Marie Pinho Gift Proposal-

Street Sense Employment Cooperative (SEC)

September 23, 2016

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Your name(s):

Thomas Clarkson, member NOVA

Brian Carome, member NOVA, Executive Director, Street Sense

●1. An indication of how much your project anticipates using (specify exact amount):

Large pot project (up to $220,000) ________

Small pot project (up to $30,000) ____51,300______

●2. In 1,000 words or so, describe your idea:

●* Start by giving your project a name and a one-sentence description.

The Street Sense Employment Cooperative (SEC) will be an employee owned and managed cooperative, for-profit business that provides jobs and job training to people in the Washington, DC metropolitan area who have experienced homelessness or addiction.

●* Explain who the project would serve and why it is needed.

The SEC would employ people in the Washington, DC metropolitan area who have experienced homelessness or addiction. It is needed because these people need a supported path to productive work that fully actualizes their potential. Volunteers with appropriate work skills will coach the SEC employees.

SEC will be an employee-owned company. Being owners helps increase employees' motivation to work productively because all of the profits go to the employees, volunteers and to charity. In a cooperatively owned company employees earn money not only from their pay but from also from the capital accumulated by the company. SEC will also be an employee-managed company in which each employee will have a say in running the company. Cooperative companies exist to maximize employee welfare (as as opposed to maximizing shareholder welfare) and SEC will put resources into training so that each employee will be able to grow to his or her full potential.

●* How is the need not currently being met, or how could it be better met with NOVA's contribution?

Most employment efforts place people in companies where employees provide labor only and do not share the profits that go to the owners of the capital nor in the management responsibility. This situation does not build up the employee's wealth nor does it fully actualize the workers' potential to be productive. In the SEC the employees would own and manage the capital produced by profits. John Haughey, S.J., former NOVA padre, envisioned a corporate model in which every employee worked for the benefit of the other. SEC would give that model actual form and show that a business that has an ethos of working for the benefit of the other can survive and grow.

We need NOVA because there are a number of people who would be willing to help get SEC up and running but they are not willing to risk their own money doing it. The requested grant is $51,260 and would pay for a truck, equipment, incorporation expenses and working capital.

●* Who will administer and be accountable for the funding, and what is the timeline?

Street Sense will administer and be accountable for the funding.

Timeline:

- Restore cash to beginning balances, $52,000, within three years, (see 10 year cash projection, below)

Year		1	2	3	4	5
Net Income	26.4%	**$ (5,042)**	$ 21,994	$ 27,712	$ 35,195	$ 45,049
Add back Depreciation		$ 5,100	$ 4,164	$ 5,247	$ 6,664	$ 8,530
Annual cash earnings (assuming all		$ 58	$ 26,158	$ 32,959	$ 41,859	$ 53,579
Cumulative cash earnings (assuming all profits retained)		$ 58	$ 26,216	$ 59,176	$101,034	$154,613

6	7	8	9	10	Total 10 years
$ 58,113	$ 75,547	$ 98,967	$130,636	$173,746	$ 661,918
$ 11,003	$ 14,305	$ 18,739	$ 24,735	$ 32,898	$ 131,386
$ 69,117	$ 89,852	$117,706	$155,372	$206,644	$ 793,303
$223,730	$313,582	$431,287	$586,659	$793,303	

•Show a profit by the end of year 2. This is achieved primarily by holding wages to 50% of sales.

•Within five years have a workforce of 10 people at least 25% of whom are formerly homeless people.

Estimated FTEs Assuming that $17,000 of revenue is produced by 1 FTE						
	Year	1	2	3	4	5
	FTEs	4	5	6	8	10

6	7	8	9	10
13	17	22	29	39

●* If your proposal would benefit another organization, please provide a description of that organization, including its annual budget.

The SEC would partner with Street Sense, a newspaper that “offers economic opportunities to people experiencing homelessness through media that elevates voices and encourages debate on poverty and injustice”. Their annual budget is approximately $400,000”

Street Sense would provide the SEC with advertising that would help it find customers and volunteers for the SEC. Street Sense would benefit because some of the homeless people that it helps would be employed by the SEC. SEC will donate part of its revenue to Street Sense once the SEC is sufficiently profitable.

●* How would your proposal fit in with the organization’s and NOVA’s missions?

Both organizations actualize in the world Christ’s invitation to relieve the suffering of the poor. Street Sense’s mission is to reduce homelessness. Homelessness is caused by lack of income. SEC will provide income through employment and capital ownership of a cooperative business. Businesses that are successful can grow very large. Hopefully SEC can grow large enough in a few decades to make a big dent in homelessness in a sustainable way.]

* How would the success of your project be measured?

The success would be measured by meeting five goals:

1.SEC becomes profitable. This is necessary to be sustainable.

2.SEC doubles its equity to $100,000 in five years. This requires a growth rate of about 30% a year for the first ten years.

Year		1	2	3	4
Net Income	26.4%	$ (5,042)	$ 21,994	$ 27,712	$ 35,195
Add back Depreciation		$ 5,100	$ 4,164	$ 5,247	$ 6,664
Annual cash earnings (assuming all		$ 58	$ 26,158	$ 32,959	$ 41,859
Cumulative cash earnings (assuming all profits retained)		$ 58	$ 26,216	$ 59,176	$101,034

1.It has 10 paid employees by the end of 5 years and almost 40 after 10.

Estimated FTEs Assuming that $17,000 of revenue is produced by 1 FTE						
	Year	1	2	3	4	5
	FTEs	4	5	6	8	10

6	7	8	9	10
13	17	22	29	39

1.At least 25% of SEC's employees are formerly homeless people. This is necessary to serve the target population.

2.SECs retains a majority of the employees that it hires. This would enable SEC to benefit from the increased value that it has fostered in its employees.

- * How are you connected with or involved with the project administrator?

Mr. Clarkson and Mr. Carome are NOVA members and friends.

●3. Give your proposal as much depth as you can:

* Add data, documents and other details.

* Remember the community is a resource. We encourage you to join with others to brainstorm, ask others to help you flesh out your idea, or even find others to collaborate on the proposal.

4. Deadline: Sunday, Sept. 25, 2016.

Submit your proposal or any questions to any of the following:

Markie Harwood (markieharwood@yahoo.com); Ted Miller (tjmiller501@gmail.com);

Gloria Mog (gloriamog@verizon.net); Carmela Ormando (or5ka@yahoo.com).

Next steps: We will review applications and contact you regarding any needed clarifications, modifications or additions. At an October general meeting, you will be asked to present your proposal to the community. We will choose one or more projects via community consensus.

Expanded Project Description

The SEC is inspired by the model of the MONDRAGON cooperative group that started in the mid-1940s in Spain and now has approximately 75,000 employees and annual sales of over 11 Billion Euros.[1]

The SEC will be composed of a Trust named after Marie Pinho (MPT) who bequeathed the money to NOVA. The MPT will be funded by the grant from NOVA and will provide capital financing to the cooperative business, SEC, that will sell to the public. Initially SEC will sell window washing, cleaning and landscaping services to the public. Once that business gets off the ground it will expand into other areas as the opportunities arise.

●The Marie Pinho Trust (MPT)

The Marie Pinho Trust would be a legal entity owned by Street Sense that would:

- Receive and own the $52,000 grant
- Be owned and controlled by Street Sense subject to MPT's charter.
- The MPT charter would specify that the MPT be entirely invested in SEC
- Street Sense would own its investment in the SEC
- The MPT would grow if the SEC succeeds
- If the SEC fails its assets will be liquidated and given to Street Sense for general purposes

●The Street Sense Employment Cooperative

The SEC is a special purpose corporation that would sell goods and services to the public. At the beginning these services would be the product of unskilled labor but as SEC employees gained skills the services would become more valuable. Examples are:

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1 For more on Mondragon see: http://www.mondragon-corporation.com/eng/?s=total+sales

•Window washing, general cleaning

•Landscaping

•Food preparation

•Housing maintenance and rehabilitation

•Renewable energy installation.

SEC employees might start out by selling newspapers for Street Sense and/or working part-time for SEC. Long term, as employees become more skilled the SEC employees might rehabilitate housing or learn to install solar energy in residential buildings. SEC will try to retain employees as they become more skilled and harvest the increased value of the human capital that it develops in the employees and use that human capital to help the SEC grow as a business.

●Ownership and Control of the SEC

The capital of the SEC would be owned by the investors including its employees and the MPT, and non-investors including employees of the LP and volunteers. A dollar invested by anyone, including the MPT and employees, would be owned 100% by the investor and would earn interest.

Profits are earnings left over after paying salaries, expenses and interest. Employees would receive one share of the profits for every hour worked and Volunteers would receive half a share. This favors the employees but also creates a monetary incentive for the volunteers.

•If the SEC is profitable it will pay interest to the investors, including the Trust. Anyone contributing cash would receive interest at a rate to be decided by the SEC board.

•All profits (not the MPT itself) after the payment of operating costs and interest to the investors would be owned by the employees and volunteers of the SEC in proportion to their hours worked. Volunteers' hours may count the same or less than employees' hours but not for more.

•No one could withdraw their profits until they retire. SEC will pay interest to the owner on profits that it retains. So if there was one employee working for a year and one volunteer working for a year, and profits were $100, the employee would receive ownership of $66.66 and the volunteer of $33.33. In the following year they would receive interest on that money but it the profits would be retained by SEC and used to expand the business. People could withdraw the interest or leave it to increase their ownership of the business's equity

•The SEC's governing body would include employee and management representatives

•The investors, employees and volunteers would elect representatives to the governing board of the SEC who would determine, among other things, how much of the profits would be distributed to the investors, employees and volunteers and how much would be retained by the SEC to build its capital base.

•The SEC would be governed by a qualified board of directors who would hire a Chief Executive and other necessary managers

•The corporate by laws will specify a flat salary structure in which the salary of the highest paid employee or manager will not be more than six times the salary of the lowest paid employee.

●The Goal of the SEC

The goals of the SEC are to:

•Make a profit for its owners who are the MPT, employees and volunteers.

•Provide jobs and training to men and women who have experienced homelessness and addiction in the DC metropolitan area.

•Increase the productivity of its employees and volunteers and retain the human capital for the benefit of the SEC and its owners

●Key Personnel in the SEC

The following table shows the key personnel.

Function	Name	Credentials	Compensated or Voluntary
Director	Tom Clarkson	Chief Accountant Federal Agency (retired)	Voluntary
Director	Steve Eastham	Business Advisor Federal Agency (retired)	Voluntary
Director	Brian Carome	Executive Director, Street Sense	Voluntary
Accounting services	tbd		tbd
Legal Services	tbd		tbd
Sales	tbd		Compensated
Trainers	tbd		Voluntary

●Risks

The main risk is that the SEC will not be able to operate at a profit. The main elements of our strategy to operate at a profit are:

- Gather a group of ten or twenty retired people who can take the time to train and supervise the SEC employees to be polite and to work safely and efficiently. The more we have of these volunteers the better. We will advertise in the Street Sense to help us get people.

  ○Window washing can be done year around but less in winter. We have to identify indoor work that will absorb labor at these times. Some possibilities include Indoor cleaning, painting, automobile detailing

- While the business is being developed we will have to hire people part time before we put them on full time.

- Wages paid will be held to 50% of sales revenue.

●Performance Goals

The board of the SEC will set specific performance goals but the main goals will be:

1. SEC becomes profitable in two years. This is necessary to be sustainable.

2. SEC doubles its equity to $100,000 in five years. This is necessary to grow.

3.It has 30 paid employees by the end of 3 years. This is necessary to grow.

4.At least 25% of SEC's employees are formerly homeless people. This is necessary to serve the target population.

5.SECs retains a majority of the employees that it hires. This would enable SEC to benefit from the increased value that it has fostered in its employees.

●The Budget

The SEC will use the cash from the MPT for the following purposes, among others:

•A truck, ladders and other equipment, computers, phones, working capital.

A detailed budget for the first 12 months is shown in Attachment 1 and some highlights are given below:

•First year Sales

For the first 4 months there are very few paying customers because we are training the employees. After that we assume 10% a month growth in sales. Year 1 revenue equals $66,631.

Customers and sales	**Starting**	Jan	Feb	Mar	Apr
Growth %					
Customers per week		0	1	2	4
Customers per month	-	-	4	9	17
Average sale per customer	$ 270.34	$ 270.34	$ 270.34	$ 270.34	$ 270.34
Sales per month		$ -	$ 1,162	$ 2,325	$ 4,650
Sales per week		$ -	$ 268	$ 537	$ 1,073

May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
+10%	+10%	+10%	+10%	+10%	+10%	+10%	+10%	
4	5	5	6	6	7	8	9	
19	21	23	25	28	30	34	37	
$ 270.34	$ 270.34	$ 270.34	$ 270.34	$ 270.34	$ 270.34	$ 270.34	$ 270.34	
$ 5,115	$ 5,626	$ 6,189	$ 6,808	$ 7,489	$ 8,238	$ 9,061	$ 9,968	$ 66,631
$ 1,180	$ 1,298	$ 1,428	$ 1,571	$ 1,728	$ 1,901	$ 2,091	$ 2,300	

•First year Profit and Loss

The business turns profitable in the 7^{th} month, but loses $5,042 in the first year. However, employees have earned ½ of sales revenue or $33,316.

		Jan	Feb	Mar	Apr
Net Income	-7.6%	$ (2,575)	$ (2,043)	$ (1,611)	$ (747)

May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
$ (574)	$ (384)	$ (175)	$ 55	$ 308	$ 586	$ 892	$ 1,229	$ (5,042)

•*10 Year Sales*

Assuming that sales grow at the rate of between 25% and 33% a year, they amount to $657, 062 in year 10 and cumulatively $2,592,351 for the 10 years.

Year		1	2	3	4	5
Growth %			+25%	+26%	+27%	+28%
Sales		$ 66,631	$ 83,289	$104,944	$133,279	$170,597

6	7	8	9	10	Total 10 years
+29%	+30%	+31%	+32%	+33%	
$220,070	$286,091	$374,779	$494,709	$657,962	$ 2,592,351

•*10 year Wages*

Employee's wages total $230,287 in year 10, and $917,318 cumulatively for all ten years.

Labor						
		1	2	3	4	5
Compensation	35%	$ 33,316	$ 29,151	$ 36,730	$ 46,648	$ 59,709

•

6	7	8	9	10	Total 10 years
$ 77,024	$100,132	$131,173	$173,148	$230,287	$ 917,318

On top of wages employees and volunteers share profits of $661,918 over ten years.

•10 Year Profit and Loss

Assuming 20% growth in sales per year profits grow to $173,746 per year by the tenth year, and cumulatively $661,918 for the 10 years. This profit belongs to the employees and volunteers. They may use it to build the business, donate a part of it distribute it to retirees or for other purposes.

Year		1	2	3	4	5
Net Income	26.4%	**$ (5,042)**	$ 21,994	$ 27,712	$ 35,195	$ 45,049

6	7	8	9	10	Total 10 years
$ 58,113	$ 75,547	$ 98,967	$130,636	$173,746	$ 661,918

These projections are simplified but there are some good reasons why this project is feasible and needed. First of all, the Washington DC area has a big demand for services because the federal government brings a lot of money into this area. Second, there are probably a lot of retired people around here who know how to run a business and who are willing to volunteer. Finally, if this project works, it has the internal dynamics of a business organization working with the profit motive that will keep it growing, while at the same time adopting an ethos helping the other.

The End

Attachment 1

The following are spreadsheets that support the charts in the project description.

List of Key Personnel

Income and Expense First year

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Income											
Sales		$ -	$ 1,162	$ 2,325	$ 4,650	$ 5,115	$ 5,626	$ 6,189	$ 6,808	$ 7,489	$ 8,23
Cost of Goods Sold	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Profit	100.0%	$ -	$ 1,162	$ 2,325	$ 4,650	$ 5,115	$ 5,626	$ 6,189	$ 6,808	$ 7,489	$ 8,23
Labor											
Compensation	50.0%	$ -	$ 581	$ 1,162	$ 2,325	$ 2,557	$ 2,813	$ 3,095	$ 3,404	$ 3,744	$ 4,11
Health Insurance	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Liability Insurance (Guesstimate $100 per employee per month)	3.8%	$ -	$ 44	$ 88	$ 177	$ 194	$ 214	$ 235	$ 258	$ 284	$ 31
Bonding (Guesstimate $100 per employee per month)	3.8%	$ -	$ 44	$ 88	$ 177	$ 194	$ 214	$ 235	$ 258	$ 284	$ 31
Benefits	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	3.3%	$ -	$ 38	$ 76	$ 151	$ 166	$ 183	$ 201	$ 221	$ 243	$ 26
Labor	60.8%	$ -	$ 707	$ 1,415	$ 2,829	$ 3,112	$ 3,423	$ 3,766	$ 4,142	$ 4,556	$ 5,01
Expenses											
Overhead	35.1%	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,95
Operations	2.0%	$ -	$ 23	$ 46	$ 93	$ 102	$ 113	$ 124	$ 136	$ 150	$ 16
Marketing	2.0%	$ 200	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 10
Depreciation	7.7%	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425	$ 42
Total	46.7%	$ 2,575	$ 2,498	$ 2,521	$ 2,568	$ 2,577	$ 2,588	$ 2,599	$ 2,611	$ 2,625	$ 2,64
Operating Income	-7.6%	$ (2,575)	$ (2,043)	$ (1,611)	$ (747)	$ (574)	$ (384)	$ (175)	$ 55	$ 308	$ 58
Other Income and Expense											
Other Income											
Other Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Income and Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Net Income	-7.6%	$ (2,575)	$ (2,043)	$ (1,611)	$ (747)	$ (574)	$ (384)	$ (175)	$ 55	$ 308	$ 58

		Jan	Feb	Mar	Apr	May	Jun
Income							
Sales		$ -	$ 1,162	$ 2,325	$ 4,650	$ 5,115	$ 5,626
Cost of Goods Sold	0.0%	$ -	$ -	$ -	$ -	$ -	$ -
Gross Profit	100.0%	$ -	$ 1,162	$ 2,325	$ 4,650	$ 5,115	$ 5,626
Labor							
Compensation	50.0%	$ -	$ 581	$ 1,162	$ 2,325	$ 2,557	$ 2,813
Health Insurance	0.0%	$ -	$ -	$ -	$ -	$ -	$ -
Liability Insurance (Guesstimate $100 per employee per month)	3.8%	$ -	$ 44	$ 88	$ 177	$ 194	$ 214
Bonding (Guesstimate $100 per employee per month)	3.8%	$ -	$ 44	$ 88	$ 177	$ 194	$ 214
Benefits	0.0%	$ -	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	3.3%	$ -	$ 38	$ 76	$ 151	$ 166	$ 183
Labor	60.8%	$ -	$ 707	$ 1,415	$ 2,829	$ 3,112	$ 3,423
Expenses							
Overhead	35.1%	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950
Operations	2.0%	$ -	$ 23	$ 46	$ 93	$ 102	$ 113
Marketing	2.0%	$ 200	$ 100	$ 100	$ 100	$ 100	$ 100
Depreciation	7.7%	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425
Total	46.7%	$ 2,575	$ 2,498	$ 2,521	$ 2,568	$ 2,577	$ 2,588
Operating Income	-7.6%	$ (2,575)	$ (2,043)	$ (1,611)	$ (747)	$ (574)	$ (384)
Other Income and Expense							
Other Income							
Other Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -
Other Income and Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -
		Jan	Feb	Mar	Apr	May	Jun

		Jul	Aug	Sep	Oct	Nov	Dec	Year
Income								
Sales		$ 6,189	$ 6,808	$ 7,489	$ 8,238	$ 9,061	$ 9,968	$ 66,631
Cost of Goods Sold	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Profit	100.0%	$ 6,189	$ 6,808	$ 7,489	$ 8,238	$ 9,061	$ 9,968	$ 66,631
Labor								
Compensation	50.0%	$ 3,095	$ 3,404	$ 3,744	$ 4,119	$ 4,531	$ 4,984	$ 33,316
Health Insurance	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Liability Insurance (Guesstimate $100 per employee per month)	3.8%	$ 235	$ 258	$ 284	$ 313	$ 344	$ 378	$ 2,530
Bonding (Guesstimate $100 per employee per month)	3.8%	$ 235	$ 258	$ 284	$ 313	$ 344	$ 378	$ 2,530
Benefits	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payroll Taxes	3.3%	$ 201	$ 221	$ 243	$ 268	$ 294	$ 324	$ 2,166
Labor	60.8%	$ 3,766	$ 4,142	$ 4,556	$ 5,012	$ 5,513	$ 6,065	$ 40,541
Expenses								
Overhead	35.1%	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 1,950	$ 23,400
Operations	2.0%	$ 124	$ 136	$ 150	$ 165	$ 181	$ 199	$ 1,333
Marketing	2.0%	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,300
Depreciation	7.7%	$ 425	$ 425	$ 425	$ 425	$ 425	$ 425	$ 5,100
Total	46.7%	$ 2,599	$ 2,611	$ 2,625	$ 2,640	$ 2,656	$ 2,674	$ 31,133
Operating Income	-7.6%	$ (175)	$ 55	$ 308	$ 586	$ 892	$ 1,229	$ (5,042)
Other Income and Expense								
Other Income								
Other Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Income and Expense	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		Jul	Aug	Sep	Oct	Nov	Dec	Year
Net Income	-7.6%	$ (175)	$ 55	$ 308	$ 586	$ 892	$ 1,229	$ (5,042)