

# FINDING START UP FUNDING FOR A SOCIAL ENTERPRISE

So you've got a great idea with lots of passion and you are ready to minimise waste in your community. There is only one problem. You don't have any income or contracts to cover the cost of wages, vehicle usage, office expenses and you can't purchase equipment and materials you need. You could continue to volunteer your time, but that option is, in general, not sustainable.

Finding start up funding for a new venture can be a real challenge. It can also make or break whether the initiative goes ahead. Are you putting up your own capital, using social finance, crowd funding, using independent funders or filling out applications for grants? Start up funding could also be the result of winning a tender getting a contract to provide a specific service.

This resource sheet aims to give you a brief idea of what is involved in each of the main options of securing funding for a new enterprise or project.

## PUTTING UP YOUR OWN CAPITAL

Starting up a social enterprise will mean someone or people within your organisation or group will need to donate a great deal of time, resources and probably cash in order to get your venture up and running. All of the legal documents like trust deeds, bank accounts, website, brochures etc come with a cost and plenty of time attached as well. Those costs need to be covered before you begin somehow or they need to be donated. Putting up your own capital can also be risky depending on the cost of starting up your venture.

Entrepreneurs starting a social enterprise face many challenges, which can be the same as anyone starting a new business. A depressed economy, uncertain market conditions and financial struggles all pose a legitimate threat to the successful launch of a new enterprise. Those involved in kicking off the organisation must be able to determine the types of risks that are most likely to affect the new venture and proactively create risk management strategies that will enable idea to succeed despite having those risks.

New enterprises face significant financial challenges in the start up phase. New business often fails to look realistically at financial projections or create adequate working budgets. It is necessary for a new business venture to ensure their product or service is strong enough to compete in the marketplace and who will be responsible for the financial obligations of the business during the initial phase.

The organisational structure of a new business, or lack thereof, is another risk in starting a new venture. New business owners, even social enterprises with little or no management experience face significant challenges in running a successful company. If your organisation is unable to secure financing someone may end up dipping into personal savings or overextend credit cards to fund the new business venture. Develop risk management strategies that will enable the company to succeed despite having those risks.

Source: <http://smallbusiness.chron.com>

## FUNDERS

Applying for funding is a good first step for starting up your project as many funds are out there for that specific purpose.

To be able to apply to a funding organisation for funding, you first need to ensure you are applying on behalf of an organisation. Most funders will not fund individuals. An organisation may be a charitable trust, incorporated society, not for profit organisation, school etc. You will need to provide evidence of the status of your organisation.

If you're looking for funding organisations to approach to fund your project, they are found easily enough by searching 'funding organisations NZ' on Google. If your topic is specific, e.g. environmental, education etc., add that into the search

bar as well to bring up specific funds. You can also find Council funds to apply to by searching their website. Most Council's subscribe to Fundview – an online database of all avenues for funding in New Zealand. Access to Fundview is often provided through your council library website using your library card number for access. Fundview allows you to search the database of funders for funding that meets the criteria of your project.

Before applying to any funder, you need to ensure that they can fund your project and it aligns with their priorities. You can find this information out by visiting their website or giving them a call to discuss your project. They will tell you if you should apply or not. If they say you can apply, this does not guarantee they will fund your project but they will consider it.



## APPLY FOR A FUNDING GRANT

Two good places to begin for waste minimisation related projects are the Ministry for the Environment (MFE) and your local council (TLA). Of course, if the project is not directly related to waste minimisation there are hundreds of funding agencies that offer grants to organisations. Most funders would require evidence of experience or proven capability to deliver the project you are proposing. If your organisation or staff do not have that experience it is vital to obtain support from others that do, to give you the credibility that the funders would be looking for.

## WASTE MINIMISATION FUND (MFE)

The Ministry for the Environment's Waste Minimisation Fund supports projects that promote or achieve waste minimisation. By supporting these projects, the fund increases resource efficiency, reuse, recovery and recycling, and decreases waste to landfill. There is a host of criteria for applications listed on the website. One important aspect of the eligibility criteria is that the applicant must already be a legal entity before they apply. There is also a particular focus for the applicant to demonstrate:

- Their ability to deliver the project
- How the project will achieve its goals
- How the effectiveness of the project will be monitored, evaluated and reported
- If and how the project will be used to promote waste minimisation to the wider public
- If and how the project will continue after funding ends and become self sustaining, particularly if the funding is for the establishment phase of a longer-term project.

If you are considering applying for this fund you should phone the Ministry staff to discuss your application. They will be able to give you some feedback as to whether your project meets their criteria. They will not be able to tell you if it will be successful. Applying for this funding is time consuming. Ensure you have the resources available to make this investment as any money spent before the project started can not be claimed back if the funding is successful. Take note of the timescales given on the website – the time between submitting the application and the start of the project is likely to be months.

All essential information can be found on the website: <http://www.mfe.govt.nz>

## WASTE MINIMISATION FUND (TLA)

Territorial Local Authorities (TLA) or councils might take some of the funding they receive from the Ministry's Waste Levy Fund to create their own fund for organisations within their district. Contact your local TLA to determine if they have a suitable fund that meets your criteria.

## LOCAL BOARD FUNDING

If your council has local board funding for community groups, this could be a potential avenue for start up funding or support for your group. Some TLA's have community grants and financial support available for social enterprises.



## CROWD FUNDING

One of the most powerful new sources of start-up funding is Crowd Funding. Crowd funding is a relatively new way of raising capital for a new venture or project. It essentially relies on attracting micro-donations or pledges from large numbers of people online. Crowd funding works by many people (the crowd) putting in small amounts of money to raise funds for a company or project. Crowd funding is used to describe donation or rewards based fundraising. In those cases supporters receive rewards or simply make donations to individuals in need or charities. This type of fundraising is legal, but is not covered by financial market laws.

There are two models of crowd funding. The first is what's called donation-based funding. This was the original funding

model where funders donate to achieve a funding goal for a project in return for anything from feeling good about it to having access to products or perks from the project being completed. The second model is investment crowd funding, where businesses sell equity. Individual investors who fund projects through this model become shareholders with potential for financial return.

However, as with all things there are some important issues to consider before diving straight in. With the popularity of crowd funding platforms, it can often be difficult to promote your project and have it seen by potential donors or investors. Therefore the success of your funding project will often hinge on how well you promote your project to entice investors.

Source: <https://www.theicehouse.co.nz>

## LOCAL CROWD FUNDING PLATFORMS

There are new crowd funding platforms being introduced all the time. Some of the more well know ones that have been operating in New Zealand are:

### PLEDGEME

Pledgeme helps individuals or organisations turn their dreams into reality through crowd funding. According to the website, crowd funding is a new and fun way of raising money. Think up a goal you want to achieve.

Turn to your crowd of friends, family, customers and fans. Ask them to pledge to your campaign.

<https://www.pledgeme.co.nz>

### GIVEALITTLE

Givealittle is a zero fees online fundraising platform provided by the Spark Foundation, which is the charitable arm of Spark New Zealand and has been the Telecom Foundation's primary vehicle to encourage and facilitate generosity in New Zealand. Donations are aggregated per Fundraising Beneficiary, batched and paid to the nominated New Zealand bank account between the 20th and 25th of the month following.

<https://givealittle.co.nz>

### DONATENZ

DonateNZ operates differently than Pledgeme and Givealittle. Recipient membership is FREE and is available only if you are one of the following:

- School: Including Primary, Intermediate, Secondary and Special Schools (excluding privately run, or for-profit schools)
- Early Childhood Centre: Including Play centres, Te Kohanga Reo, Montessori and Kindergartens (excluding privately run, or for-profit centres)
- Not-For-Profit Organisation: With an education and/or Welfare Focus

Donate NZ provides the portal where individuals, organisations and companies can donate goods, time and discounts to schools, early childhood and not-for-profit organisations in New Zealand. People list what they have to offer, and then Recipients have the opportunity to accept the donation. Alternatively, donors can browse the Wishes section and if they can help, are provided with the Recipients details.

<http://www.donatenz.com>

## EQUITY CROWD FUNDING

Equity crowd funding is about buying shares in a company and is considered risky. You may lose your entire investment, and must be in a position to bear this risk without undue hardship. Ensure you ask questions, read all information given carefully, and seek independent financial advice before committing to any equity crowd funding arrangement.

The government agency responsible for crowd funding legislation is the Financial Markets Authority (FMA), which has established itself as the government agency with the role of regulating capital markets and financial services in New Zealand. FMA's website covers the financial laws that apply to equity crowd funding. Typically this will be in small or start-up businesses, meaning investors become a part owner of the business.

<https://fma.govt.nz>

## FUNDRAISING EVENTS

If your group is looking at fundraising, you might consider a traditional fundraising event. You'll need to give consideration if they are worth the time and effort before you start. The overall hourly rate you earn for your efforts could be quite demoralising. However your idea to fundraise shouldn't be judged only on the potential monetary gains.

There could be far more benefits to your organisation than the cash raised from your event. Fundraising events can open doors and other opportunities for your organisation.

1. Events draw attention to your cause.
2. Events allow others to get involved in fundraising
3. Events allow potential supporters to step-up

If you are running a fundraising event to raise a few hundred dollars then stick to the tried and true methods that will make you some quick cash with limited fuss. If you are holding an event as a way of raising awareness and you have longer-term strategies such as developing relationships or introducing your new product or service then you'll need to plan differently.

Source: Tonic Magazine Issue 27 [www.exult.co.nz](http://www.exult.co.nz)