

Building Strong Partnerships with Nonprofit Organizations

For
2008 National Interagency Community
Reinvestment Conference

By
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Nonprofit Finance Fund

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NFF Perspective

- **National intermediary** for financing and financial information to social sector; Federally-certified CDFI dedicated to the sector
- **Offices serve four regions:** Northeast (NY, Boston), MidAtlantic (Philadelphia/NJ, DC), Midwest (Detroit); West Coast (San Francisco)
- **Direct and support services:** Provides loans, advisory services, and innovative practice; underwriting, management and decision support for capital grants, loans, capacity-building among funders.
- **Both sides of the desk (and tax status):** clients are nonprofits, social enterprises, donors and investors; we advocate and innovate
- **Assets \$90 million;** total investment over \$1 Billion; direct loans, \$175 million; New Market Tax Credits, \$20 million



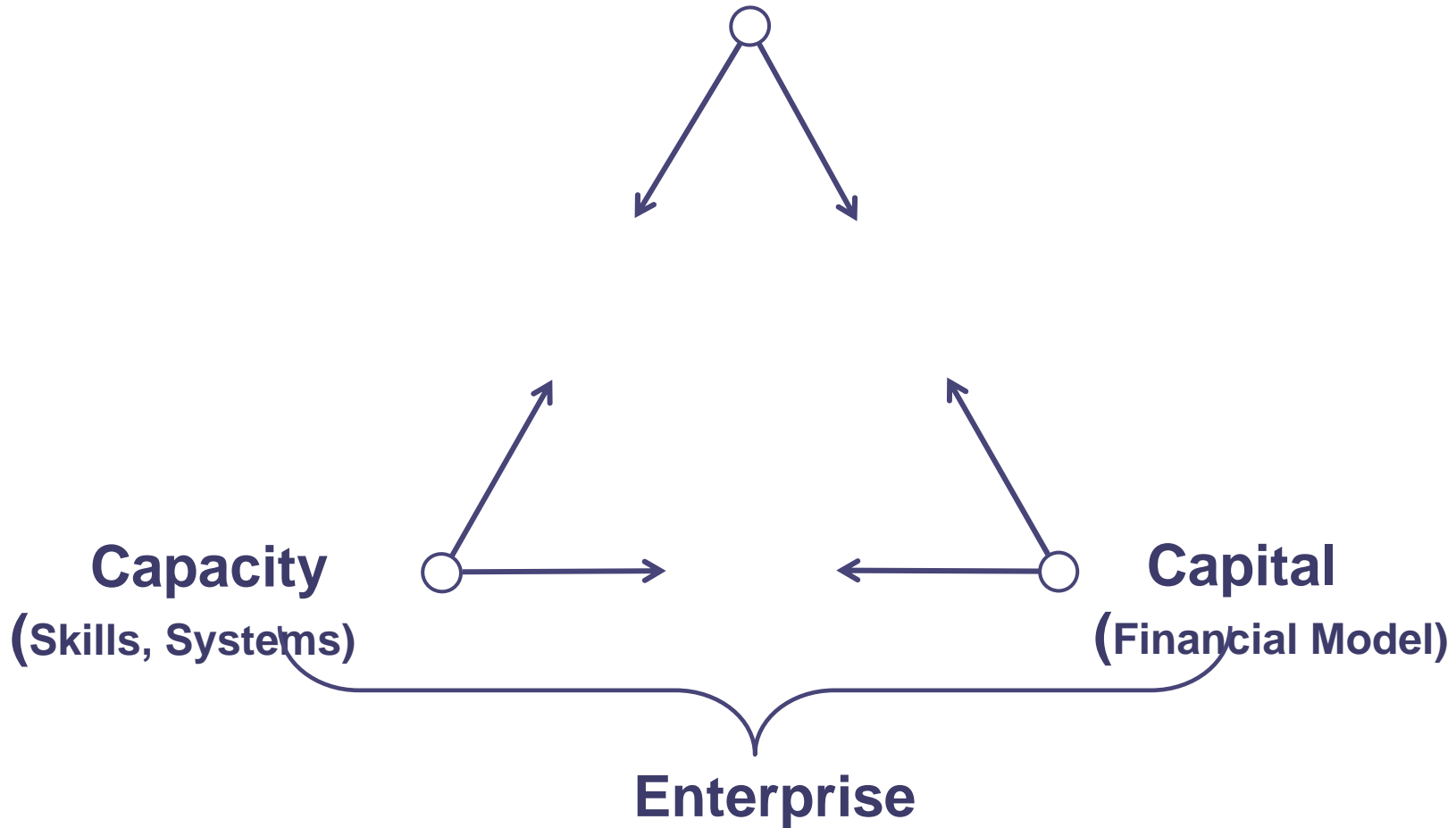
Nonprofits exist for a reason...

- Provide services to people who can't pay for them
- Provide services where service quality make commercial operations problematic
- Do things where there is no predictable commercial financial return



What's nonprofit “enterprise?”

Mission and Program



Money Rules 101: For-Profit Enterprise Quiz

TRUE OR FALSE?

Cash is fungible

Price is determined by cost, consumer, competition.

The consumer buys the product.

Growth eventually increases profits
or the business fails.

Investment in infrastructure is seen as necessary;
Overhead is a regular cost of business.

Profits drop to the bottom line
& are used in the business.



Money Rules 101: Nonprofit Enterprise Quiz

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For-Profit vs. Nonprofit Growth

- **For-Profit Growth** – Eventually Profitable or “poof”
- **Nonprofit Growth** – Increases need for subsidy forever;
 - No standard source of “equity” or “patient capital...”
 - Buyers and builders the same, everyone exploits the enterprise
 - Some business models don’t scale...too big to be small, too small to be big
- **Access to Appropriate Capital is Problematic**



CAPITAL STRUCTURE

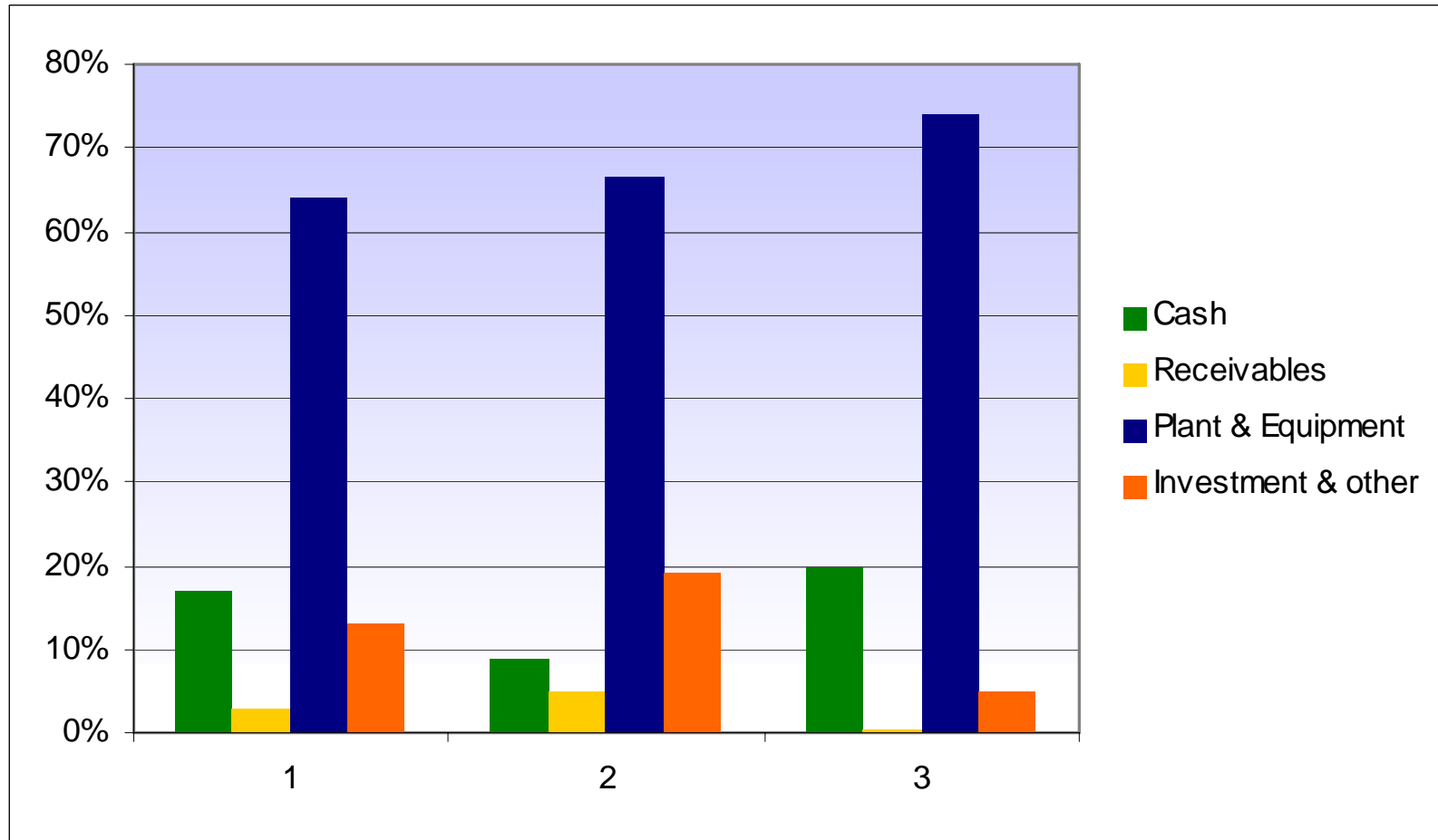
NFF defines Nonprofit Capital Structure as the:

- Nature
- Distribution, and
- Magnitude

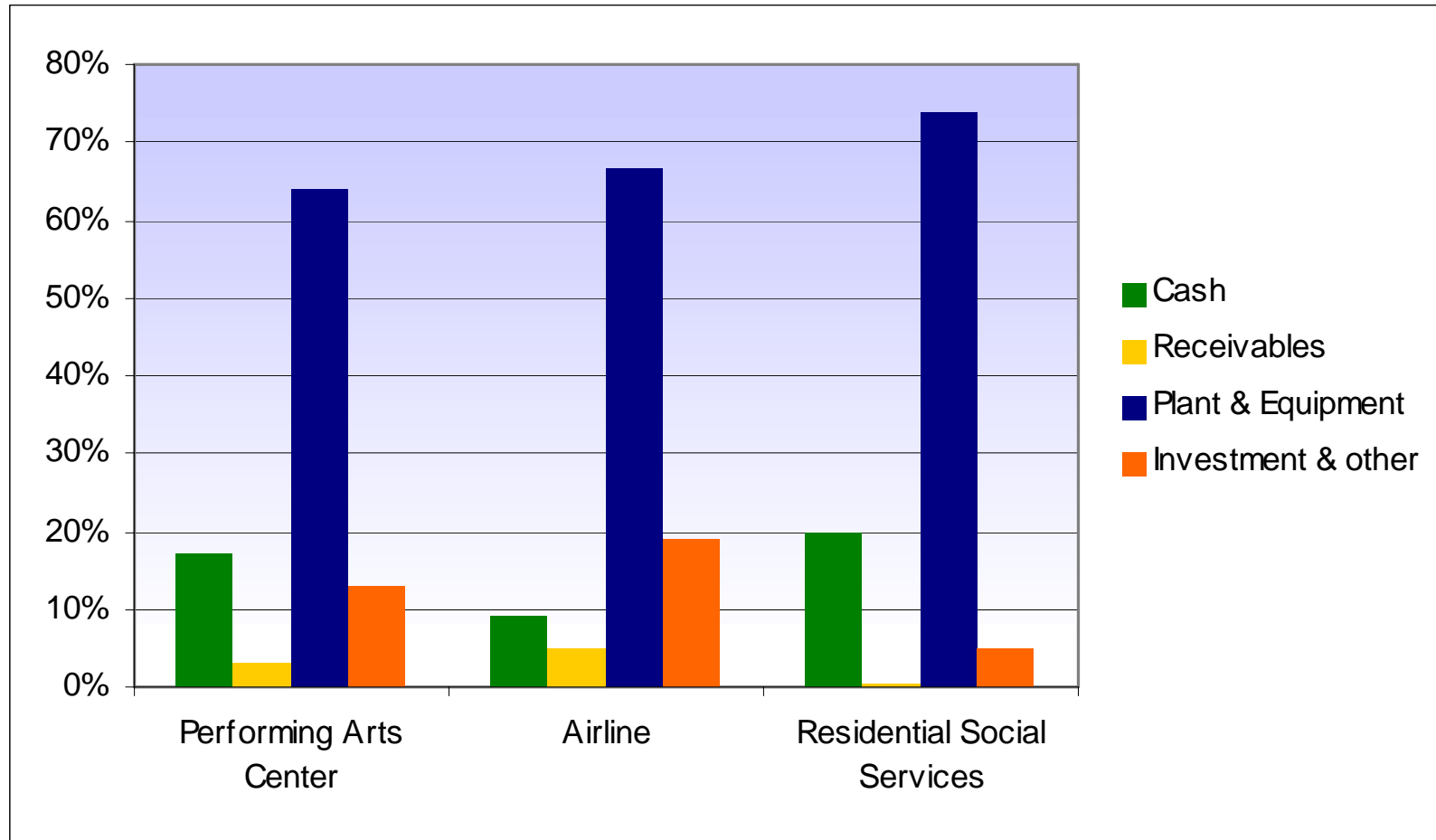
of an organization's assets, liabilities and net assets



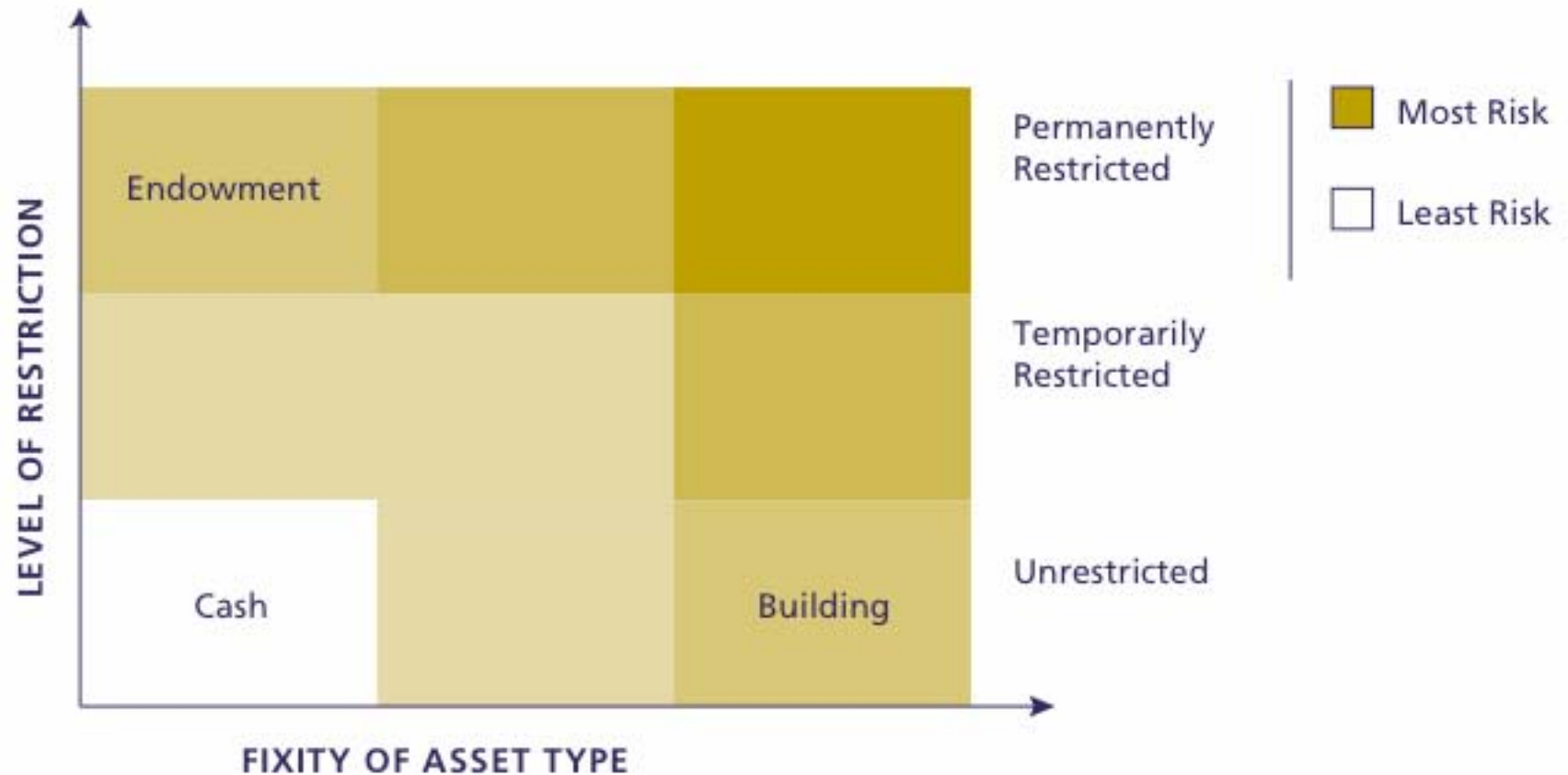
ENTERPRISE IS REFLECTED IN ASSET ALLOCATION



CAPITAL STRUCTURE REFLECTS CORE BUSINESS

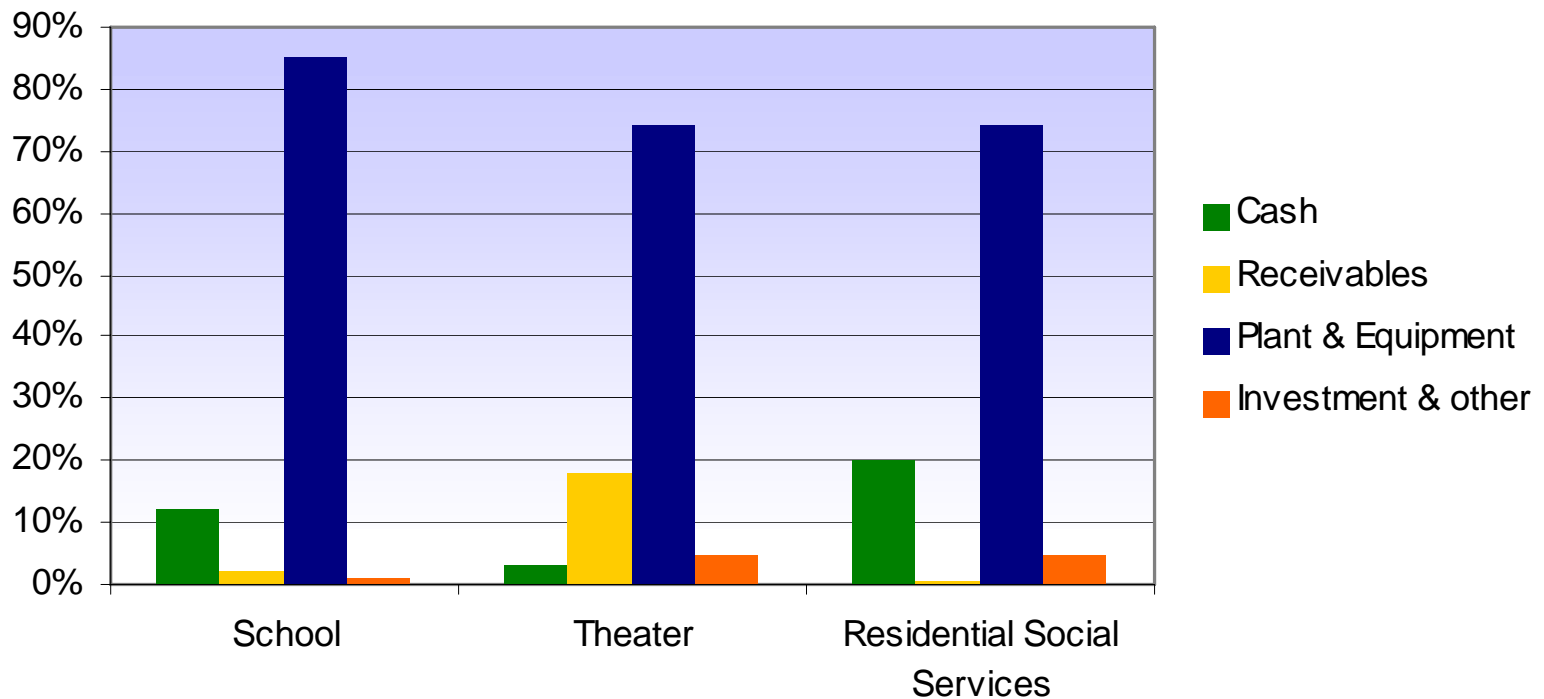


NATURE OF ASSETS

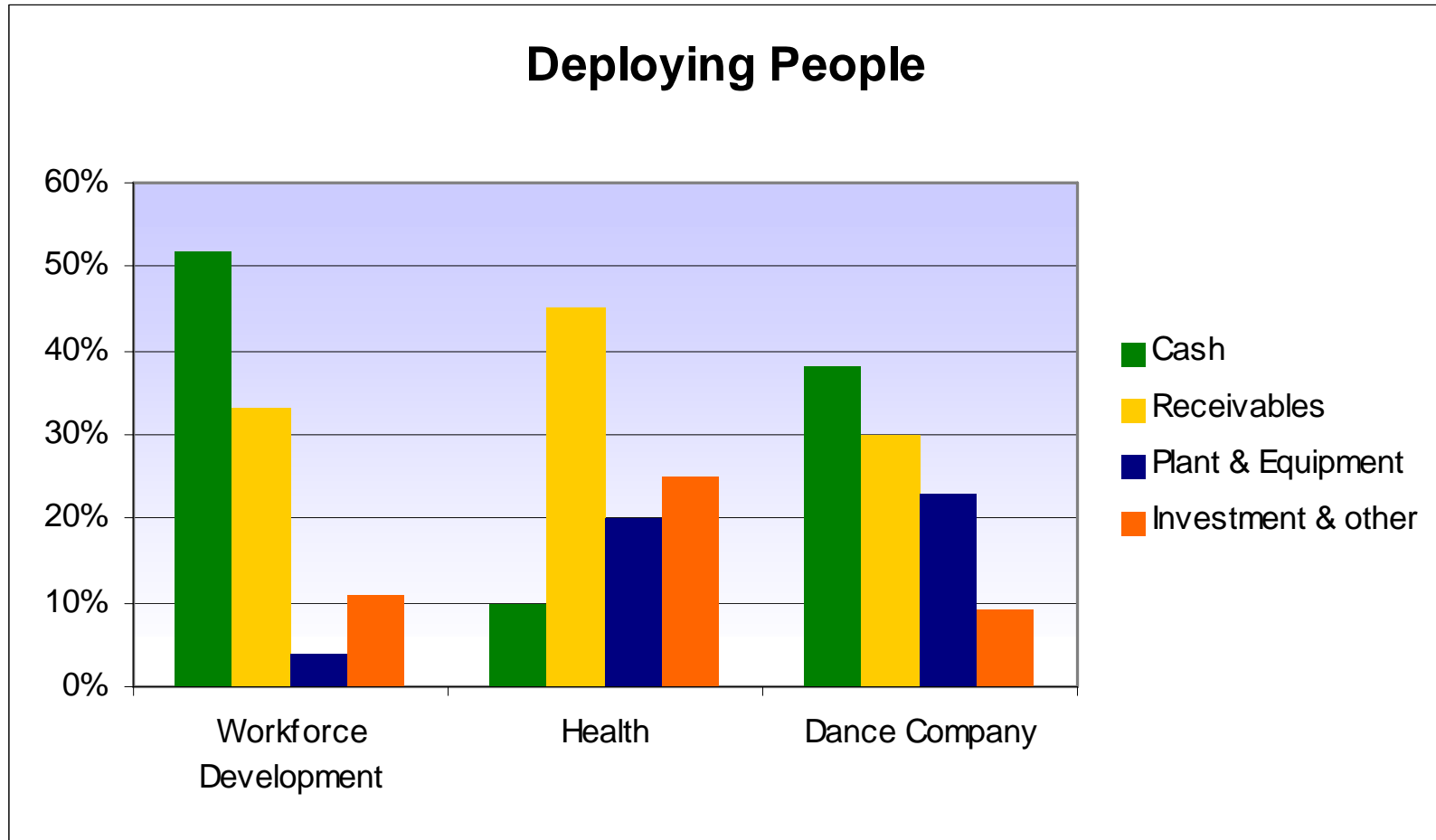


SAME CORE BUSINESS, DIFFERENT SECTORS

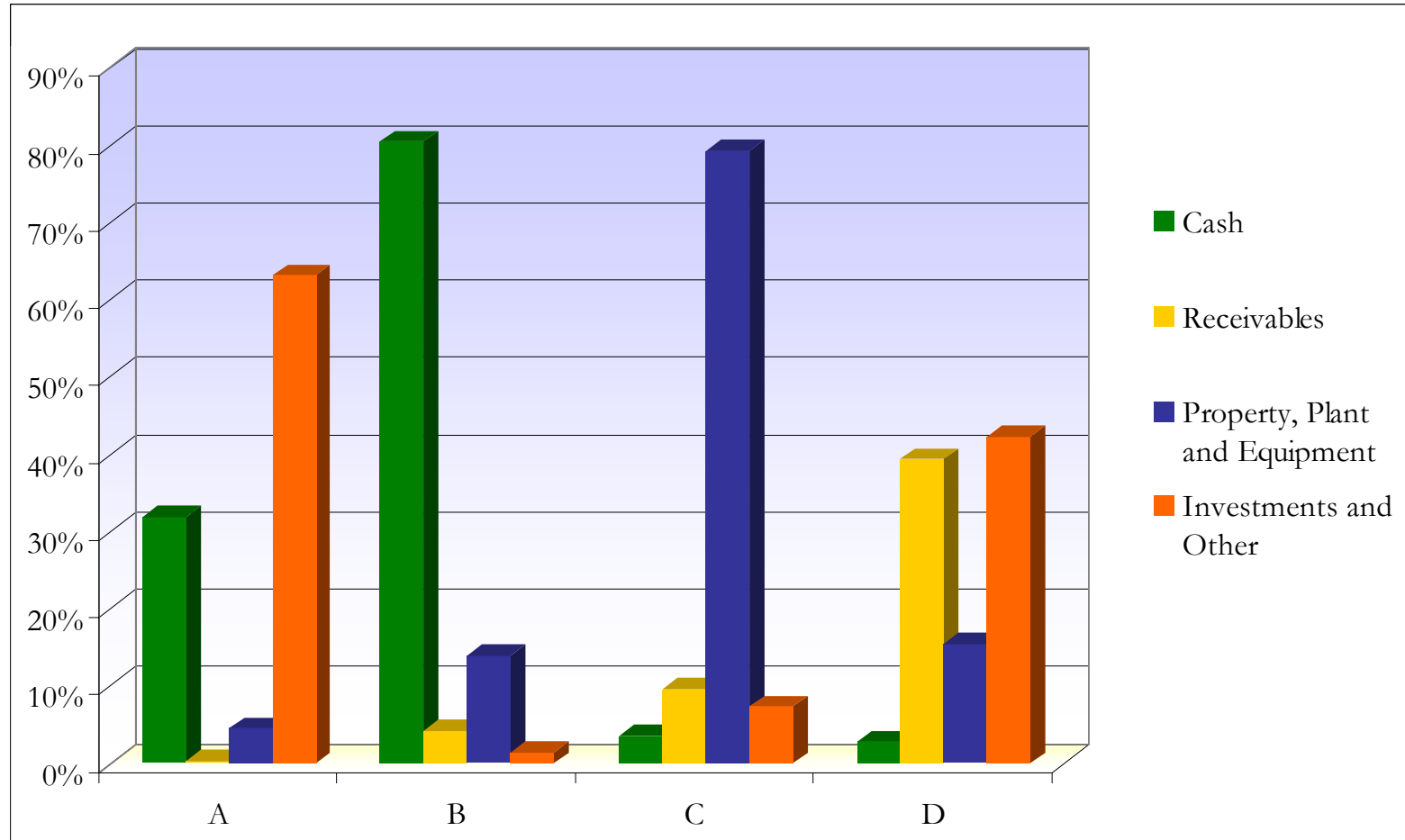
Providing Seats or Beds



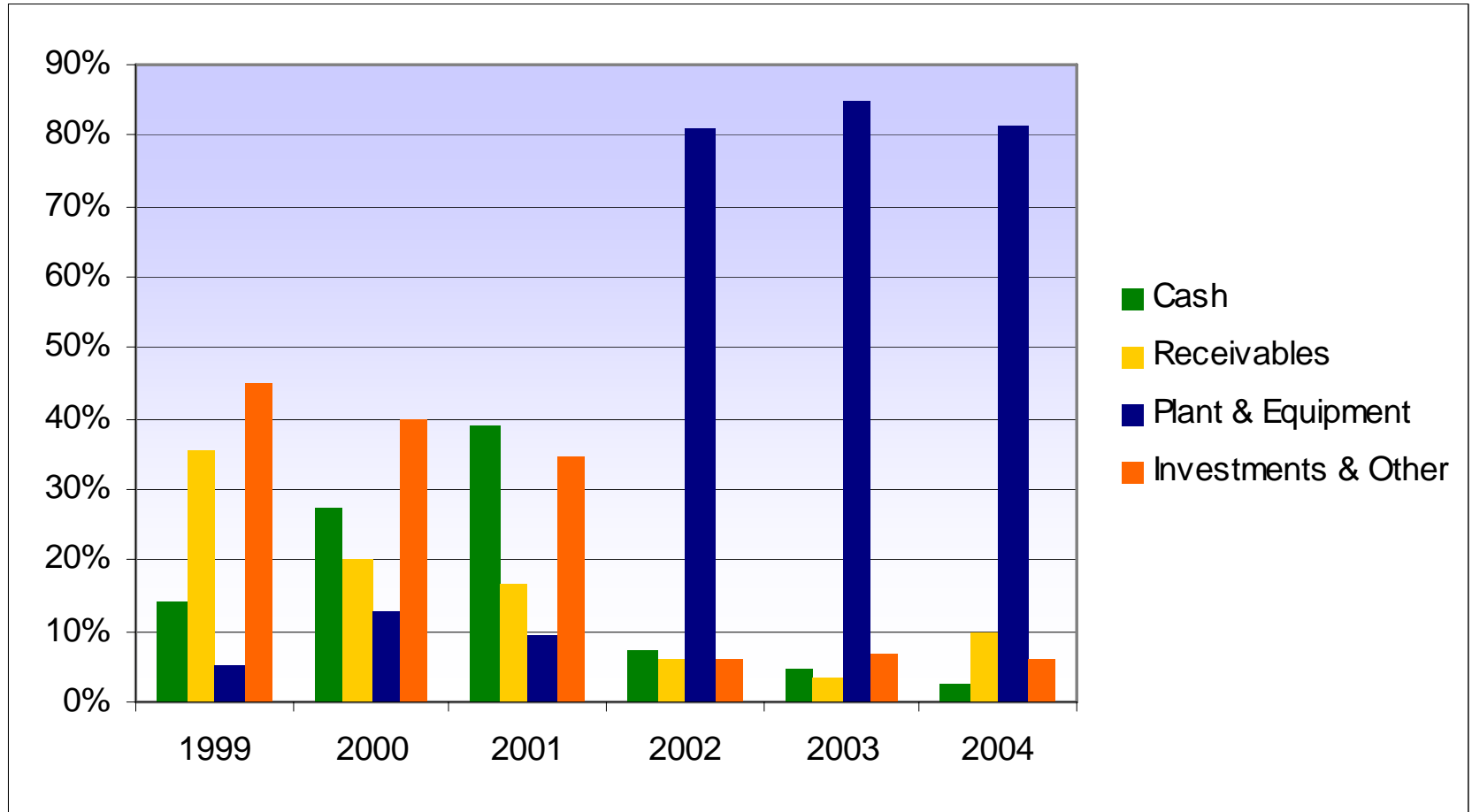
SAME CORE BUSINESS, DIFFERENT SECTORS



SAME SECTOR, DIFFERENT CORE BUSINESSES



SAME ORGANIZATION, DIFFERENT CORE BUSINESS OVER TIME



ELEMENTS THAT AFFECT CAPITAL STRUCTURE

- Business(es) you are in
- Your access to resources
- Your stage of development
- Your financial planning and management



Learn more:

www.nonprofitfinancefund.org

