Nguzo Africa
COMMUNITY FOUNDATION

A WORKING GOVERNANCE TOOL

From *"Non-Profit"* to *"Social Impact"*: The Governance & MoU Checklist for Mission-Driven Social Impact Organisations

A practical, board-ready tool for social impact organisations building the discipline to fund a mission through their own enterprise.

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SECTIONS
7 · 34 checkpoints

USE
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INTRODUCTION — FROM "NON-PROFIT" TO "SOCIAL IMPACT"

The very naming of our sector may have been a quiet design choice, not an accident.

Calling organisations "non-profit" doesn't just describe a tax status — it frames earning as something foreign to the mission, even discouraged. Perhaps it is time we renamed ourselves: not "non-profit," but **social impact organisations** — a name that reflects the scale of the work we actually do, and one that might, in itself, begin to shift our mindset about what we are permitted to build.

For decades, traditional funding models reinforced that framing with explicit conditions restricting organisations from generating their own income. The result was a sector kept in a cycle of dependency — writing endless proposals to survive, rather than building the assets and enterprises that could have made that survival unnecessary. This was not simply an unfortunate side effect. It entrenched a power imbalance between funder and funded, and it is a fault of the traditional funding system itself, not of the organisations it kept begging.

> *If funders had committed even 10% of their giving toward organisational development through social enterprise, we might now be looking at a sector of thriving, self-sustaining organisations — not one still writing proposals to stay alive.*

That history cannot be rewritten. But the mindset behind it can be – starting with how we see ourselves, and what we build next.

WHY THIS MATTERS

Even mainstream for-profit businesses now face serious requirements to be socially and environmentally aligned, under ESG (Environmental, Social, Governance) reporting frameworks. The direction of the wider business world is toward the values social impact organisations already hold — adopting business discipline does not mean abandoning mission; it means adopting a rigour for-profits are now being pushed to match.

Social impact organisations entering business are closing the circle: big business makes money and gives to the social sector. Social impact organisations, in turn, must build their own social enterprises — mission-aligned ventures that fund and scale their impact. Starting a social enterprise is not a departure from the social impact organisation's identity — it is picking up, directly, the same value-creating discipline that has always funded the sector.

By embracing social enterprises, we bring the sustainability agenda to the frontline. For too long, sustainability planning in traditional funding proposals was treated as an afterthought — budget lines for it were often ignored altogether. Perhaps this was not oversight, but design: a way to keep organisations vulnerable, dependent on the continued goodwill of funders.

> *If you want me to succeed, teach me how to fish. Give me a lever and a fulcrum to build with. Giving without skills perfects the art of donor dependency. Giving without the transfer of social investment skills is self-defeating — for the funder and the funded alike.*

Social enterprises that generate their own revenue help correct the power imbalance between donor and grantee. Revenue generation restores an organisation's dignity and strengthens its negotiating position. It demonstrates that the organisation is not a recipient of charity, but a partner adding value to a shared mission.

Every social impact organisation should set a clear revenue goal:

Start · 30% own-revenue generation from the outset

5 years · 50%+ grow beyond half of income from own revenue

Aspire · 100% move steadily toward full own-revenue generation

MY TAKE

Self-reliance is not a betrayal of mission — it is the fullest expression of it. An organisation that can fund its own future no longer has to choose between compromise and survival. It can finally say no to misaligned money, and yes to the work it was built to do. That is not mission drift. That is mission maturity.

This is why the checklist that follows exists. Good intentions do not build institutions — structure does. A social enterprise bolted onto a social impact organisation without clear governance will either drift from mission or drain it. What is needed is a **living MoU**: one that spells out the context and strategy binding the two entities together; defines board structure and roles; enforces financial separation; clarifies staff roles and decision rights across the organisation and the enterprise; sets out how resources and income are shared; safeguards transparent, mission-linked purchasing; builds in regular audit checks; and deliberately grows the organisation's business process and entrepreneurial capacity over time.

None of this happens overnight. No organisation moves from donor-dependency to 100% self-reliance in a single budget cycle — nor should it try to. It happens the way every durable thing happens: deliberately, structurally, one governance decision at a time.

Qes be qes, enkulal be eger yihedal.

Slowly, slowly, the egg begins to walk on its own legs. That is the discipline this checklist exists to build.

THE 34 CHECKPOINTS · 7 SECTIONS

The Checklist

Work through each section with your board. Tick what is already true; treat the rest as your build plan.

01 Board & Governance Structure

- [ ] A formal **Business/Enterprise Committee** and a **Programs Committee** exist, both reporting to one board
- [ ] At least **1–2 board members** bring dedicated commercial / financial expertise
- [ ] If the enterprise is a separate legal entity, **2–3 people sit on both boards** – enough for alignment, not so many it's a rubber stamp
- [ ] A minimum number of board seats are reserved for people connected to the **beneficiary community**
- [ ] A written **'mission screen' test** exists for approving new revenue lines or partnerships

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02 Financial Separation

- [ ] **Separate bank accounts:** donor / grant funds vs. commercial revenue
- [ ] Separate, **auditable financial reports** for the social impact organisation and enterprise, reviewed together at board level
- [ ] A documented **cost-allocation formula** for shared back-office costs (HR, IT, premises)
- [ ] Staff who split time between organisation and enterprise work **log hours against each**, honestly and consistently
- [ ] **Transfer pricing** is applied and documented when the enterprise uses organisation staff, brand, vehicles, or office space

03 Roles & Decision Authority

- [ ] Every staff member has clarity on whether they are **'organisation staff', 'enterprise staff', or split** – in writing
- [ ] Decision authority for **pricing, contracts, and commercial risk** sits clearly with named roles
- [ ] Any decision that would **change who is served or how**, to close a commercial deal, must escalate to the full board
- [ ] A **revenue-mix ceiling** is defined (e.g. no single contract exceeds X% of program time / capacity)

04 The MoU Between Organisation & Enterprise

Does the Memorandum of Understanding cover each of these?

- [ ] **Shared resources** used, and how they are costed / paid for
- [ ] **IP and brand usage rights**, and any conditions on how the brand is used commercially
- [ ] How **profits (if any) flow back** to the organisation, and reporting frequency
- [ ] What happens in a **dispute** between the two sides
- [ ] **Mission and dual-scorecard metrics** reported alongside financial metrics, same cadence

05 Transparent, Mission-Linked Purchasing

Turning a purchase into visible participation in the mission — not just a transaction.

- [ ] Customers are told, **plainly and upfront**, exactly what their purchase funds or contributes to
- [ ] The impact link is **specific** (e.g. 'this covers X for someone who can't pay'), not vague ('supports our mission')
- [ ] The message is **reinforced repeatedly** — receipts, packaging, follow-up — not a one-time pitch
- [ ] Community members who receive subsidised access also understand the system transparently, **preserving their dignity**
- [ ] The mission impact is **central to the value proposition** for paying customers, so diluting the mission would undercut the sale itself

06 The Audit-Readiness Test

If a donor auditor walked in tomorrow, could you answer 'yes' to all of these?

- [ ] We can show exactly which **costs** belong to the organisation vs. the enterprise
- [ ] We can show exactly which **staff hours** belong to the organisation vs. the enterprise
- [ ] We can show exactly which **assets** (equipment, vehicles, premises) belong to which side, or how shared use is costed
- [ ] We can explain, **with evidence**, how the enterprise strengthens the mission — not just the balance sheet

07

Business Process & Entrepreneurial Capacity

Mission alignment is necessary but not sufficient – social enterprise demands the same operational rigour as any commercial venture.

- [ ] Key staff have completed rigorous training in **business model design**, including building and iterating a Business Model Canvas specific to the enterprise
- [ ] The team can develop, read, and stress-test **cash-flow projections** – including scenario planning for low-revenue months and seasonal fluctuations
- [ ] At least one person is trained and practised in **pitching** the enterprise to investors, partners, and buyers – linking financial viability to mission impact
- [ ] **Registration, licensing, tax, and statutory compliance** are documented, assigned to named individuals, and kept current
- [ ] A documented **marketing and sales strategy** exists – customer segments, channels, pricing – distinct from the organisation's donor-communications plan
- [ ] General **entrepreneurial discipline** is embedded: regular P&L review, inventory control, customer feedback loops, and a culture that treats commercial revenue as seriously as grant reporting

SLOWLY, SLOWLY · THE EGG BEGINS TO WALK

"The egg does not walk in a day — but it learns to stand on its own legs."

Qes be qes, enkulal be eger yihedal – *an Ethiopian proverb: slowly, slowly, the egg walks on its own legs.*

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