

Engineering Management
Field Project

**Business and Marketing Plan:
Homeowners Off-Grid Association**

By

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Making a difference, one home at a time!

Business and Marketing Plan

Prepared By

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Fall 2010

List of Abbreviations and Acronyms

This list includes many of the terms and abbreviations used throughout the field project.

| | |
|--------------|---|
| APES | Alternative Energy Portfolio Standard |
| DOE | Department of Energy |
| DESIRE | Database of State Incentives for Renewable Energy |
| EIA | Energy Information Administration |
| EPA | Environmental Protection Agency |
| HOGA | Homeowners Off-Grid Association |
| kW | Kilowatt |
| NAICS | North American Industry Classification System |
| PV | Photovoltaic |
| Recovery Act | American Recovery and Reinvestment Act |
| RPS | Renewable Portfolio Standard |
| SIC | Standard Industrial Classification |

1. Executive Summary

Today, more than ever the United States government is pushing legislation to relieve the pressure of high energy prices on the economy. Most notably, on February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (Recovery Act), to stimulate the economy. The Recovery Act provided increased funding, tax incentives, and grants to encourage renewable energy projects, energy savings, and green jobs (Powell 2009). The Recovery Act also aided in the increased popularity of renewable energy among businesses and homeowners. As a result of the funding, states have been implementing and revising their renewable portfolio standards (RPS). RPS is a mandate requiring utility companies to produce a specified percentage of approved renewable energy sources, such as wind, solar photovoltaics, biomass, and geothermal.

As of November 2010, twenty-nine states have mandated their own RPS standards. Of those states, approximately twelve have solar-specific requirements; each state differs in their standards. For instance, both Kansas and Missouri have enacted their own RPS policies. According to the Database of State Incentives for Renewable Energy (DESIRE), Missouri allows residential systems up to 25 kilowatts and Kansas allows 100 kilowatts to offset electricity consumption. Missouri recently included a provision mandating that at least two percent of this requirement come from solar energy. This provision is known as the “solar carve-out” program. Solar carve-out requires utility companies to buy a specific percentage of power in the form of solar

energy. As stated before, each state determines its own RPS policies which are based on several factors, such as how much wind or sun exposure a state receives per day. According to the Photovoltaic Solar Resource map below, Missouri and Kansas receive on average a potential to reach 4-4.5 hours of solar rays per day; data and figures similar to the one below assist states in implementing standards. Thus, this information helps homeowners select the best renewable energy system based on the state they are located in. Figure 1 is the average solar radiation of the United States for photovoltaic resources.

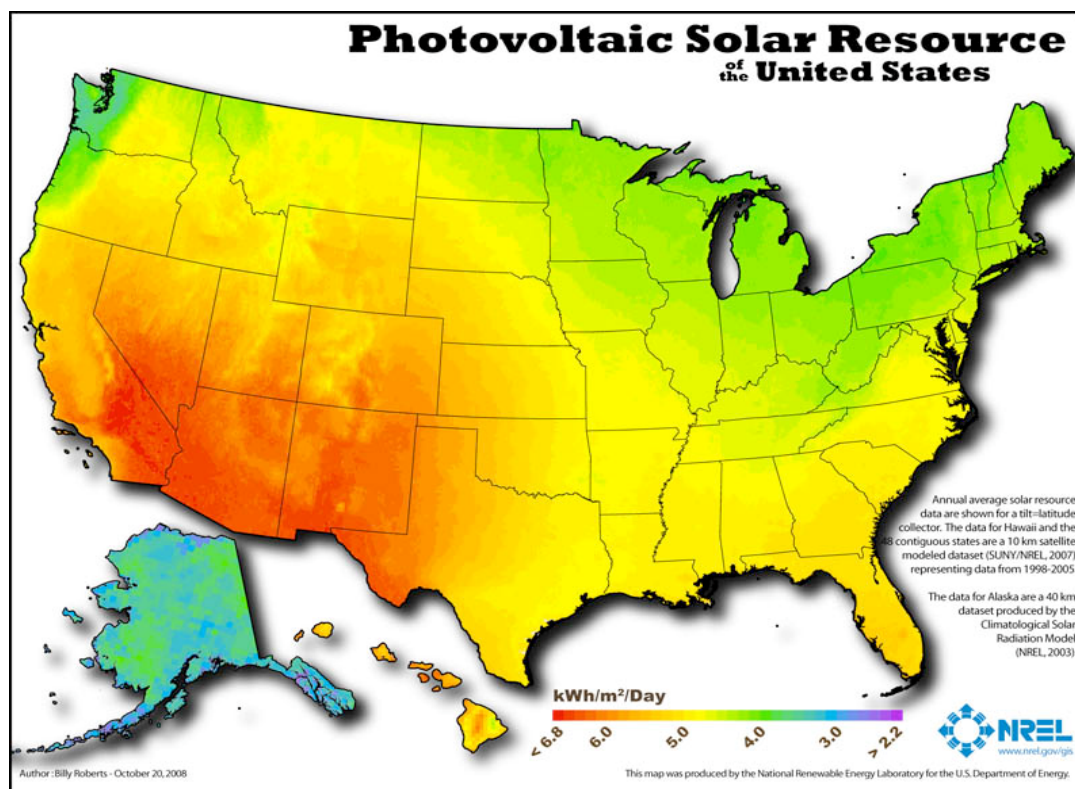


Figure 1. Photovoltaic Solar Resource of the United States
Source: (NREL 2010)

As discussed above, RPS exists for the 29 states shown in Figure 2 below. The figure includes deadlines, goals, extra credit for solar specific renewables, and a minimum target percentage that has been set by each state. For example, the map shows Missouri as having a target number of 15 percent and Kansas as 20 percent with a deadline of 2020-2021.

Even though states are jump-starting the renewable energy market, there are still hurdles to overcome. The major hurdle is the lack of knowledge available to homeowners and businesses to be able to facilitate installing an alternative energy system. Obviously, the renewable energy market's infrastructure has not been built to support the governmental push to get off-grid.

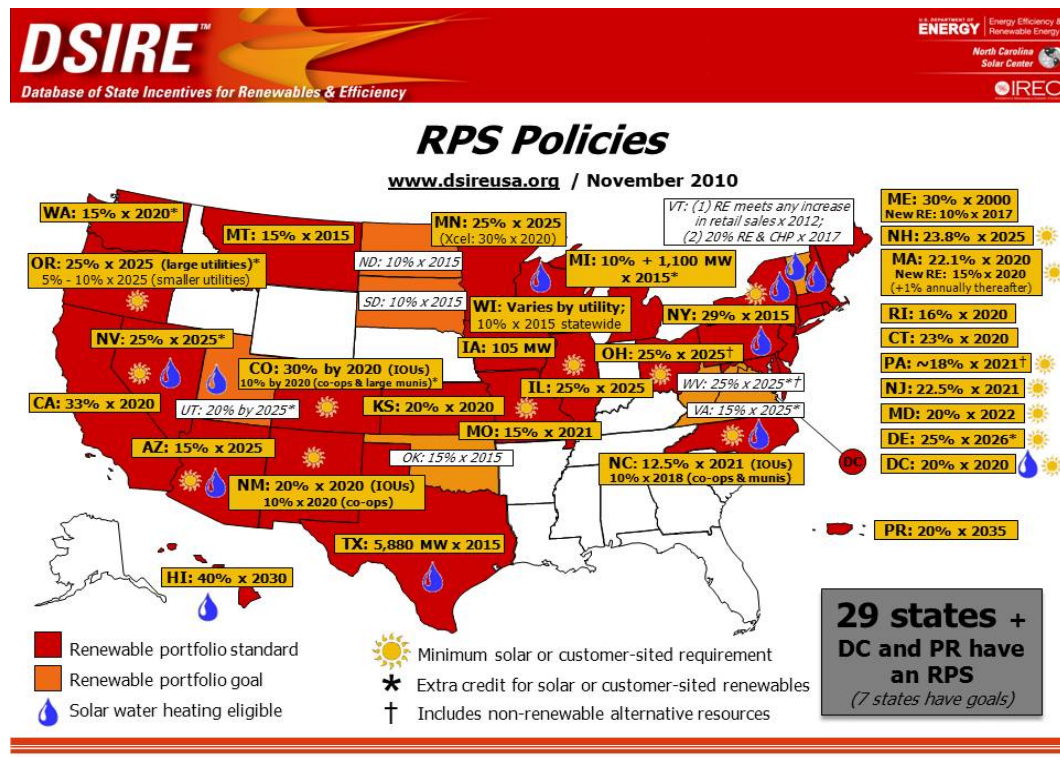


Figure 2. RPS Policies
Source: (DESIRE 2010)

1.1. Objectives

Homeowners Off-Grid Association (HOGA) main objective is to make renewable energy systems economically viable for homeowners, by providing funding options and a variety of resources that will help facilitate off-grid systems. The following are HOGA's objectives and financial goals set forth in this plan:

- Attend industry seminars and conferences (i.e. American Wind Energy Association)
- Attend Home & Garden Shows and other community events
- Write articles for trade magazines and journals
- Persistently apply for federal, state and private grants
- Attend community fundraising events to gain awareness
- Network with supporters, grantees, vendors, contractors and federal/state representatives
- Strive to receive at least an additional \$5,000 each year from newly developed funding sources such as vendors and contractors
- Disseminate collateral materials to all Kansas and Missouri homeowners
- Sign-up 1,000 homeowners each year for renewable energy systems
- Add staff within one year
- Generate over \$500,000 in funding by the end of year 3 to be able to add staff, rent a facility, and build on existing services
- Exceed the funding forecast to allocate more money to homeowners that cannot obtain a loan without a down payment

HOGA's objectives are currently set for three years but as we grow and mature; our objectives will be reevaluated and adjusted accordingly

1.2. Mission

HOGA's mission is simple - to get homeowners off-grid! HOGA helps homeowners reduce energy usage and save money by using a variety of resources to facilitate the development of solar, wind, and geothermal systems.

HOGA's services offer homeowners the best possible information for rebates and incentives, assistance in assessing home alternative energy systems, offer technical support for regulations and permitting, and provide educational training. HOGA strives to make a difference one home at a time!

1.3. Keys to Success

The following are important keys to success:

- Maintain excellent relationships with governmental agencies, homeowners, sponsors, and vendors
- Maintain financials diligently to maintain nonprofit status
- Expand HOGA's services with online training and certification
- Acquire additional staff and volunteers within first year
- Diversify funding and seek new granters and donors
- Control cost by being resourceful

2. Introduction

The business and marketing plan presented below was developed so that it could be implemented. As such, the data and facts provided are accurate to startup the organization. The primary goal of the plan is to understand the alternative energy market and their needs, allocate resources, and determine the amount of funding required to startup the organization. The plan concentrates on the first three years of operation, opening with the start-up costs, and then following through with government funding.

Homeowners Off-Grid Association (HOGA) will be a nonprofit 501(c)(3) foundation whose purpose is to facilitate the development of renewable energy systems and provide funding to Missouri and Kansas homeowners. By definition, HOGA's mission is simple "to get homeowners off-grid." HOGA make available a variety of resources to help aid in the development of solar, wind, and geothermal systems. The resources provided include information for rebates and incentives, home assessments, technical support, consulting for regulations and permitting, and educational training.

As electricity consumption increases in the United States, the demand for renewable energy over conventional forms has gained popularity. Energy Information Administration (EIA) reported a 24 percent increase for 2010 due to population growth and disposable income (EIA 2010). Consequently, an increase in energy has alarmed the federal and state government into mandating each state to require utility companies to meet renewable portfolio standards (RPS). RPS requires utility companies to produce a specified percentage of their own electricity from alternative

energy resources. Therefore, RPS has assisted in lowering alternative systems cost by providing incentives and rebates.

3. Literature Review

To perform this business and marketing plan, it was necessary to understand the renewable energy industry and systems, government energy regulations, and how to develop a nonprofit organization. Therefore, a literature review is conducted on the topics of renewable energy systems, state regulations, nonprofit organizations, and more specifically, the renewable energy market for homeowners.

Through this review, the author studied scholarly journal articles, and searched data and statistics written on these subjects. It was found that there was an abundance of government internet sites available that provide demographic information for renewable energy in regards to homeowners. The primary websites searched were the Department of Energy's Energy Information Administration (EIA) site and the United States Census Bureau's American FactFinder search engine. American FactFinder allows specific characteristic searches in the following categories: general (age, race, household size); social (education, disability, marital status); economic (income); and housing (home ownership and mortgages). The EIA site provides facts and figures such as forecast of energy consumption in the United States.

Additional research was gathered specifically related to starting a nonprofit organization. Much of this research was done by the SIC (Standard Industrial Classification) or NAICS (North American Industry Classification System) code. The SIC code identified for this association is 8611 or NAICS code 813910. The codes were used to obtain financial ratios, organization structure, current conditions

and trends for starting up a nonprofit business association. Additional nonprofit research was provided by the Urban Institute, National Center for Charitable Statistics Almanac. The almanac provided facts and figures for a 501(c)(3) public charities.

In summary, the literature review concluded that even though there are not very many books on the topic for producing a business and marketing plan for a nonprofit that will assist homeowners in getting off-grid, there were multiple other sources that existed on the internet that formed together to complete a market analysis.

4. Study Objectives and Methodology

The primary purpose of the field project was to determine if there is a market need for a nonprofit organization offering renewable energy resources to homeowners in Kansas and Missouri. Thus, the report begins with a discussion of state legislation surrounding renewable energy, state rebates, and incentives homeowners can take advantage of to obtain a wind, solar, or geothermal system.

The methodology used in this field project is primarily presented in the marketing chapter. The marketing chapter used quantitative and qualitative data that was gathered from on-line government databases such as the United States Census Bureau and EIA. Quantitative data was queried to identify the market needs of homeowners such as age, income, and family size while qualitative data was collected to characterize homeowner's education and amount of repairs completed by contractors.

5. Organization Summary

HOGA has been in existence since 2010. HOGA's goal is work with state, federal, and private industries to educate and promote alternative energy systems for homeowners. At HOGA, they strive to navigate the way for homeowners to get off-grid by providing the necessary resources to find a cost-effective, safe and energy reducing systems. The following are their core business functions:

- Facilitate in the purchase of an alternative energy system
- Support in finding low-interest loans or grants
- Provide educational seminars and community outreach events
- Pre-qualify contractors and vendors by maintaining a referral list
- Help obtain permits and provide technical support with regulations
- Administer home energy audits (required to receive HOGA services)
- Assisting with tax and rebate incentives
- When needed and available, provide initial down-payment for homeowners having difficulties getting a loan

5.1. Legal Entity

HOGA is a nonprofit 501(c)(3) organization that has filed incorporation papers with the state of Missouri. Missouri state law requires a nonprofit organization to have a board of directors, which is responsible for keeping the organization on track and working towards the stated mission. HOGA's board, as stated in their bylaws, consists of a minimum of five and a maximum of twelve people.

Currently there are five people serving on the board. All five board members represent various areas of the engineering, environmental, utility, and energy industry. The board consists of a chairman, vice chairman, treasurer, secretary, and one officer. All the board members are volunteers that offer a broad range of expertise and experience. Each board member has taken an oath to be loyal to the organization, and be dutiful to their specific position along with their general duties such as the following:

- Required to meet at least quarterly to discuss organizational activities
- Advices, approves, and votes on the organizational decisions
- Maintain the organization's books and meeting minutes
- Management of the President (evaluation and termination)
- Assist in fundraising activities by developing new markets
- Update bylaws and company policies
- Support and open doors for new connections within their related industry

5.2. Start-up Summary

The overall costs for the startup of the organization is \$10,000, which is primarily legal costs, professional liability insurance, marketing (i.e. list or database or lists of homeowners), and office equipment. There is a total of \$5,000 in initial cash to handle the first few months of expenses until the grant money is disbursed. It's important to note, HOGA will not have rent expenses during the first year which will reduce its operating costs. The start-up costs are broken down in the table and chart below.

Table 1. Start-up Expenses

| Start-up Expenses | |
|--|-----------------|
| Start-up Expenses | |
| Legal | \$500 |
| Marketing Database or Lists | \$500 |
| Professional Liability Insurance | \$700 |
| Brochures | \$700 |
| Postage and freight | \$500 |
| Office Computers, printer and software | \$1,000 |
| Utilities | \$600 |
| Other | \$500 |
| Total Start-up Expenses | \$5,000 |
| Start-up Assets | |
| Cash Required | \$5,000 |
| Other Current Assets | \$0 |
| Long-term Assets | \$0 |
| Total Assets | \$5,000 |
| Total Requirements | \$10,000 |

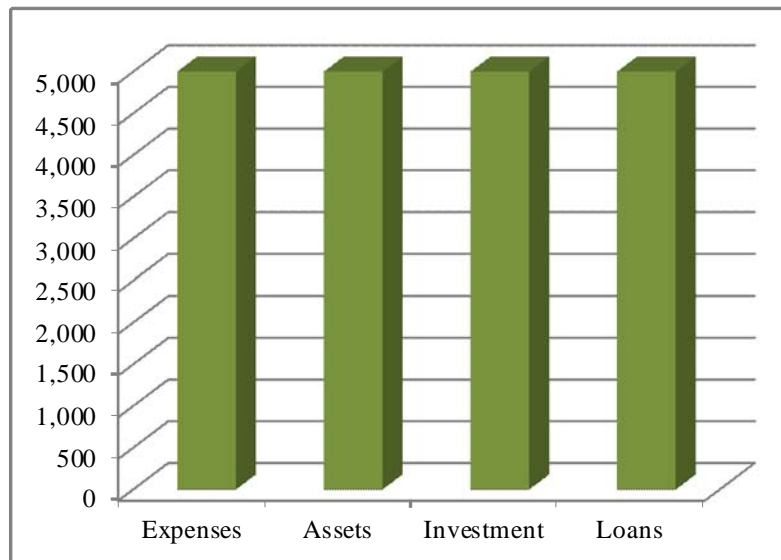


Figure 3. Start-up Expenses (Bar Chart)

The initial investment combined with the free services offered by Grassroots.org, another nonprofit organization, and a pro bona lawyer helps reduce HOGA's operating costs considerably. Grassroots.org will be providing website hosting, telephone and graphic design services at no costs and the lawyer is writing the bylaws.

5.3. Locations and Facilities

Since its inception, HOGA's office has been that of its president located in Kansas City, Missouri. Once HOGA grows revenue, a facility for the HOGA's office will be first priority. The main office location will continue to reside in Kansas City, Missouri with the goal of adding a second location in Lawrence, Kansas over the next five years. For now, HOGA's is extending their services outside of their local coverage area through their website with online chat and email. Moreover, HOGA is planning a phone line separate from that of the president that is toll-free number, complete with extension and voice mail capabilities.

6. Service Descriptions

HOGA offers a list of services for homeowners to choose from; contingent upon their needs, they can help answer or discuss one or all of the following below:

- How to decide on the right alternative energy system for your home
- Provide facts about going off-grid with solar, wind, or geothermal
- Provide homeowners with the most update to date financial funding available for alternative energy systems for Kansas and Missouri (i.e. grants, loans)
- Vendor and contractor discounts and support available
- Direct or assist with technical issues related to specific alternative energy system
- Provide warrant and maintenance agreements, home assessment)
- Discuss aesthetics of the different systems (i.e. homeowner's association dislike wind turbines)
- Offer telephone and online chat support for alternative energy regulations and technical questions
- Set-up financial appointments with banks to try to receive low-interest rates (i.e. loan problems you may qualify for HOGA's down-payment funding)
- Assist homeowners in filling-out an initial "In-home Energy Audit" form
Note the form must be completed to receive HOGA's assistance and funding
- Conduct seminars and workshops to improve home renewable energy systems
- Provide product updates, news and information
- Partner with ENERGY STAR and promote their mission

- Distribute a quarterly E-newsletter to share among homeowners, contractors and vendors

6.1. Alternative Providers

Based on the analysis, there are no known competitors located in Kansas and Missouri that offer free consultation and educational services. Thus, HOGA will have a competitive advantage over this market segment, as to there is no other direct competitors. There are only a few other organizations that provide similar services but they are located in other states. Below are two organizations that are similar to HOGA:

- Wisconsin Focus on Energy. Works with eligible Wisconsin residents and businesses to install cost effective energy efficiency and renewable energy projects.
- Northern California Solar Energy Association (NorCal Solar) is an educational organization whose mission is to foster the development and application of solar energy through the exchange of information.

These two companies are similar to HOGA in that they both attempt to maintain a diverse income stream through funding from program fees, federal and state grants, donations, and independent contracts. The existence of these competitors indicates that there is indeed a market for providing education, technical expertise, and financial funding assistance to homeowners.

6.2. Printed Collaterals

HOGA has developed a brochure to explain the services available to homeowners. The brochure includes their organization's mission, logo, website and physical address as well as a section for their contractors and vendors to advertise their business and logos. In addition, there is a section to place special thanks to HOGA's partners and donors for their support.

6.3. Technology

Technology is vital to HOGA being they are a nonprofit organization that depends on the internet and telephone, instead of costly printed-paper documents to disburse information and resources. The website keeps widely dispersed homeowners in rural areas of Kansas and Missouri in touch by e-mail or chat. The toll-free telephone number allows homeowners to call for additional information, set-up an appointment, or speak with a live person. Currently these technologies are handled by the President of the company, until an IT staff can be hired.

6.4. Future Services

As HOGA grows, they foresee the need to expand their services to provide the following:

- Contractor training and certification
- Low-interest homeowner financing

- Track off-grid savings and provide forecasting
- Expand the network of region experts, contractors, vendors, and partners throughout Kansas and Missouri
- Enhance website capabilities to allow for on-line training
- Train volunteers to install alternative systems to provide lower cost for installations

7. Market Analysis Summary

HOGA's market segment is made up of homeowners within Kansas and Missouri that have a desire to get off-grid by utilizing alternative energy systems and benefit from the economic aspects. In order to receive HOGA's services you must provide address verification as to the parameters stipulated by the grant authorization office.

7.1. Market Segmentation

As stated in the above summary, HOGA's market segment is homeowners. The market has been divided into three segments to better analyze the amount of homeowners that will be in their service area. The three segments are owner-occupied homeowners, new homebuyers, and new homebuilders. Listed below is a table and pie chart separating the total owner-occupied homeowners from new homebuyers.

Market Analysis (Pie)

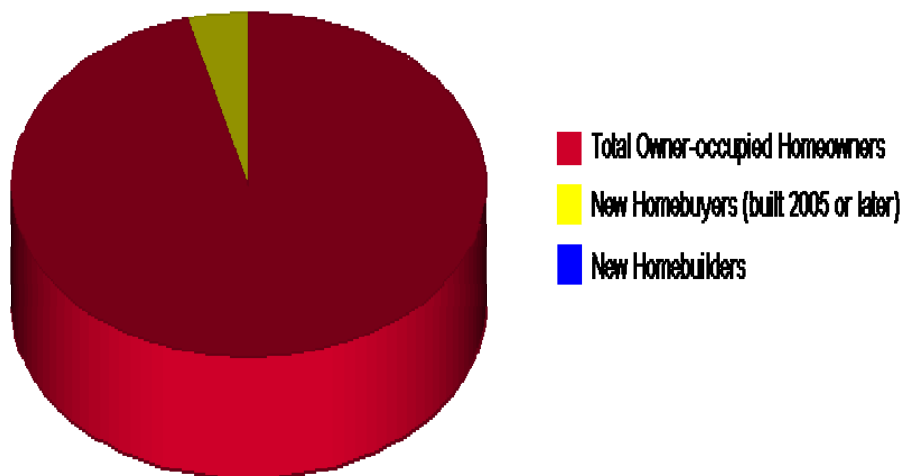


Figure 4. Market Analysis

Table 2. Market Analysis

| Market Analysis | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Potential Customers | Growth | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | CAGR |
| Total Owner-occupied Homeowners | 2% | 2,398,696 | 2,446,670 | 2,495,603 | 2,545,515 | 2,596,425 | 2.00% |
| New Homebuyers (built 2005 or later) | 1% | 103,000 | 103,515 | 104,033 | 104,553 | 105,076 | 0.50% |
| Total | 1.94% | 2,501,696 | 2,550,185 | 2,599,636 | 2,650,068 | 2,701,501 | 1.94% |

With the feasible market size determined, HOGA will be able to focus their service offerings to the three market segments individually. They will offer all three segments the same services but will choose to focus their advertising campaign on the owner-occupied homeowners due to this segment has the most homeowners at 2.4 million (see Market Analysis table above). In addition, this market has a steady growth rate of 2 percent so within five years the market size will increase to 2.6 million owner-occupied homeowners. Thus, the growth activity within this available market makes it particularly attractive.

An additional reason for not focusing on the new homebuilders market is due to the fact that they are already at an advantage financially; it's cheaper to add a renewable energy system during the design and build phase rather than retrofitting an existing home. Thus, the new homebuilder's market can add a renewable energy system at a lower costs and it's easier to get financed into a new mortgage, making HOGA's services not needed.

HOGA's geographic market area is in Kansas and Missouri. Thus, based on 2006-2008 data by the U.S. Census Bureau, its estimated there are currently 1.1 million owner-occupied homes in Kansas and 765,000 owner-occupied-homes in Missouri. Therefore, HOGA's ultimate market size for both states is 2.4 million but the feasible market is much smaller, as defined in the profile below. Kansas and Missouri homeowners consist of the following demographic, housing and social information:

- Age range of 35-65 years, with a median range of 40
- Married with children
- Females and Males
- Undergraduate degree
- Spend \$250-2,000 per year on home projects and hire contractors
- Household income combined for both states of 47,000-\$50,000
- Number of homes using solar energy ranges from 207-343

The demographic information provided above reinforces that we are focused on the correct market; especially since the average household income is only \$48,000 with children. This income range with children would indicate a renewable energy system is not feasible. In addition, the household also consists of homeowners with college loans and routine home maintenance costing between \$200 and \$2,000 a year. All of these factors, plus purchasing a renewable energy system that cost on average \$10,000 to \$20,000 dollars to install makes getting off-grid next to impossible; unless homeowners use HOGA services.

7.2. Target Market Segment Strategy

As indicated by the previous table and pie chart, HOGA has decided to concentrate on the exiting homeowner's market segment in Kansas and Missouri. The main reason for choosing this market segment is the increased size and potential of getting more homes off-grid. More and more homeowners want to save money, lessen their impact on the environment, and reduce their energy consumption but they need an easy and cost-effective way to do it; HOGA can help.

7.2.1. Market Needs

Before HOGA services were implemented, Kansas and Missouri legislation had already mandated utility companies to integrate renewable energy with conventional energy. For instance, July 2010 Missouri's proposition C required utility companies to get 15 percent of their electricity from alternative sources by 2021, 2 percent of which must come from solar photovoltaic.

As you can see from this example, utility companies need businesses and homeowners to get off-grid. Therefore, both states are willing to support the renewable energy infrastructure and allocate funding to organizations such as HOGA , to assist homeowners in getting renewable energy systems.

7.2.2. Market Trends

One important trend involved in changing the renewable energy market is the emergence for compliance with state renewable energy standards. If the government extends its renewable energy policy up to 2035, the market share for geothermal or ground-source heat pumps and solar photovoltaic will increase over the next twenty-five years due to the abundance in tax credits and incentives being offered. The specific trend projections for energy consumption up to 2035 can be seen in the chart below:

Figure 45. Residential market saturation by renewable technologies in two cases, 2008, 2020, and 2035

percent share of single-family homes

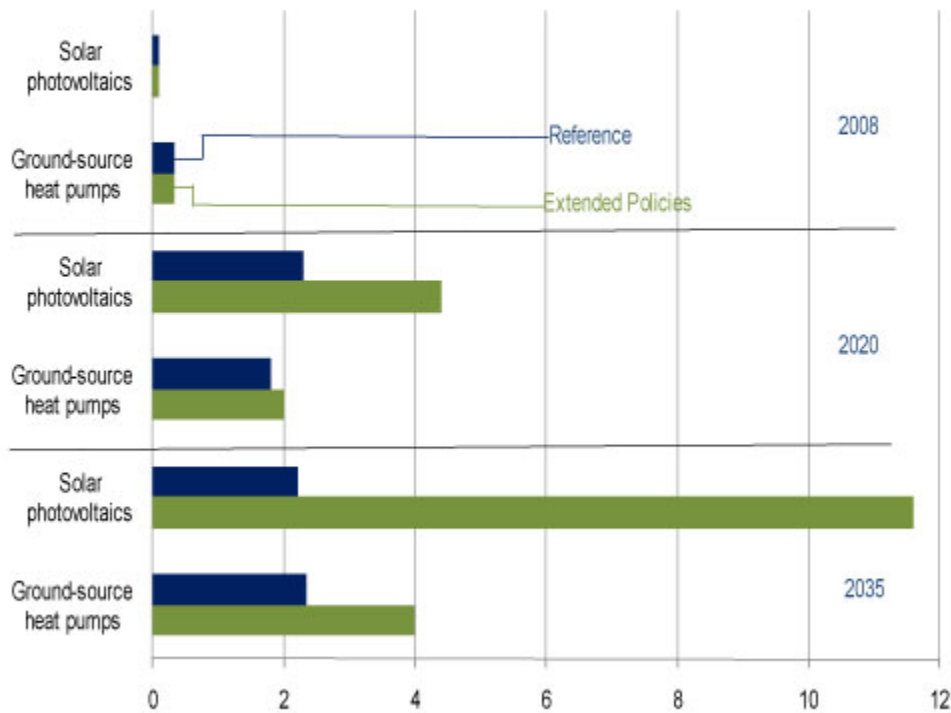


Figure 5.

Sources: (EIA 2010)

As seen in the figure above, the solar market share rises quickly and ground-source heat pumps rise slowly by 2.3 percent in 2035 which is up from 0.3 percent in 2008. The slow rise in ground-source heat pumps is because they are more expensive.

The wind power market share for the residential sector accounts for less than one percent of installed wind turbines in the Midwest due to several factors such as higher price, noisy, and not enough space to install. Even though, Kansas ranks among the top ten wind producing states, wind power does not contribute to the homeowner supply. This technology is being used more for large utility companies. Therefore, HOGA predicts its focus will start out with solar photovoltaic and slowly move towards wind and geothermal as costs of the systems and installation decrease.

7.2.3. Market Growth

According to the U.S. EIA report, residential electricity demand increased by 24 percent, due to growth in population and disposable income. An increase in energy, such as this has caused the government agencies to look at new alternative technologies in solar, wind, geothermal and other best available technologies.

Due to the need to find more renewable sources of energy the federal and state structural income tax has distributed renewable technology tax

credits until 2035. The tax credit was enacted to encourage residents to slowly shift to an alternative energy source. With this kind of encouragement the alternative energy market is in the beginnings of the growth cycle. Being in the beginning of the growth cycle the alternative energy market, has increased its competitors, which are driving the price of the alternative energy systems down so that homeowners can afford to install them.

In addition, nonprofit or charitable organizations registered with the IRS have grown over the years from 187,038 in 1995 to 310,683 in 2005, which is an increase on average of 5.2 percent per year. Among the subsectors the environment showed one of the greatest growths by doubling in size. The environment subsectors grow from 6,088 in 1995 to 13,399 in 2005.

7.3. Service Providers Analysis

Homeowners Off-Grid Association will offer the following services:

- Assist homeowners with financial funding (i.e. grants, loans)
- Support in filling-out HOGA's "Home Energy Audit" form (form must be completed to receive funding)
- Evaluate federal, state, and utility incentives
- Assist in obtaining local, city and state permits
- Provide a list of certified and approved contractors
- Educate and train homeowners on alternative energy systems

- Disseminate vendor news and information
- Upkeep the website with news, resources, and alternative energy information
- Administer and provide quarterly workshops and E-newsletters

7.3.1. Organization Participants

There are 2.4 million homeowners in the existing homeowner market that could potentially need support with facilitating renewable energy systems for their home. However, there are no nonprofits focusing on these specific needs. HOGA has the competitive edge: there is no other competitor that can offer homeowners off-grid services. HOGA has the opportunity to fill this niche for both Kansas and Missouri homeowners.

7.3.2. Alternatives and Usage Patterns

As stated before, competition in HOGA's niche is very limited. HOGA is in a unique position to provide homeowners with the benefit of knowing that they are reducing the carbon footprint, lowering energy costs, and getting off-grid. Because principles are very important to most nonprofit organizations, HOGA believes that as long as they can maintain the funding, homeowners will choose HOGA's service over other services because of the benefit they can offer.

7.3.3. Main Alternatives

There are only two nonprofit organizations that have similar services. However, they are both located out of state and only provide services for that state; Wisconsin Focus on Energy and Northern California Solar Energy Association. These two companies are set-up similar to HOGA in that they both attempt to maintain a diverse income stream through funding from program fees, federal and state grants, donations, and independent contracts. The existence of these two organizations indicates that there is indeed a market for providing education, technical expertise, and financial funding assistance to homeowners. However, they do not threaten HOGA due to they receive their own state funding.

8. Web Plan Summary

HOGA's website (www.hogaus.org) will be the online "home". The website will have links to other sites, such as the Database of State Incentives for Renewable & Efficiency site, www.dsireusa.org. The site "home" page will be pointed at first so visitors are introduced to HOGO, and then from the "home" page there will be other links such as:

- "About Us" (i.e. mission, goals, and contact)
- "Calendar"
- "Incentives" (i.e. state, regional, and federal)
- "Partners and Supporters" (i.e. vendors, donator, and manufactures)
- "Renewable Energy" (i.e. solar, wind, and geothermal)
- "E-Newsletters & Success Stories"
- "Education and Training"
- "Contractors"
- "Officers and Board"
- "Site Map"
- "Donate"

Email will be available as info@hogaus.org for correspondence related to the HOGO, and IT@hogaus.org for correspondence related to website errors.

8.1. Website Marketing Strategy

HOGA's website address will be included on a variety of printed marketing materials, including the brochures and business cards. By visiting the site, homeowners can view the most recent e-Newsletters and can read the success stories of our homeowners as they complete renewable energy projects.

8.2. Development Requirements

HOGA will work with a website manager provided by Grassroots.org to develop a basic user-friendly site with website graphics. Grassroots.org provides free web-building services for nonprofit organizations. All of the free services are packaged in the Grassroots.org Toolbox: a suite of free user-friendly tools.

The maintenance of the site will be done by the president at first but the goal is to hire a part-time IT employee or find a volunteer to take over the responsibility for ensuring that the site remains updated.

9. Strategy and Implementation Summary

HOGA has several strategies. The most important strategy focuses on educating and promoting homeowners to get off-grid. By providing a website that is friendly, HOGA hopes to educate, train, and disseminate information to all homeowners willing to get off-grid. HOGA recognition can be accomplished through website advertising and attending local, state, and industry events.

9.1. SWOT Analysis

The SWOT analysis provides HOGA with an opportunity to examine the internal strengths and weaknesses that must be addressed. It also allows us to examine the opportunities presented to HOGA as well as potential threats. HOGA has a valuable inventory of strengths that will help it succeed in getting homeowners off-grid but with any company threats and weakness must be evaluated.

9.1.1. Strengths

HOGA's biggest strength being a nonprofit association that is supported by the renewable energy market along with the board of directors, local, state, and federal entities. HOGA's supporters are knowledgeable and willing to teach and share their alternative energy experience at no charge.

9.1.2. Weaknesses

HOGA's top three weakness are due to quickly changing technology, low budget, and a small staff. HOGA plans to address all of their dependences in the following order:

- **Low budget** will be the hardest to overcome due to HOGA exclusively relays on funding; financial support is difficult in a slow economy.
- **Staff shortage** will always be an issue but by offering internships and teaming with local, state and federal agencies HOGA can overcome this issue. HOGA may be small but over time we can find ample opportunities from networking with local utilities, vendors, contractors, and other nonprofit community groups to reach more homeowners through outreach and word of mouth.
- **Quickly changing technology** can be resolved by partnering with vendors and contractors to provide in-house training; supporters will get free advertisement for their products.

9.1.3. Opportunities

- **Growing population increases the U.S. energy usage.** As energy usage increases, so will the need for these services HOGA offers.

- **Strong Internet presence is an opportunity to extend HOGA's market reach.** Initially, HOGA's direct marketing efforts will be focused by word of mouth among state and federal agencies, but the goal is to build an informative website to support their efforts, while broadcasting the message to a much larger audience.
- **Strong strategic alliances are an opportunity to extend HOGA's presence.** By offering sources for referrals to homeowners and joint marketing activities with vendors and consultants they have the opportunity to reach a vast market to grow their funding.

9.1.4. Threats

HOGA is threatened by limited resources and a low budget. However, HOGA plans on adding different funding sources, in part to increase the overall budget, in part to diversify the reliance on any one source. HOGA predicts for the 1st year, until the funds are received a low budget will be a major threat to our organization. Especially, since grants require at least six months for the application period.

Limited resources will be addressed by gaining support from other nonprofit organizations such as Grassroots.org and Assist Management, Consulting, LLC. Both organizations will provide their services at little or no costs. Assist Management will support in the grant-writing process and Grassroots.org will offer web hosting and graphic design services.

9.2. Strategy Pyramid

HOGA's main strategy is promoting and facilitating renewable energy systems to homeowners. Therefore, we must gain a large homeowner base to further our goals of operating a self-sustaining organization. By gaining a large homeowner base that has installed systems, HOGA will provide the government grantees with much needed data on the amount of energy consumption saved. The following are tactics to grow the homeowner base:

- Building awareness of HOGA's goals and mission
- Building credibility with homeowners, government entities, vendors, and contractors
- Promoting through all social media such as blogs, Facebook, twitter, webinars, training, brochures, E-newsletter, emails, and industry networking events

9.3. Value Proposition

As stated before, competition in HOGA's niche is very limited. HOGA is in a unique position to provide homeowners with the benefit of knowing that they are reducing the energy consumption, lowering energy costs while conserving the environment. Because principles are very important to most nonprofit organizations, HOGA believes that as long as we can maintain the funding and uphold our mission, homeowners will choose our service.

9.4. Competitive Edge

HOGA has the competitive edge: there is no other competitor that exists in Kansas or Missouri that can offer homeowners free services. HOGA's advantage of no competitors allows HOGA to enter the market first to gain market recognition.

9.5. Marketing Strategy

HOGA will use web advertising and word of mouth as its main source of promotion. HOGA's website will help build awareness of our services. Accompanying the website will be education and training materials.

9.5.1. Positioning Statement

HOGA strives to position itself as the ultimate resource for homeowners who need technical assistance with facilitating a renewable energy system, HOGA provides education and support.

9.5.2. Pricing Strategy

HOGA being a nonprofit association does not charge for their services so there is no pricing strategy but we do have a fundraising strategy that includes monthly and quarterly financial objectives that are reported to the chairman each month. The chairman will report to the vice chairman and he or she will then report to the treasurer, president, officers and the board of directors each month, and the president and directors will communicate among themselves, either by meeting or telephoning at least once a month.

The chairman or vice chairmen will conference with the president and treasurer at least weekly to keep the association in financial balance to maintain competitive salaries, hire additional staff, and increase revenue to expand services.

9.5.3. Promotion Strategy

Once our funding is successful we plan on expanding by promoting through direct mail, e-mail, E-Newsletter, and setting up information booths at local community events and industry trade shows. These events will likely involve a simple brochure to hand out along with an additional staff member or volunteer to sit at the booth.

HOGA plans to utilize a low-cost promotion program because of the limited revenue as a nonprofit association. This promotion program will focus on:

- **Visibility:** HOGA's logo will be placed on promotional items such as trinkets brochures, banners, flyers, and websites.
- **Word of mouth:** homeowners who use HOGA's services tell their neighbors by word of mouth or through testimonials.
- **Community service public relations:** HOGA maintains a good relationship with the local media such as newspapers and TV.
- **Website and Internet:** HOGA's company information and services will be disseminated by e-mail campaigns. In addition, the website serves as a marketing tool to explain HOGA's services

9.5.4. Marketing Programs

HOGA's most crucial marketing program is through their website and Internet marketing campaign. The website tactics consists of providing online communication, information, and education about getting off-grid. In addition, the internet builds awareness of HOGA's services and existence.

9.6. Fundraising Strategy

A key strategy for HOGA is funding. Fundraising and revenue will be generated through a combination of state and federal grants and vendor support. Homeowners will not be expected to pay but will be required to fill-out energy audits and relay energy consumption information back to HOGA in order to receive HOGA services free of charge.

9.6.1. Funding Forecast

Funding resources primarily come from federal and state grant money which will generate approximately 96 percent of HOGA's annual revenue; \$500,000 is donated by a government entity. The \$500,000 will be distributed over three years which breaks down to \$166,666 per year.

The remainder of HOGA's funding is 4 percent which comes from solicitation from vendor and partner contributions. HOGA's funding is expected to increase from \$171,666 the first year to more than \$181,666 by the third year. Net surplus is estimated to rise slowly but steadily over the next three years. Cash flow is expected to remain healthy for three

years. HOGA plans to apply any surplus to homeowners for the initial down payment on a renewable energy system.

HOGA is confident they can increase revenue through other sources and hopes to earn additional money over the next three years. See the following funding forecast table and the funding monthly chart below.

Table 3. Funding Forecast

| Funding Forecast | | | |
|---------------------------------|-----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 |
| Funding | | | |
| Grants | \$166,666 | \$166,666 | \$166,666 |
| Vendor Contributions | \$2,500 | \$5,000 | \$10,000 |
| Partner Contributions | \$2,500 | \$2,500 | \$5,000 |
| Total Funding | \$171,666 | \$174,166 | \$181,666 |
| Direct Cost of Funding | | | |
| Grants | \$2,000 | \$2,000 | \$2,000 |
| Vendor Contributions | \$500 | \$500 | \$500 |
| Other | \$500 | \$500 | \$1,000 |
| Subtotal Cost of Funding | \$3,000 | \$3,000 | \$3,500 |

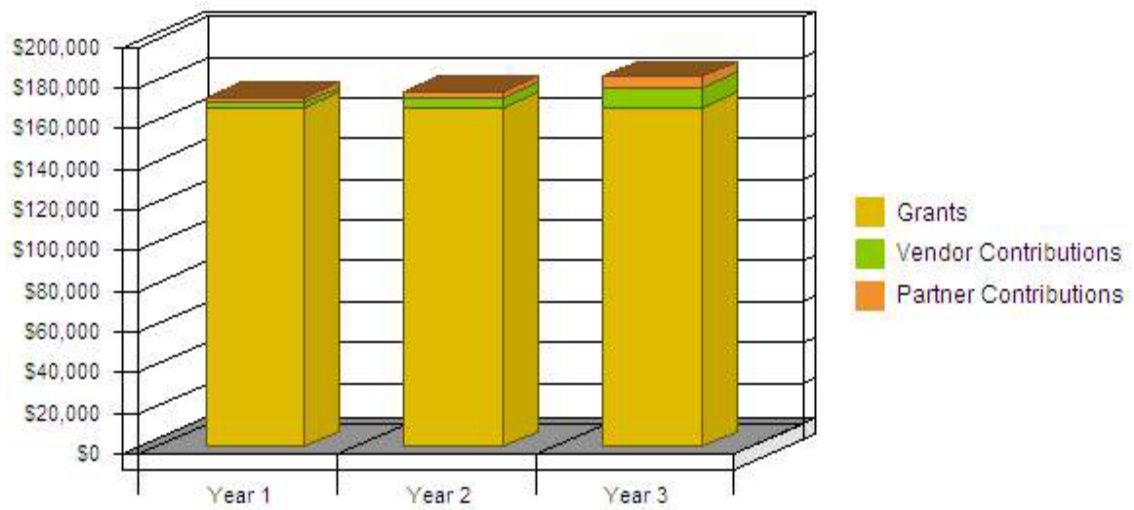


Figure 6. Funding by Year

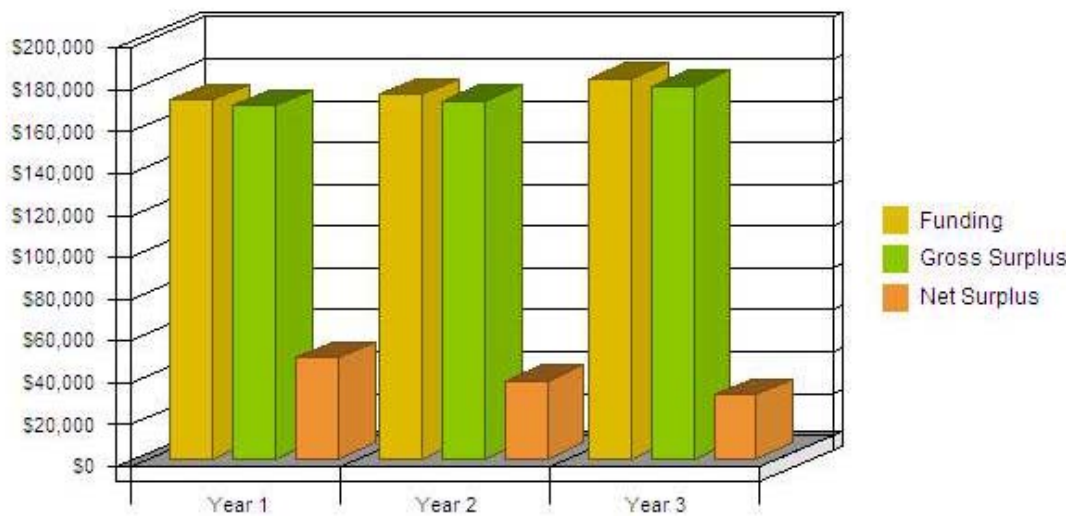


Figure 7. Funding, Gross Surplus, & Net Surplus

9.6.2. Fundraising Programs

HOGA’s short-term goal is to become more self-sustaining without heavily relaying on grants. They have a three year plan in place to slowly become financially stable.

9.7. Strategic Alliances

HOGA will need to focus on networking with government entities, vendors, contractors, board of directors, nonprofit organizations, such as Grassroots.org, to develop strategic alliances. Such alliances, will help generate funding and awareness to get homeowners off-grid.

9.8. Milestones

The accompanying table lists important program milestones, with dates and managers in charge, and budgets for each. The milestone schedule indicates HOGA’s emphasis on planning for implementation.

Table 4. Milestones

| Milestones | | | | | |
|--|------------|------------|---------|---------|------------|
| Milestone | Start Date | End Date | Budget | Manager | Department |
| Business & Marketing Plan Completed | 9/1/2010 | 2/19/2011 | \$0 | NLS | President |
| Brochure | 11/21/2010 | 12/21/2010 | \$300 | NLS | Marketing |
| Website Development | 12/15/2010 | 1/15/2011 | \$500 | NLS | President |
| Direct mail | 1/15/2011 | 2/15/2011 | \$500 | NLS | Marketing |
| Kansas City Remodeling Show | 2/11/2011 | 2/13/2011 | \$500 | NLS | Department |
| Johnson County Homes & Garden Show | 2/25/2011 | 2/28/2011 | \$850 | NLS | Department |
| Kansas Energy Conference (Free Booth) | 10/1/2011 | 10/1/2011 | \$200 | NLS | Department |
| Windpower Conference Expo (No booth) | 5/22/2011 | 5/25/2011 | \$1,500 | NLS | Department |
| Totals | | | \$4,350 | | |



Figure 8. Milestone

10. Management Summary

As stated in the articles of incorporation, HOGA's Board of Directors is to consist of a minimum of five and a maximum of twelve persons. The board represents various areas of the engineering, environmental, and energy industry. All the Board of Directors are volunteers that offer a broad range of expertise and add years of experience to HOGA. Each board member has specific responsibilities that they were selected to complete. For instance, the treasurer will make decisions on the fiscal annual budget and endorse payroll and checks for bills. The general duties for all the board members are:

- Required to meet at least quarterly to discuss the organizational activities
- Advice, approves, and votes on the president's decision
- Maintain the organization's books and meeting minutes
- Personnel management of the president (evaluation and termination)
- Assist in fundraising activities by developing new markets
- Support and open doors for new connections within their related industry

Natalie Schoonover will serve as the president of HOGA. Ms. Schoonover has experience in the environmental and engineering industry, as well as a strong background in project management. With a degree in project management, Ms. Schoonover will manage the daily operational responsibilities, including hiring, employee relations, finance, marketing, website, direct fundraising activities, reporting and advising the board and overseeing board affairs. Within one year of the opening of HOGA there will be an expansion of the board and staff to include more

volunteers and part-time employees to assist the president. Until this time the president will continue to assume the duties until HOGA has enough revenue to hire for this paid position.

As always, there will be volunteers in several areas, and the president will play a big part in the selection process. Volunteers will be selected from local colleges studying in areas of marketing, environmental, and engineering. The current volunteer positions and duties are as follows:

- **Marketing volunteer:** Production of direct mailings, printing and constructing brochures and marketing materials, attend local trade shows and disseminate information at booths, help with planning events, and assist with e-Newsletter maintenance.
- **Fundraising volunteer:** Maintaining a list of existing and potential vendors and contractors, research and track grants, seek donor opportunities.

Ultimately, if volunteers do not complete the work it will be the president's responsibility.

10.1. Organizational Structure

HOGA currently has five persons serving on the Board of Directors. HOGA's initial team includes a chairman, vice chairman, secretary, treasurer, and officer. During the second year of operation HOGA plans on adding a few more officers, and in the third year of operation HOGA plans on adding another member to the advisory board.

The president of the organization reports directly to the chairman. The president is in charge of the volunteers and part-time staff members. Until the positions are filled the president will assume the responsibility of the volunteer and staff positions. For more details, see the organizational chart below.

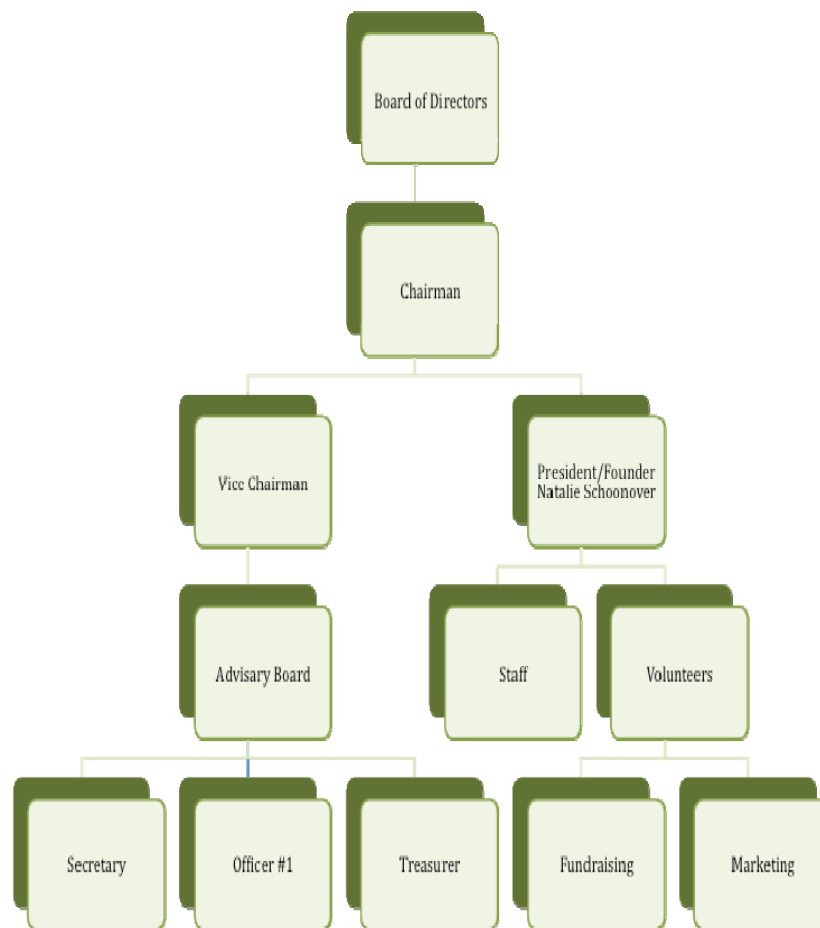


Figure 9. Organizational Chart

10.2. Management Team Gaps

The remaining position needing to be filled is that of an administrative position. HOGA hopes to fill this part-time position by increasing the funding received in the second year. This position will remain part-time due to a lack of health care and benefit coverage. The ideal candidate will have experience answering phones, printing and copying, filing and various other tasks.

10.3. Personnel Plan

Personnel will remain at a minimum, due to the low funding expectations in the first year, and will also depend on the president's ability to operate the organization without support and complete administrative tasks with volunteers. Accounting will be outsourced if QuickBooks gets too complicated, as will any other necessary activity that threatens to unnecessarily burden the president's time. In the last part of the first year it is expected that the president will need to hire an administrative assistant along with adding more volunteers in different study areas; see personnel plan with salary amount below.

Table 5. Personnel Plan

| Personnel Plan | | | |
|-------------------|----------|----------|----------|
| | Year 1 | Year 2 | Year 3 |
| President/Founder | \$65,000 | \$70,000 | \$75,000 |
| Administrative | \$20,000 | \$20,000 | \$20,000 |
| Total People | 2 | 2 | 2 |
| Total Payroll | \$85,000 | \$90,000 | \$95,000 |

11. Financial Plan

The basis for HOGA's financial planning is being conservative with funding and not borrowing unless necessary. HOGA is committed to consistent growth of the cash balances through frugal management of expenses. HOGA's focus will be to grow through grants to remain profitable year to year, while also being able to donate adequate cash reserves to the HOGA mission.

11.1. Start-up Funding

HOGA is in the process of applying for grants with state and federal agencies for the cash that is needed to start the organization. It is expected that at minimum \$5,000 will need to be raised at the end of the 4th quarter of 2010 to start the business, in which the president and founder will make the initial investment on credit.

HOGA anticipates the great majority of our funding revenue will be paid by cash or check during the 1st quarter of 2011. The following table shows how the initial investment will fund these start-up costs.

Table 6. Start-up Funding

| Start-up Funding | |
|--|-----------|
| Start-up Expenses to Fund | \$5,000 |
| Start-up Assets to Fund | \$5,000 |
| Total Funding Required | \$10,000 |
| Assets | |
| Cash Requirements from Start-up | \$5,000 |
| Cash Balance on Starting Date | \$5,000 |
| Total Assets | \$5,000 |
| Liabilities | |
| Current Borrowing (President/Founder) | \$5,000 |
| Long-term Liabilities | \$0 |
| Accounts Payable (Outstanding Bills) | \$0 |
| Other Current Liabilities (interest-free) | \$0 |
| Total Liabilities | \$5,000 |
| Capital | |
| Grant 1st Quarter | \$0 |
| Investor-Natalie Schoonover | \$5,000 |
| Total Planned Investment | \$5,000 |
| Loss at Start-up (Start-up Expenses) | (\$5,000) |
| Total Capital | \$0 |
| Total Capital and Liabilities | \$5,000 |
| Total Funding | \$10,000 |

11.2. Important Assumptions

The financial plan depends on important assumptions, most relating to funding and government and industry support. The key underlying assumptions are:

- Renewable energy market is growing, and is still expected to grow
- Federal and state grants will remain available
- No real competitors to capture the market share
- Operating costs are low with no rent and personnel
- Commitment from supporters remains high
- Fixed costs will not increase more than 5 percent per year

HOGA's focus will be to remain financially stable, while also building adequate cash reserves to support the mission.

11.3. Key Financial Indicators

The following benchmark chart indicates HOGA's key financial indicators for the first three years. HOGA foresees no major changes in operating expenses until rent and personnel are added after the 1st year. Also, there is a steady growth in funding but at the same time operating expenses have increased due to rent, personnel, and marketing efforts. The table and chart below show the level of funding, from all sources combined to cover our operating expenses.

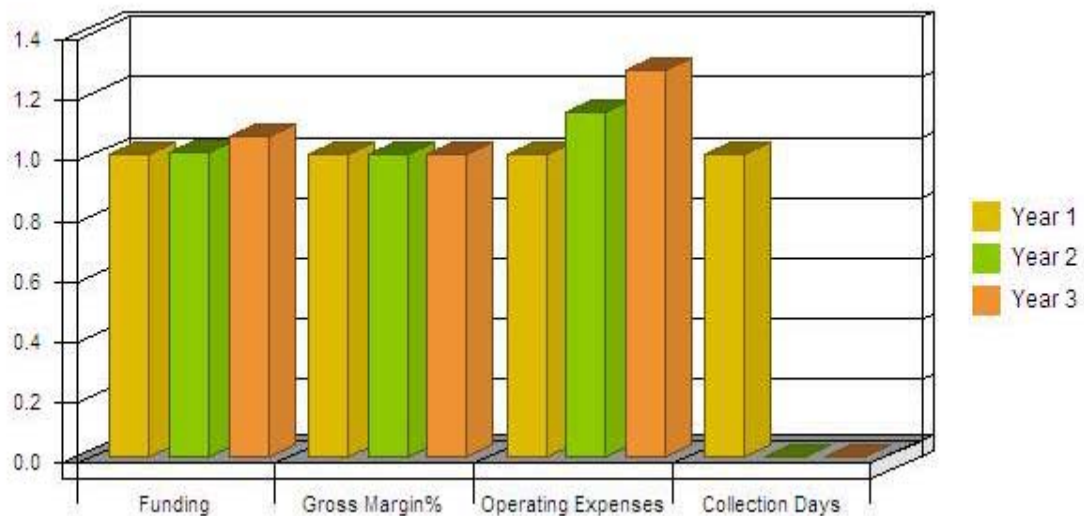


Figure 10. Benchmarks

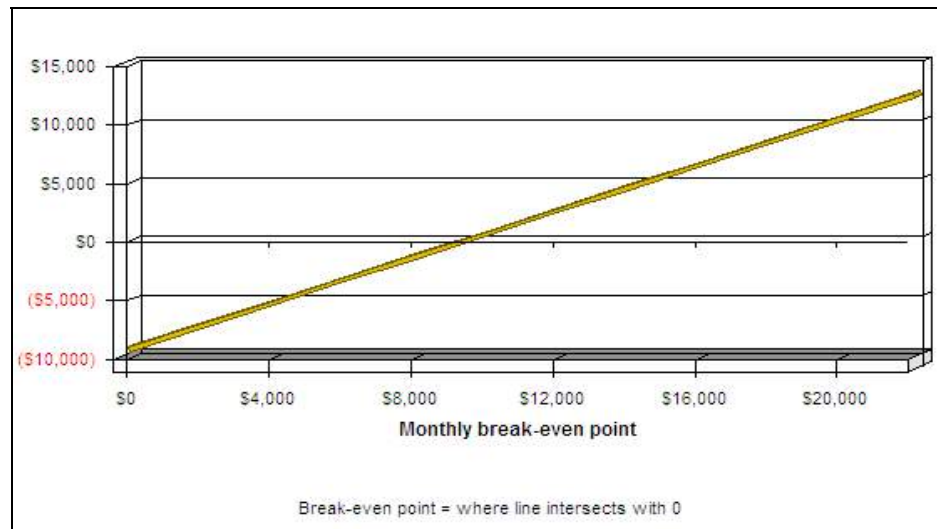
11.4. Break-even Analysis

The break-even numbers demonstrate that we will break-even at well below our minimum established for the retainer. Fixed costs are minimal, consisting mostly of operating cost for the in-home office. Variable costs are assumed at 2 percent, which is an average figure provided by sources within the nonprofit field. The following table and chart summarizes the break-even analysis for HOGA.

Table 7. Break-even Analysis

| Break-even Analysis | |
|-------------------------------------|---------|
| | |
| Monthly Revenue Break-even | \$9,431 |
| | |
| Assumptions: | |
| Average % Variable Cost | 2% |
| Estimated Monthly Fixed Cost | \$9,267 |

Figure 11. Break-even Analysis



11.5. Projected Surplus

The surplus indicates positive revenues flowing into HOGA. Expenses will be minimal as we are able to rely on existing resources. The surplus shown for all three years will not actually be a surplus; profits will be utilized to grant homeowners the initial down payment to own their own renewable energy system. HOGA projected annual surplus is shown on the following table.

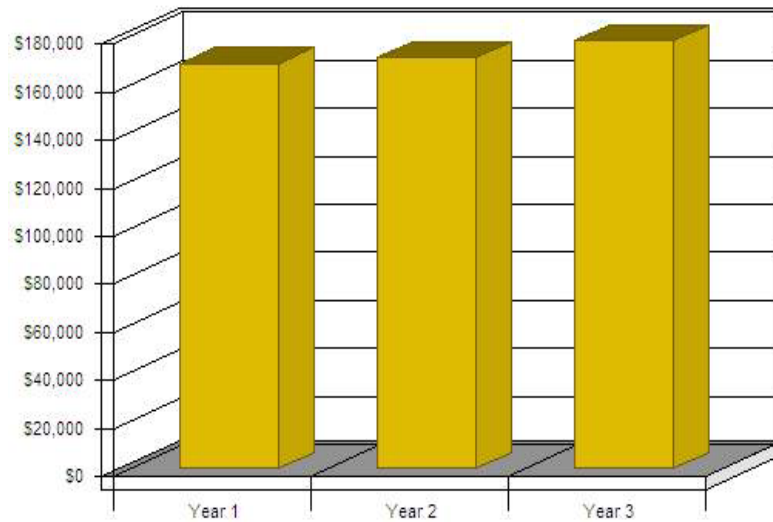


Figure 12. Gross Surplus Yearly

11.6. Projected Cash Flow

Cash flow projections are important to HOGA's success because it indicates if there is enough money to pay the bills. Thus, cash balance for the first 12 months is above zero and steadily increasing. The net cash flow is also projected above zero and does not indicate much change over the 12 months. Therefore, HOGA is in good current standing to make payroll, operating expenses, and the loan payment. HOGA has included below a cash flow table and monthly figure. In addition, a more detailed monthly table for cash flow for the 1st and 2nd year is included in the appendix.

Table 8. Cash Flow

| Cash Flow | | | |
|---|---------------|---------------|---------------|
| | Year 1 | Year 2 | Year 3 |
| Cash Funding | \$171,666 | \$174,166 | \$181,666 |
| Subtotal Cash from Operations | \$171,666 | \$174,166 | \$181,666 |
| Subtotal Cash Received | \$171,666 | \$174,166 | \$181,666 |
| Expenditures from Operations | | | |
| Cash Spending | \$85,000 | \$90,000 | \$95,000 |
| Bill Payments | \$35,105 | \$46,311 | \$55,365 |
| Subtotal Spent on Operations | \$120,105 | \$136,311 | \$150,365 |
| Principal Repayment of Current Borrowing | \$1,500 | \$1,500 | \$1,500 |
| Dividends | \$0 | \$0 | \$0 |
| Subtotal Cash Spent | \$121,605 | \$137,811 | \$151,865 |
| Net Cash Flow | \$50,061 | \$36,355 | \$29,801 |
| Cash Balance | \$55,061 | \$91,416 | \$121,217 |

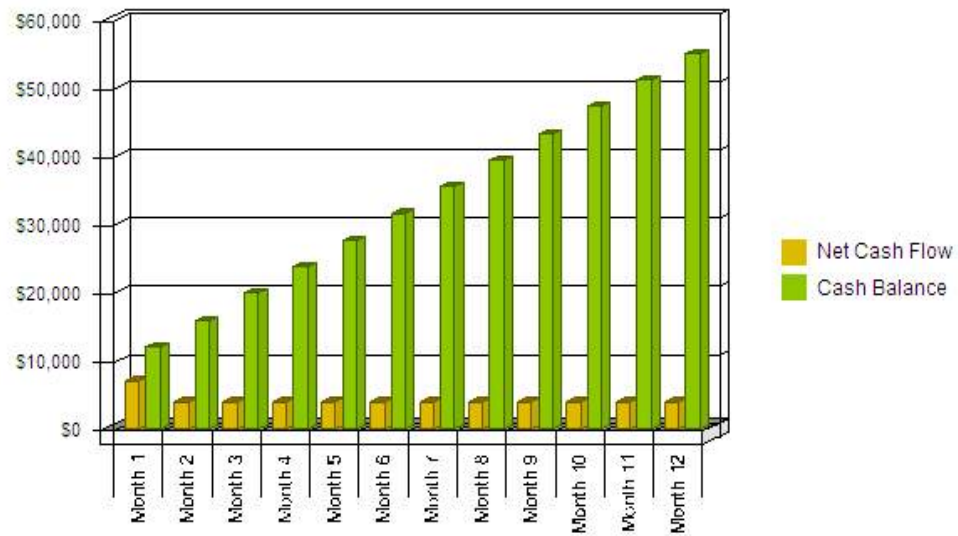


Figure 13. Monthly Cash Flow

11.7. Projected Balance Sheet

The balance sheet in the following table shows sufficient growth of net worth, and a strong financial position. The monthly estimates are included in the appendix.

Table 9. Pro Forma Balance Sheet

| Pro Forma Balance Sheet | | | |
|--|---------------|---------------|---------------|
| | Year 1 | Year 2 | Year 3 |
| Current Assets | | | |
| Cash | \$55,061 | \$91,416 | \$121,217 |
| Total Current Assets | \$55,061 | \$91,416 | \$121,217 |
| Accumulated Depreciation | | | |
| | \$0 | \$0 | \$0 |
| Total Long-term Assets | \$0 | \$0 | \$0 |
| Total Assets | \$55,061 | \$91,416 | \$121,217 |
| Current Liabilities and Capital | | | |
| Accounts Payable | \$3,071 | \$3,783 | \$4,619 |
| Current Borrowing | \$3,500 | \$2,000 | \$500 |
| Subtotal Current Liabilities | \$6,571 | \$5,783 | \$5,119 |
| Total Liabilities | \$6,571 | \$5,783 | \$5,119 |
| Paid-in Capital | \$5,000 | \$5,000 | \$5,000 |
| Accumulated Surplus/Deficit | (\$5,000) | \$43,490 | \$80,633 |
| Surplus/Deficit | \$48,490 | \$37,143 | \$30,465 |
| Total Capital | \$48,490 | \$85,633 | \$116,098 |
| Total Liabilities and Capital | \$55,061 | \$91,416 | \$121,217 |
| Net Worth | \$48,490 | \$85,633 | \$116,098 |

11.8. Standard Ratios

Our projected business ratios for the three years of this plan are shown below, along with ratios from the SIC Index, 8611, for nonprofit organization. The ratios show a plan for balanced, strong operations with no debt. Standard business ratios are included in the table.

Table 10. Ratio Analysis

| Ratio Analysis | | | | |
|---|---------------|---------------|---------------|-------------------------|
| | Year 1 | Year 2 | Year 3 | Industry Profile |
| Funding Growth | n/a | 1.46% | 4.31% | 6.63% |
| Percent of Total Assets | | | | |
| Total Current Assets | 100.00% | 100.00% | 100.00% | 72.14% |
| Total Assets | 100.00% | 100.00% | 100.00% | 100.00% |
| Current Liabilities | 11.93% | 6.33% | 4.22% | 27.18% |
| Total Liabilities | 11.93% | 6.33% | 4.22% | 48.62% |
| Net Worth | 88.07% | 93.67% | 95.78% | 51.38% |
| Percent of Funding | | | | |
| Funding | 100.00% | 100.00% | 100.00% | 100.00% |
| Gross Surplus | 98.25% | 98.28% | 98.07% | 100.00% |
| Selling, General & Administrative Expenses | 70.01% | 76.95% | 81.30% | 79.13% |
| Advertising Expenses | 1.17% | 1.15% | 1.10% | 1.34% |
| Surplus Before Interest and Taxes | 33.48% | 25.24% | 19.80% | 1.51% |
| Main Ratios | | | | |
| Current | 8.38 | 15.81 | 23.68 | 1.59 |
| Quick | 8.38 | 15.81 | 23.68 | 1.10 |
| Total Debt to Total Assets | 11.93% | 6.33% | 4.22% | 55.55% |
| Additional Ratios | | | | |
| Net Surplus Margin | 28.25% | 21.33% | 16.77% | |
| Return on Equity | 100.00% | 43.37% | 26.24% | |
| Debt Ratios | | | | |
| Debt to Net Worth | 0.14 | 0.07 | 0.04 | |
| Current Liabilities | 1.00 | 1.00 | 1.00 | |
| Liquidity Ratios | | | | |
| Net Working Capital | \$48,490 | \$85,633 | \$116,098 | |
| Interest Coverage | 137.23 | 163.59 | 287.73 | |
| Additional Ratios | | | | |
| Assets to Funding | 0.32 | 0.52 | 0.67 | |
| Current Debt/Total Assets | 12% | 6% | 4% | |
| Acid Test | 8.38 | 15.81 | 23.68 | |
| Funding/Net Worth | 3.54 | 2.03 | 1.56 | |
| Dividend Payout | n/a | n/a | n/a | |

12. Suggestions for Additional Work

Further work is being done immediately; the grant proposal for the Department of Energy is in the process of being written and HOGA volunteers are actively searching for government grants pertaining to renewable energy. The plan can be executed as is but changes will occur due to the funding that becomes available. Therefore, the plan will require some financial updates and other maintenance updates at least annually.

13. Bibliography

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14. List of Appendices

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Appendix

Appendix A: Glossary of Terms

The following terms are from the Department of Energy's glossary.

Electricity - A form of energy characterized by the presence and motion of elementary charged particles generated by friction, induction, or chemical change.

Energy Efficiency, Electricity - Refers to programs that are aimed at reducing the energy used by specific end-use devices and systems, typically without affecting the services provided. These programs reduce overall electricity consumption (reported in megawatt hours), often without explicit consideration for the timing of program-induced savings.

Geothermal Energy - Hot water or steam extracted from geothermal reservoirs in the earth's crust. Water or steam extracted from geothermal reservoirs can be used for geothermal heat pumps, water heating, or electricity generation.

Grid - The layout of an electrical distribution system.

Photovoltaic (PVC) - An electronic device consisting of layers of semiconductor materials fabricated to form a junction (adjacent layers of materials with different electronic characteristics) and electrical contacts and being capable of converting incident light directly into electricity (direct current).

Appendix

Renewable energy resources - Energy resources that are naturally replenishing but flow-limited.

They are virtually inexhaustible in duration but limited in the amount of energy that is available per unit of time. Renewable energy resources include biomass, hydro, geothermal, solar, wind, ocean thermal, wave action, and tidal action.

Solar Energy - The radiant energy of the sun, which can be converted into other forms of energy, such as heat or electricity.

Wind energy - Kinetic energy present in wind motion that can be converted to mechanical energy for driving pumps, mills, and electric power generators.

Appendix

Appendix B: Funding Forecast

| Funding Forecast | | | | | | | | | | | | |
|--------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 |
| Funding Grants | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 |
| Vendor Contributions | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 |
| Partner Contributions | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 |
| Total Funding | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 |
| Grants | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 |
| Vendor Contributions | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 |
| Other | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 |
| Subtotal Cost of Funding | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 |

Appendix

Appendix C: Funding Forecast 2nd Year

| Funding Forecast 2nd Year | | | | | | | | | | | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Funding | Month 13 | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 |
| Grants | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 | \$13,889 |
| Vendor Contributions | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 | \$417 |
| Partner Contributions | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 | \$208 |
| Total Funding | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 |
| Grants | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 | \$167 |
| Vendor Contributions | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 |
| Other | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 | \$42 |
| Subtotal Cost of Funding | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 | \$250 |

Appendix

Appendix D: Personnel Plan

| Personnel Plan | | | | | | | | | | | | | |
|----------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| | | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 |
| President | | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 | \$5,417 |
| Administrative | | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 |
| Total People | | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | | | | | | | | | | | | | |
| Total Payroll | | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 |

Appendix

Appendix E: Personnel Plan

| Personnel Plan 2nd Year | | | | | | | | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Month 13 | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 |
| President | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 | \$5,833 |
| Administrative | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 | \$1,667 |
| Total People | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Payroll | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 |

Appendix

Appendix F: Cash Flow

| Cash Flow | | | | | | | | | | | | |
|--------------------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| | Monh 1 | Monh 2 | Monh 3 | Month 4 | Monh 5 | Monh 6 | Monh 7 | Monh 8 | Monh 9 | Monh 10 | Monh 11 | Monh 12 |
| Cash from Operations | | | | | | | | | | | | |
| Cash Funding | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 |
| Subtotal Cash from Operations | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 |
| Subtotal | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 | \$14,306 |
| Cash Received | | | | | | | | | | | | |
| Expenditures | | | | | | | | | | | | |
| Cash Spending | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 | \$7,083 |
| Bill Payments | \$106 | \$3,186 | \$3,185 | \$3,184 | \$3,184 | \$3,183 | \$3,182 | \$3,181 | \$3,180 | \$3,179 | \$3,178 | \$3,177 |
| Subtotal Spent on Operations | \$7,190 | \$10,269 | \$10,269 | \$10,268 | \$10,267 | \$10,266 | \$10,265 | \$10,264 | \$10,263 | \$10,262 | \$10,262 | \$10,261 |
| Principal Repayment of Current | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 |
| Borrowing Subtotal Cash Spent | \$7,315 | \$10,394 | \$10,394 | \$10,393 | \$10,392 | \$10,391 | \$10,390 | \$10,389 | \$10,388 | \$10,387 | \$10,387 | \$10,386 |
| Net Cash Flow | \$6,991 | \$3,911 | \$3,912 | \$3,913 | \$3,914 | \$3,915 | \$3,915 | \$3,916 | \$3,917 | \$3,918 | \$3,919 | \$3,920 |
| Cash Balance | \$11,991 | \$15,902 | \$19,814 | \$23,727 | \$27,640 | \$31,555 | \$35,470 | \$39,387 | \$43,304 | \$47,222 | \$51,141 | \$55,061 |

Appendix

Appendix G: Cash Flow 2nd Year

| Cash Flow 2nd Year | | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Month 13 | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 |
| Cash from Operations | | | | | | | | | | | | |
| Cash Funding | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 |
| Subtotal Cash from Operations | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 |
| Subtotal Cash Received | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 | \$14,514 |
| Expenditures Cash | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 | \$7,500 |
| Spending Bill Payments | \$3,201 | \$3,923 | \$3,923 | \$3,922 | \$3,921 | \$3,920 | \$3,919 | \$3,918 | \$3,917 | \$3,916 | \$3,915 | \$3,915 |
| Subtotal Spent on Operations | \$10,701 | \$11,423 | \$11,423 | \$11,422 | \$11,421 | \$11,420 | \$11,419 | \$11,418 | \$11,417 | \$11,416 | \$11,415 | \$11,415 |
| Principal Repayment of Current Borrowing | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 | \$125 |
| Dividends | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal Cash Spent | \$10,826 | \$11,548 | \$11,548 | \$11,547 | \$11,546 | \$11,545 | \$11,544 | \$11,543 | \$11,542 | \$11,541 | \$11,540 | \$11,540 |
| Net Cash Flow | \$3,687 | \$2,965 | \$2,966 | \$2,967 | \$2,968 | \$2,969 | \$2,970 | \$2,971 | \$2,972 | \$2,972 | \$2,973 | \$2,974 |
| Cash Balance | \$58,748 | \$61,714 | \$64,680 | \$67,647 | \$70,615 | \$73,584 | \$76,554 | \$79,524 | \$82,496 | \$85,469 | \$88,442 | \$91,416 |

Appendix

Appendix H: Balance Sheet

| Pro Forma Balance Sheet | | | | | | | | | | | | | |
|--------------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| | | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8 | Month 9 | Month 10 | Month 11 | Month 12 |
| Current Assets | | | | | | | | | | | | | |
| Cash | \$5,000 | \$11,991 | \$15,902 | \$19,814 | \$23,727 | \$27,640 | \$31,555 | \$35,470 | \$39,387 | \$43,304 | \$47,222 | \$51,141 | \$55,061 |
| Total Current Assets | \$5,000 | \$11,991 | \$15,902 | \$19,814 | \$23,727 | \$27,640 | \$31,555 | \$35,470 | \$39,387 | \$43,304 | \$47,222 | \$51,141 | \$55,061 |
| Accounts Payable | \$0 | \$3,080 | \$3,079 | \$3,078 | \$3,077 | \$3,077 | \$3,076 | \$3,075 | \$3,074 | \$3,073 | \$3,072 | \$3,071 | \$3,071 |
| Current Borrowing | \$5,000 | \$4,875 | \$4,750 | \$4,625 | \$4,500 | \$4,375 | \$4,250 | \$4,125 | \$4,000 | \$3,875 | \$3,750 | \$3,625 | \$3,500 |
| Total Liabilities | \$5,000 | \$7,955 | \$7,829 | \$7,703 | \$7,577 | \$7,452 | \$7,326 | \$7,200 | \$7,074 | \$6,948 | \$6,822 | \$6,696 | \$6,571 |
| Paid-in Capital | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Accumulated Surplus | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) | (\$5,000) |
| Surplus | \$0 | \$4,036 | \$8,073 | \$12,111 | \$16,149 | \$20,189 | \$24,229 | \$28,270 | \$32,313 | \$36,356 | \$40,400 | \$44,444 | \$48,490 |
| Total Capital | \$0 | \$4,036 | \$8,073 | \$12,111 | \$16,149 | \$20,189 | \$24,229 | \$28,270 | \$32,313 | \$36,356 | \$40,400 | \$44,444 | \$48,490 |
| Total Liabilities and Capital | \$5,000 | \$11,991 | \$15,902 | \$19,814 | \$23,727 | \$27,640 | \$31,555 | \$35,470 | \$39,387 | \$43,304 | \$47,222 | \$51,141 | \$55,061 |
| Net Worth | \$0 | \$4,036 | \$8,073 | \$12,111 | \$16,149 | \$20,189 | \$24,229 | \$28,270 | \$32,313 | \$36,356 | \$40,400 | \$44,444 | \$48,490 |

Appendix

Appendix I: Balance Sheet 2nd Year

| Pro Forma Balance Sheet 2nd Year | | | | | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Month 13 | Month 14 | Month 15 | Month 16 | Month 17 | Month 18 | Month 19 | Month 20 | Month 21 | Month 22 | Month 23 | Month 24 |
| Current Assets | | | | | | | | | | | | |
| Cash | \$58,748 | \$61,714 | \$64,680 | \$67,647 | \$70,615 | \$73,584 | \$76,554 | \$79,524 | \$82,496 | \$85,469 | \$88,442 | \$91,416 |
| Total Current Assets | \$58,748 | \$61,714 | \$64,680 | \$67,647 | \$70,615 | \$73,584 | \$76,554 | \$79,524 | \$82,496 | \$85,469 | \$88,442 | \$91,416 |
| Accumulated Depreciation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Assets | \$58,748 | \$61,714 | \$64,680 | \$67,647 | \$70,615 | \$73,584 | \$76,554 | \$79,524 | \$82,496 | \$85,469 | \$88,442 | \$91,416 |
| Accounts Payable | \$3,793 | \$3,792 | \$3,791 | \$3,790 | \$3,789 | \$3,788 | \$3,788 | \$3,787 | \$3,786 | \$3,785 | \$3,784 | \$3,783 |
| Current Borrowing | \$3,375 | \$3,250 | \$3,125 | \$3,000 | \$2,875 | \$2,750 | \$2,625 | \$2,500 | \$2,375 | \$2,250 | \$2,125 | \$2,000 |
| Subtotal Current Liabilities | \$7,168 | \$7,042 | \$6,916 | \$6,790 | \$6,664 | \$6,538 | \$6,413 | \$6,287 | \$6,161 | \$6,035 | \$5,909 | \$5,783 |
| Total Liabilities | \$7,168 | \$7,042 | \$6,916 | \$6,790 | \$6,664 | \$6,538 | \$6,413 | \$6,287 | \$6,161 | \$6,035 | \$5,909 | \$5,783 |
| Paid-in Capital | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Accumulated Surplus | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 | \$43,490 |
| Surplus | \$3,090 | \$6,182 | \$9,274 | \$12,367 | \$15,461 | \$18,555 | \$21,651 | \$24,748 | \$27,845 | \$30,943 | \$34,043 | \$37,143 |
| Total Capital | \$51,581 | \$54,672 | \$57,764 | \$60,857 | \$63,951 | \$67,046 | \$70,141 | \$73,238 | \$76,335 | \$79,434 | \$82,533 | \$85,633 |
| Total Liabilities and Capital | \$58,748 | \$61,714 | \$64,680 | \$67,647 | \$70,615 | \$73,584 | \$76,554 | \$79,524 | \$82,496 | \$85,469 | \$88,442 | \$91,416 |
| Net Worth | \$51,581 | \$54,672 | \$57,764 | \$60,857 | \$63,951 | \$67,046 | \$70,141 | \$73,238 | \$76,335 | \$79,434 | \$82,533 | \$85,633 |

Appendix

Appendix J: Start-up Expenses

| Start-up Expenses | |
|---|----------|
| | |
| Start-up Expenses | |
| Legal | \$500 |
| Marketing Database or Lists | \$500 |
| Professional Liability Insurance | \$700 |
| Brochures | \$700 |
| Postage and freight | \$500 |
| Office Computers, printer and software | \$1,000 |
| Utilities | \$600 |
| Other | \$500 |
| Total Start-up Expenses | \$5,000 |
| | |
| Start-up Assets | |
| Cash Required | \$5,000 |
| Other Current Assets | \$0 |
| Long-term Assets | \$0 |
| Total Assets | \$5,000 |
| | |
| Total Requirements | \$10,000 |

Appendix

Appendix K: Ratio Analysis

| Ratio Analysis | | | | |
|--|----------|----------|-----------|------------------|
| | Year 1 | Year 2 | Year 3 | Industry Profile |
| Funding Growth | 0.00% | 1.46% | 4.31% | 6.63% |
| Percent of Total Assets | | | | |
| Total Current Assets | 100.00% | 100.00% | 100.00% | 72.14% |
| Total Assets | 100.00% | 100.00% | 100.00% | 100.00% |
| Current Liabilities | 11.93% | 6.33% | 4.22% | 27.18% |
| Total Liabilities | 11.93% | 6.33% | 4.22% | 48.62% |
| Net Worth | 88.07% | 93.67% | 95.78% | 51.38% |
| Percent of Funding | | | | |
| Funding | 100.00% | 100.00% | 100.00% | 100.00% |
| Gross Surplus | 98.25% | 98.28% | 98.07% | 100.00% |
| Selling, General & Administrative Expenses | 70.01% | 76.95% | 81.30% | 79.13% |
| Advertising Expenses | 1.17% | 1.15% | 1.10% | 1.34% |
| Surplus Before Interest and Taxes | 33.48% | 25.24% | 19.80% | 1.51% |
| Main Ratios | | | | |
| Current | 8.38 | 15.81 | 23.68 | 1.59 |
| Quick | 8.38 | 15.81 | 23.68 | 1.10 |
| Total Debt to Total Assets | 11.93% | 6.33% | 4.22% | 55.55% |
| Additional Ratios | | | | |
| Net Surplus Margin | 28.25% | 21.33% | 16.77% | |
| Return on Equity | 100.00% | 43.37% | 26.24% | |
| Debt Ratios | | | | |
| Debt to Net Worth | 0.14 | 0.07 | 0.04 | |
| Current Liabilities | 1.00 | 1.00 | 1.00 | |
| Liquidity Ratios | | | | |
| Net Working Capital | \$48,490 | \$85,633 | \$116,098 | |
| Interest Coverage | 137.23 | 163.59 | 287.73 | |
| Additional Ratios | | | | |
| Assets to Funding | 0.32 | 0.52 | 0.67 | |
| Current Debt/Total Assets | 12% | 6% | 4% | |
| Acid Test | 8.38 | 15.81 | 23.68 | |
| Funding/Net Worth | 3.54 | 2.03 | 1.56 | |
| Dividend Payout | 0.00 | 0.00 | 0.00 | |