



ds-connex Case Study

A Joint L3C

ds·connex

Empowering Down Syndrome Communities

The Problem

It is estimated that 1 in 691 of babies born in the United States has trisomy 21, or Down syndrome. The National Down Syndrome Society was created in 1979 with the mission of advocating the value, acceptance, and inclusion of people with Down syndrome. In 1995, to celebrate Down Syndrome Awareness Month, they created a community-wide fundraiser and celebration day called the Buddy Walk. Each fall, some 250 local communities around the country hold a Buddy Walk, raising over \$11 million dollars. ^[1] Despite the enormous amount of people who take part in a Buddy Walk each year, each location is responsible for organizing and promoting the event, registering the teams, and accepting donations on its own. Over 100 of the 250 locations do not have any type of professional fundraising solution to help facilitate a successful event.

The Local Solution

Despite managing one of the largest Buddy Walks in the country, the Down Syndrome Association of Central Ohio (DSACO) experienced the same challenges with event management and fundraising. In 2009, then-Executive Director Nancy Whetstone hired GroundWork group (GWg), a local nonprofit providing technology solutions to other nonprofits, to develop a custom website with advanced team fundraising capabilities. Over the next four years, fundraising went from generating \$100,000 a year to over \$350,000, and hundreds of additional participants were attracted. Each year, DSACO and GWg made additional investments into the fundraising solution with the goal of eventually making the solution available to other Buddy Walk locations. In the spring of 2011, representatives from GWg and DSACO presented an overview of their solution at the national Buddy Walk convention. While there was interest by other Buddy Walk organizers, many felt that the investment of \$5,000 - \$8,000 was a barrier to expansion. To lower the cost of the solution, GWg would need an investment of \$30,000 to redevelop the solution to support multiple locations.

The Opportunity

At a strategic planning session of the GroundWork group board in 2013, several board members presented the idea of productizing key technology solutions that GroundWork group had developed for nonprofit organizations. They recognized the opportunity to take solutions developed for the Buddy Walk and make them available to similar nonprofits across the country. The limitation was the significant investment required to convert these solutions from a single location to a multi-location national solution. Tony Wells, a member of the GroundWork group board and a supporter of DSACO because of his fifteen year-old nephew Daniel with Down syndrome, recommended a solution. GroundWork group would form a separate social enterprise with the sole purpose of implementing the Buddy Walk fundraising solution in all 250 locations across the country. It was an opportunity to scale social impact and generate additional income for GroundWork group.

When the GroundWork group management and board analyzed the opportunity, they came to the following conclusions: 1) the organization was not in a financial position to make the investment to develop a multi-location solution; 2) in addition to a \$30,000 investment into software, an extra \$170,000 would be required over the first 18 months of operations to support the rollout; 3) the new solution would be a game-changer, helping other charities who held multi-location events like the Buddy Walk; 4) GWg had the potential to generate up to \$200,000 in additional revenue by selling other services to Buddy Walk locations that the joint venture would secure as customers; and 5) the required marketing and support skills were beyond their core competencies of software development.

The Tony R. Wells Foundation volunteered to become the primary investor, utilizing a Program-Related Investment (PRI) and becoming a joint venture owner with GroundWork group.

Intellectual Property

The outcome of the effort to build a multi-location fundraising solution would be a unique intellectual property solution with tremendous potential for both ds-connex L3C and GroundWork group. It was projected that instead of the standard forty hours of software development time required to build a single fundraising website, the new solution would cut the time down to less than an hour, saving GWg and all nonprofits considerable money. A formal licensing agreement was created between ds-connex L3C and GWg to license the original core technology developed for DSACO and to ensure that each party had the rights to use the improved solution for its intended purpose for separate audiences. It also guaranteed that all future enhancements would be shared between the two parties to strengthen the capacity building of all nonprofits, and that all future enhancements beyond the original development were owned by ds-connex L3C.

A Joint Venture

To be effective, everyone acknowledged that the new venture, ds-connex, should be a separate entity from the daily operations of GroundWork group and DSACO. The staff of ds-connex would be 100% focused on the single mission of implementing, training, and supporting the fundraising solution. Several financial models were drafted to take into consideration the potential sharing of equity profits and alternatives like royalties or licensing fees.

Considering ds-connex was not forecasted to make profits until its second year of operations, GWg preferred to have less equity in exchange for an upfront licensing fee and to be paid at market rates for all software development efforts. GWg also agreed that ds-connex should have exclusive rights to market fundraising solutions to Down syndrome organizations. The joint venture was incorporated under a Low-Profit Limited Liability Company (L3C). Even though it was a for-profit company, it was important to GWg and the Wells Foundation for ds-connex L3C to be a social enterprise, creating advocacy and raising money first and foremost, making money only secondly.

The foundation provided all of the investment to start the joint venture, while DSACO and GWg provided intellectual property with their know-how. In exchange for startup funding as well as taking responsibility for staffing, marketing, and oversight of all business executions, the foundation became the majority equity owner of ds-connex.

[1] <http://www.ndss.org/Buddy-Walk/>