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RECOVERY

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A NEW FINANCIAL MODEL FOR NON-PROFITS

by Founder and Chief Medical Officer Dr. Ernie Fletcher

Braided funding, says Jay Phillips, is the only way for recovery organizations to build financial resilience in resource-constrained rural communities. And Jay should know. Southern West Virginia, where he works, is one of the most economically distressed rural regions in America, with high poverty, limited infrastructure, and compounding SUD/mental health crises.

But Jay is a gap-finder. And a gap, as he likes to say, is a market—an opportunity where demand exists without a product or service to meet it.

Today, 60 percent of Jay's Seed Sower non-profit revenue comes from filling his region's daunting public transportation gap with an extensive revenue-positive service, including 17 vehicles and 15 drivers, that in turn subsidizes essential revenue-negative services like recovery housing.

Where there's a will there's a way. If you need more confirmation of that, read on!

Fletcher Group

GRANTS REFRAMED

Whether federal, state, local, or philanthropic, grants have long been the go-to funding source for non-profits. But relying on them to cover daily operating costs, says Seed Sower founder and CEO Jay Phillips, can create a precarious and nerve-wracking start-and-stop cycle that he calls the "grant dependency trap."

"Grants are inconsistent, restricted, and non-renewable," says Phillips. "At best, they're useful for launching a program that eventually becomes self-sustaining. but many nonprofits continue to rely on them for the operating capital to sustain their organization, only to find out the hard way that it rarely, if ever, works."

Other funding sources have their problems, too. Fund-raising is expensive, time-consuming, and unpredictable. Service contracts are competitive, scope-limited, slow to negotiate, and virtually inaccessible to early-stage organizations. And Social Enterprise, though more viable long-term, can carry business risk and tax complications that most nonprofits aren't structured for.

Phillips focuses on grants, however, because their best use is so often misunderstood. To break out of the deadly "grant dependency trap," Phillips proposes a new way of looking at grants, not as operating capital but as venture capital for launching new initiatives.

Seed Money
"The best use of a grant is to help you diversify and extend your reach by expanding or funding a new self-sustaining project or program," says Phillips. The new initiative should be, at a minimum, self-sustaining. But the more net-positive it is, the better your chances of eliminating debt, absorbing unexpected expenditures, and subsidizing your net-negative programs.

"Think of grants as a way to buy time," says Phillips, "as you steadily build the infrastructure and programs that can generate long-term recurring revenue."

One example: Use grant money to generate a data-driven "proof of concept" for a new program you hope to launch, then share it with government agencies and philanthropic foundations to convince them that the new program is worthy of ongoing investment. Another example: Use grant money to launch a new service you can bill for, thereby creating an additional new revenue stream.

WATCH THE VIDEO
of our June 4 webinar with Seed Sower Founder and CEO Jay Phillips.

CLICK HERE

"Once you reframe grants as venture capital or seed money," says Phillips, "you can start imagining programs, services, and partnerships that not only serve your mission but help your organization sustain itself."

On your next grant, says Phillips, “Try using it as strategically as possible to pilot a billable service, establish a new self-sustaining partnership, or build the infrastructure that can generate recurring revenue.”

Two more things: Be sure to carefully document your work to prove the new initiative's value to funders. And, before you start, be sure to consider all consequences should the new revenue source be lost."

SUSTAINABILITY REIMAGINED

Having established that grants are not a reliable resource for long-term financial stability, Phillips proposes an entirely different funding approach based on a model he calls "braided funding." It works by integrating multiple distinct revenue streams, such as Medicaid billable services, wage reimbursement programs, program fees, and fundraising efforts while meeting whatever compliance reporting is required for each.

"In the braided model mindset," says Phillips, "grants are simply tools for generating revenue-positive business lines that support mission-critical but revenue-negative services like operating a recovery home or doing community outreach."

A first step is understanding that nonprofit doesn't mean no profit. By necessity, profit must be generated somewhere to offset loss elsewhere. Phillips notes that large nonprofits like Goodwill and the Salvation Army make millions of dollars investing in stocks and bonds. "You can make all the money you want," says Phillips. "You can even create or purchase a for-profit business to support your non-profit work. The difference is, in a non-profit you can't cash out and take the money home with you."*

Nonprofits should, therefore, be just as business-like in their approach to money as anyone else.

Below are a few of the revenue streams Phillips has used to "braid together" the operating capital that sustains Seed Sower.

Public Funding Options include fundraising and donations.

Billable Services include Medicaid in both the clinical and transportation sectors. "In rural West Virginia," says Phillips, "*Jobs and Hope* funds transportation for people experiencing barriers to employment while *ModivCare* funds non-emergency medical transportation."

*Phillips notes that the addition of any new service, whether it's providing transportation or operating a for-profit business, will require that your mission statement and bylaws be rewritten accordingly.

Wage Reimbursement Programs can help cover staffing costs for predetermined time periods. "We work with several such programs in West Virginia," says Phillips, "including *Jobs and Hope*, the West Virginia Division of Rehabilitative Services, and *Workforce West Virginia*. Their ability to offset staffing costs is huge because, for most of us, salaries are by far the largest expense we have."

Program-Generated Revenue includes the resident programming fees collected by a recovery home operator. Recovery homes may also be able to capture revenue for some of their housing residents through the USDA Supplemental Nutrition Assistance Program (SNAP). "That's something we do at Seed Sower to offset our food costs," says Phillips. "A recovery home operator can even become a SNAP vendor through the USDA program. You might also want to look into fee-for-service agreements with private sector companies within your community."

Specialized Funding. Finally, there are what Phillips calls “the more non-renewable resources” like state and federal agency funds, HUD funding, community development block grants, or, for much larger facilities like a recovery home serving a hundred or more residents, things like low-income housing tax credits.

DATA-DRIVEN STORYTELLING

Though we think of data and storytelling as being at opposite ends of the communications spectrum, Phillips says they belong and work best together. In fact, he takes it further, calling data "the bridge from program delivery to financial sustainability." That's because, in his experience, "data plays the most critical role in securing funding and building partnerships. If you can't quantify the value of your work, you can't convince people to come along with you on the journey."

Though tedious and time-consuming, data collection should be a top priority at every nonprofit. "I know it can be boring, but in terms of sustainability it may be the most important thing you do. Numbers do the best job at substantiating your effectiveness, your good stewardship of funds, and your reliability as a service provider."

Start by defining what data you're collecting and why. Seed Sower's most effective metric is length of client engagement. "It's the strongest predictor of recovery outcomes so we highlight it at every opportunity," says Phillips. "Showing potential funders and grant providers that clients are not only staying in your program but staying longer is highly compelling."

"It's also very powerful if you can say something like, 'Sixty-two percent of our trips last year were workforce development trips that got people to and from work.' That demonstrates community saturation and consistency which funders value highly."

Data is also crucial to promoting social enterprise. "Data around employment training, workforce development, and job placement," says Phillips, "make workforce funders want to partner with you rather than just donate. Partnerships like those, in my experience, are essential."

But how to do it? Seed Sower creates data sets in Google Sheets, then uses an app called *UpMetrics* to make the data more visually attractive. "For example," says Phillips, "I can create a heat map for all the zip codes our transportation service touches in West Virginia and use it to make much more powerful grant applications. By using data to demonstrate momentum, impact, and value, nonprofits can transition from 'scrapping for crumbs' to forming outcome-based partnerships that enable collaborators to make a much bigger pie together."

By the Numbers

Below are some of the 2025 numbers Phillips uses to procure funding and build partnerships.

6,200—total number of safe housing nights
23%—percentage increase in average resident length of stay (from 169 to 208 days)
250—number of pop-up outreach events
217—number of culinary certifications
489—number of potential college credit hours generated
27,763—number of transportation trips
907—number of individuals transported
613,792—total miles covered
16,657—number of trips connecting people with barriers to employment to training, education, and employment opportunities
352—number of individuals transported to detox/inpatient treatment
62%—percentage of total trips taken for workforce development
60%—percentage of total operating costs offset by transportation services

WHAT YOU CAN DO NOW

To achieve the financial resiliency Phillips proposes, consider the insights and next steps described below.

Key Insights

- Because Medicaid and other billings take time to set up, start the credentialing and contracting process at least 6 to 12 months before you expect revenue.
- Because recovery organizations aren't used to tracking trips, billing units, or managing fleet logistics, invest in braided model training early.
- Because funders don't automatically understand the model, prepare a clear one-pager that maps out your revenue streams. (Funders only fund what they understand.)
- Because it's so challenging to tackle problems alone, develop, nurture and sustain partnerships locally, regionally, and beyond. We can do much more together than apart.

What Financial Resilience Looks Like

Year 1: Revenue audit complete, one billable service identified, grant strategy rewritten with exit plans, data collection system in place
Year 2-3: First Medicaid or public contract active, program-generated revenue is greater than 25% of budget, board engaged in revenue strategy, second revenue stream under development
Year 4-5: Grants should represent less than 40% of total revenue, three or more active revenue streams, operating reserve should ideally equal three to six months of expenses, capacity to pilot new initiatives without grant funding

Your Roadmap From Dependency to Resilience

1. **Assess.** Audit your current revenue mix. Map each funding stream to the programs it supports. Identify where you're running operating deficits hidden by restricted grant funds.
2. **Align.** Match revenue types to program phases. Startups need grants. Scaled programs need billing or contracts. Identify which services might qualify for Medicaid, grant, or workforce dollars.
3. **Launch.**. Use your next grant strategically—to pilot a billable service, establish a partnership, or build the infrastructure to generate recurring revenue. Define the exit before you start.
4. **Scale.** Use outcomes data to position for reimbursement contracts and state agency partnerships. Reinvest program-generated revenue into new service lines. Repeat the cycle.

3 Things To Do This Month
Map your revenue reality by doing the following:

1. **Pull your last 12 months of financials.** For every dollar received, ask: Is this restricted or unrestricted? Is it renewable? Does it align to an actual program cost? You may find 60–70% of your revenue is funding phantom sustainability.
2. **Identify one billable service.** Review your current services. Is any of it transportation, peer support, housing, behavioral health, or workforce training? At least one of your programs likely qualifies for a public reimbursement stream.
3. **Write a grant with an exit strategy.** Before your next grant application, answer: How does this program pay for itself in three years without this grant? If you can't answer that, rewrite the program. Use the grant to build the infrastructure that makes billings possible.

THE REAL MEANING OF SUSTAINABILITY

Jay Phillips completed his presentation at our June 4 webinar with some stirring words worth repeating here:

I want to close with something that I think is very, very important, something that's been on my heart a lot lately.

After all the academics and the strategizing and the planning is done, it's important to focus on what I believe is by far the most important component of what sustainability really is.

At the end of the day, it's not a revenue stream. It's not a well-crafted plan or a solid financial model. Those things are absolutely important, yes.

But more than anything, sustainability is ultimately a state of mind. It's the willingness to dig deep when things are on fire and seek out creative alternatives that allow you to emerge on the other side, not unscathed, but undeterred, unmoved in your purpose.

It's the determination to keep pushing forward when everything around you tells you that cutting your losses is probably the best move.

I've been there multiple times. Seed Sower has been there multiple times. I quit the nonprofit world at least once a week. It's hard sometimes, and sometimes it can be crushing.

It creates doubt and uncertainty because something you care so much about and are so deeply devoted to is also incredibly challenging to keep afloat at times.

True sustainability is the drive to push through that, to keep fighting, to keep seeking clarity, and to keep moving forward.

So if you're joining us on this webinar today and you're seeking solutions on how to keep sustaining your mission and your vision and your purpose, know that it starts with acknowledging that it's hard, and then doing it anyway.

Be relentless in not giving up, because what you do matters.

The impact that you create and the lives that you impact matter, and we need you.

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