



**Financial Sustainability Model**  
**Summary Report**

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# Executive Summary

## Highlights

West Coast N.E.S.T. (NEST) brings together organizations in the community to promote ecotourism and educational opportunities to individuals and groups. Educational tourism is an emerging market that is growing and attracting individuals who seek an educational learning experience when travelling. Based on research that included a focus group and phone interviews, few key market segments were identified, specifically:

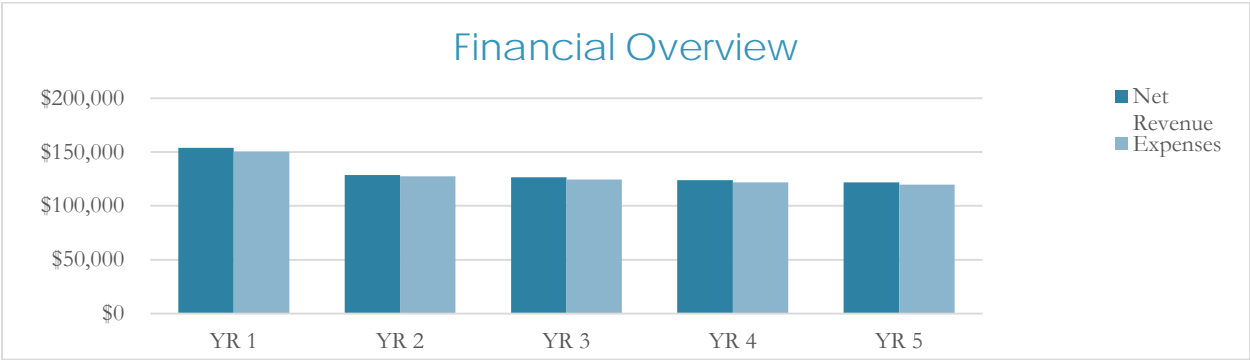
- High school outdoor education (ages 13-18)
- University field studies (ages 18-30)
- Adult Learners (ages 30+)

## Objectives

The objective of this project is to develop a financial sustainability model for NEST that is based on market research, engagement with NEST’s stakeholders and its’ leadership team.

## Keys to Success

The five-year financial model as proposed assumes that the West Coast NEST will be in a balanced budget position annually over the next five years. As mentioned previously, NEST will share some costs with the CBT until the operation of NEST is fully sustainable. To sustain operations NEST will need to obtain grant funding until all revenue opportunities can be further developed. A financial overview over the next five years of the net break-even position is diagrammed below with a balanced budget objective.



## Description of the Initiative

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West Coast N.E.S.T. (representing Nature, Education, Sustainability and Transformation) is a regional collaboration between local organizations, cultures, and communities from Hesquiaht to Ucluelet. NEST developed as a grassroots initiative to expand local education opportunities, diversify tourism in the area and to help establish further employment opportunities for the youth employed in businesses in these areas. Educational tourism is an emerging market that is growing and attracting individuals who seek an educational learning experience when travelling. The NEST website is a communication and marketing tool designed to facilitate collaborative marketing on educational and local learning opportunities. The website packages assets that support education tourism. There are three target markets; high school, university field and adult learners. The success of the website relies on continued support from the communities. The research conducted through the focus groups and phone calls, supports this phase of the project.

### **Purpose**

The purpose of the project is to develop a financial sustainability model for NEST that is based on market research, engagement with stakeholders and the leadership team.

### **Location and Shared Costs**

For its' formative period, NEST will operate under Clayoquot Biosphere Trust (CBT). It is assumed that CBT and NEST will share in some of the costs associated with sustaining NEST. In the initial vision it was proposed that NEST would be able

to operate independently; however, it made more sense that, until the enterprise begins to realize more revenue, the shared cost approach would be economical. These costs would include some of the following:

1. Professional Services-Bookkeeping-15% per annum for the years one to five this would be an in-kind contribution from CBT,
2. Rent and Telephone-15% per annum and for the years two to five this would be an in-kind contribution from CBT,
3. Insurance fees-15 % per annum and for the years one to five this would be an in-kind contribution from CBT,
4. Accounting Fees -15% per annum and for the years one to five this would be an in-kind contribution from CBT,
5. Administrative assistant of \$5,300 per annum with annual increases would be an in-kind contribution from CBT, and
6. Supervision and Management of \$14,200 per year with annual increases would be an in-kind contribution from CBT

### **Project Costs**

In determining the project costs for NEST many of the initial projections were based on the information provided by CBT management based on the Rural Dividend Fund application (submitted in November 2016). A few iterations of the financial sustainability model were proposed with various scenarios. A number of assumptions were made on the costs for the five-year projections. These are described as noted below:

1. Advertising with Google and Facebook ads and set up of website is included in year one and is reduced in subsequent years.
2. A consulting fee for program development of \$30,000 per annum is included and is reduced to \$20,000 in year 2, and then by \$5,000 from years three to five
3. Education coordinator salary is included of \$44,980 per annum with a five percent increase in year's two to five.
4. Education coordinator benefits are basic in year one and at 18% of salary from years two to five.
5. Conference fees accommodation, travel, and mileage for BCCIE were not included in projection
6. Travel mileage is assumed to be \$1,200 per year
7. Computer and furniture start-up fees were reduced from rural dividend fund from \$5,000 to \$2,500
8. Depreciation costs are taken for the computer (3 years) and furniture (5 years)
9. Office supplies costs included an amount of \$960 for year one with increases over the next two to five years.

### **Services**

West Coast N.E.S.T. would offer a website service where potential businesses would be able to post educational course and event offerings. An annual programming fee of \$50 per provider would be charged to help maintain the website. Participants in the program would also be encouraged to

contribute a \$3.00/person endowment fee based on participation to help to maintain the website.

There is an assumption that an annual marketing membership fee would also be received from Tourism Tofino and Tourism Ucluelet of \$12,000 per year allowing for an annual increase.

Another source of revenue would be programming fees. When a client needs services or education planning for courses a consultant would be available to assist with planning. The charge for these services would be \$150/hour for the initial hour and \$50/ hour for subsequent hours.

Lastly, NEST would offer three-day workshops through the education provider at \$6,000/per workshop these workshops could be offered to educational institutions or to companies.

### **Financial Model**

The five-year financial model as proposed assumes that the West Coast NEST will be in a balanced budget position annually over the next five years. As mentioned previously, NEST will share some costs with the CBT until the operation of the website business is fully sustainable. NEST was successful in receiving grant funding this year of \$100,000 that will cover the costs of the operations. The financial projections assume that over the following two to five years that grant funding will be received in the amounts of \$90,80,70,60K for the following years. In the five-year projection, the assumption is that costs will be shared and when cash become available from operations then the monies would be paid back to CBT. This is noted on the line item CBT cash contribution on the five-year

summary tab. For five-year financial projections and balance sheet see Appendix A and B.

Since the website is already in operation start-up costs for the operations is projected at a minimum amount of \$2,500 which includes computers and furniture.

## Marketing

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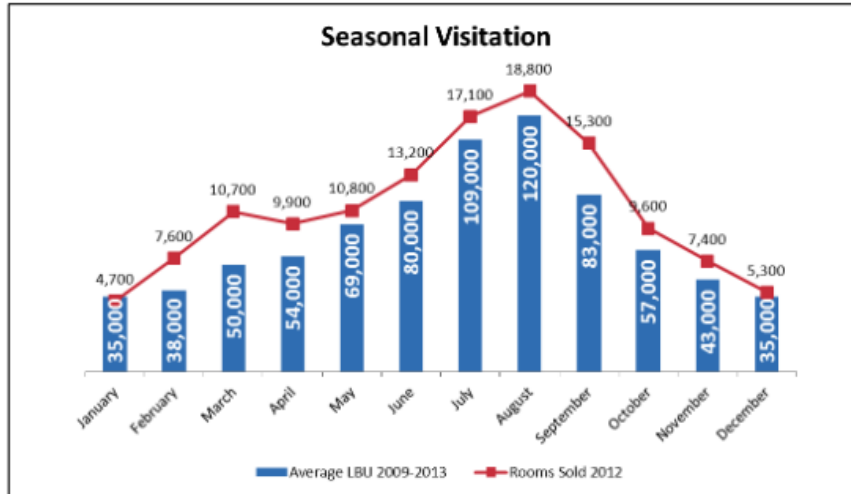
### **Market Analysis**

The tourism industry is an essential component to the local economy on the west coast of Vancouver Island. In 2015, the Pacific Rim National Park Reserve recorded 940,000 visits, with more than double the number of people visiting during the months of July and August than during December to March (2016 CBT Vital Signs). Tourism is a key economic driver for the west coast region, yet all local indicators suggest this sector needs to diversify for communities to be more resilient and sustainable.

Currently there is no reliable count of annual visitors to the West Coast, but the average is in excess of 750,000 people a year. Figure 1 presents the best available data for seasonal visitation rates.



**Figure 1: Seasonal Visitation Rates for West Coast Region (Average/year)**



(Source: Tofino Tourism Master Plan 2014)

Based on the research and the above information the target market of the services is listed below:

1. High school outdoor education (age 13-18) the courses would be seasonal in nature and would include the spring and fall.
2. University field studies (age 18-30) courses would be offered in the spring, fall, and winter
3. Adult Learners (age 30+) and courses would be offered during the spring, fall, and winter.

### **Market Segmentation**

The success of this communication and marketing tool will depend on the continued support for region-wide collaboration between various organizations and groups to help develop, coordinate, brand, and market education tourism opportunities across three target market segments: high school outdoor education, university field schools, and adult learners.

## **Focus Group Research**

In March 2017 targeted qualitative research was conducted engaging stakeholders through focus groups and phone calls, to provide additional insights from NEST's target market segments. Key findings from this research are detailed in Appendix C - Focus Group and Phone Interview Report.

## **Conclusion**

By working with the skilled leadership team and committed stakeholders, West Coast NEST has developed a financial sustainability model that will be progressively implemented over the next two to five years. One of the keys to the long-term sustainability of NEST will be identifying further opportunities to increase revenue by offering themed workshops, educational tourism packages and educational conferences. Through ongoing engagement with key stakeholders and by capturing lessons learned, it is expected that NEST's financial sustainability model will continue to evolve over time.

## References

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Clayoquot Biosphere Trust (2016). *Vital Signs*. Retrieved from <http://clayoquotbiosphere.org/news/vs2016a/>

Tofino Tourism Master Plan, Center for Sustainability Whistler, November 2014. Welk, E. (2008). Resort Development Strategy for Tofino: prepared for: The District of Tofino. January 18, 2008, by Welk Consulting

# Appendix

## Appendix A - Five-Year Summary

<b>NEST. Org Proforma Financial Statements</b>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Revenues</b>					
Membership Fees -Corporate	12,000	13,440	15,053	16,859	18,882
Endowments-High School	450	504	564	632	708
Endowments-Adult Learners	450	504	564	632	708
Programming Fees	5,850	6,552	7,338	8,219	9,205
Provider Fees	6,000	6,720	7,526	8,430	9,441
CBT Cash Contribution	(12,421)	(32,148)	(34,427)	(31,451)	(28,390)
CBT In Kind Contribution	23,547	25,072	25,846	26,536	27,260
Grant Funding	100,000	90,000	80,000	70,000	60,000
Workshop Fees	18,000	18,000	24,000	24,000	24,000
Total Revenue	153,876	128,644	126,465	123,857	121,814
<b>NET REVENUES</b>	<b>#####</b>	<b>128,644</b>	<b>126,465</b>	<b>123,857</b>	<b>121,814</b>
<b>Cost of Sales</b>					
Website Maintenance	1,200	1,200	2,004	2,004	2,004
Website Design	-	-	-	-	-
Website App	-	-	-	-	-
Total Website	1,200	1,200	2,004	2,004	2,004
<b>TOTAL COST OF SALES</b>	<b>1,200</b>	<b>1,200</b>	<b>2,004</b>	<b>2,004</b>	<b>2,004</b>
<b>GROSS PROFIT</b>	<b>#####</b>	<b>127,444</b>	<b>124,461</b>	<b>121,853</b>	<b>119,810</b>
<b>DIVISIONAL OPERATING EXPENSES</b>					
<b>Sales and Marketing Expense:</b>					
Wages -Marketing Manager	-	-	-	-	-
Consulting-Design and Communications	5,000	4,000	3,000	2,000	1,000
Consulting-Marketing	12,000	12,000	12,000	12,000	12,000
Consulting -Program Development	30,000	20,000	15,000	10,000	5,000
Internet-Google /Facebook	6,000	1,000	1,000	1,000	1,000
Promotions	-	-	-	-	-
Brochures, stands, graphics, signage	15,000	6,000	6,000	6,000	6,000
Printing	-	-	-	-	-
Computer Software	-	-	-	-	-
<b>Total Marketing Expense</b>	<b>68,000</b>	<b>43,000</b>	<b>37,000</b>	<b>31,000</b>	<b>25,000</b>
<b>TOTAL DIVISIONAL OP EX</b>	<b>68,000</b>	<b>43,000</b>	<b>37,000</b>	<b>31,000</b>	<b>25,000</b>

<b>G &amp; A</b>						
<b>General Admin Expenses:</b>						
Wages :						
Wages-Education coordinator		44,980	47,229	49,590	52,070	54,673
Total Wages		44,980	47,229	49,590	52,070	54,673
Employee Benefits :						
Benefits-Education coordinator		2,970	8,501	8,926	9,373	9,841
Total Employee Benefits		2,970	8,501	8,926	9,373	9,841
Rent		6,732	6,732	6,732	6,732	6,732
Janitorial and building maintenance		-	-	-	-	-
Depreciation		767	767	767	397	397
Bank charges		-	-	-	-	-
Shared Admin costs		5,300	5,565	5,843	6,135	6,442
Shared Project costs		14,200	7,573	7,952	8,349	8,767
Meals and entertainment		-	-	-	-	-
Office supplies and photocopy		960	1,075	1,204	1,349	1,511
Computer parts and hardware		-	-	-	-	-
Insurance		1,110	1,125	1,140	1,140	1,140
Telephone -internet		1,020	1,050	1,080	1,080	1,080
Travel Mileage		1,200	1,800	1,200	1,200	1,200
Consulting		-	-	-	-	-
Accounting fees		1,782	1,872	1,872	1,872	1,872
Professional fees		1,155	1,155	1,155	1,155	1,155
<b>Total General Admin Expenses</b>		<b>34,226</b>	<b>28,714</b>	<b>28,945</b>	<b>29,410</b>	<b>30,296</b>
<b>TOTAL GENERAL AND ADMINISTRATION EXPENSE</b>		<b>82,176</b>	<b>84,444</b>	<b>87,462</b>	<b>90,852</b>	<b>94,810</b>
<b>TOTAL OPERATING EXPENSES</b>		<b>150,176</b>	<b>127,444</b>	<b>124,462</b>	<b>121,852</b>	<b>119,810</b>
<b>OPERATING INCOME (LOSS)</b>		<b>2,500</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>

## Appendix B- Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5
BALANCE SHEET	2017	2018	2019	2020	2021
<b>ASSETS</b>					
Cash-operating	(96,733)	(185,966)	(265,200)	(335,100)	(395,000)
Cash-restricted	100,000	190,000	270,000	340,000	400,000
	3,267	4,034	4,800	4,900	5,000
Prepaid	-	-	-	-	-
Accounts receivable	-	-	-	-	-
<b>Fixed Assets</b>					
Computer Equipment	2,000	2,000	2,000	2,000	2,000
Accumulated Depn: Computer Equipment	667	1,333	2,000	2,000	2,000
Net-computer	1,333	667	-	-	-
Furniture and Equipment	500	500	500	500	500
Accumulated Depn-Furniture and Equipment	100	200	300	400	500
Net-Furniture	400	300	200	100	0
Net Fixed Assets	1,733	967	200	100	0
<b>Total Assets</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>LIABILITIES</b>					
Accounts Payable	-	-	-	-	-
<b>Net Assets</b>					
Invested in Capital Assets	2,500	2,500	2,500	2,500	2,500
Internally restricted	100,000	190,000	270,000	340,000	400,000
Internally restricted-endowment	-	-	-	-	-
Unrestricted	(97,500)	(187,500)	(267,500)	(337,500)	(397,500)
Net Assets	5,000	5,000	5,000	5,000	5,000
<b>Total liabilities and net assets</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>

## Appendix C – Focus Group and Phone Interview Reports

### SUMMARY OF KEY FINDINGS:

#### **Users:**

A wide range of users were identified including:

- Formal educators – High schools, Universities, colleges
- Tourists – local, Canadian, international, adult learners summer returnees and locals living elsewhere – all with differing objectives
- Business/Entrepreneurs – this category would include those coming in courses and conferences to the region from international to local as well as local businesses looking for courses for staff.
- First Nations – other First Nations coming to learn best practices, traditional arts etc
- Locals – including advertisers and event planners and families.

#### **Benefits of the website**

- Single repository of course lists
- One-stop shopping for the region including events
- Showcases beauty of the region
- Provides insight through testimonials and stories

#### **Needs:**

- Clarity with regard to why I am on this site
- Key website information such as location, weather
- One single contact person and/or specific activity contacts e.g. water taxi, accommodation
- Accurate and up to date
- Simplified course categories – easy to navigate
- Information specific to teachers e.g. curriculum outcomes, course that will help me to graduate etc.

#### **How to sustain the site:**

- Understand cost of sustainment.
- It is clear that a coordinator position is deemed necessary, even if current external program providers would not use it – value was still perceived in terms of growing education tourism (i.e. bringing new program providers to the region) and sustaining the website and brand.
- The Coordinator would be the one stop contact. The end goal would be to have the coordinator position also take on event planning and offer bundled services, designed for corporate events. The Coordinator would “sell” or package bundled services to all comers. This income would subsidize the cost of the Coordinator. It was suggested that together with Tourism the Coordinator, pilot a conference. Disrupt status quo – home stays for example.
- Charge a sliding scale for coordinator services. For example, delivering an itinerary might be charged out at \$1,000 plus, while lesser services would be at a reduced rate. These services would need to be clearly demarcated.
- It should be noted that private schools and universities have a greater appetite for fee for service, government universities and schools, and not for profits, less so.
- Put a representative volunteer Board in place for NEST to steer and maintain excellence.

- Recommended financial support mechanisms:
  - o Regional organizations such as CBT, Chambers, School Boards, DMO's, Parks, municipalities etc. support the continuance of the website.
  - o Build in admin fee that could be related to the environment that goes to support the site.
  - o Annual fee to local business - \$100-\$250 – sliding scale – no charge to not for profits.
  - o Appetite for admin fee from providers and annual fees from providers was lukewarm.
  - o Endowment fund. This idea clearly needs to be explored as it was generally well received. A number of options for funding this were outlined including; small percentage or amount (50 cents per registrant) to pay toward endowment, a protection donation, opportunity for people to see that they are putting back into the community, speaker gifts, and commissions from local web beneficiaries to fund. Create an “app” to support the endowment. One key element of creating a fund is that it allows a wide range of people to support education and environment in the area and feel good about visiting the area.
  - o Advertising. Offer web advertising for course and other service providers, as well as airlines and hotels who would provide discount rates for events.