#) (\$600 Flexible Funding).
- [Victoria Farm](#) to start a sustainable foods farm (\$7,255 Flexible Funding)
- [Butcher shop](#) for locally raised livestock (\$3,230 Flexible Funding of \$30,000 goal)
- Food Forest project on Reservation (multiple successful campaigns) [2011](#) and [2012](#)