



Innovative financing to benefit nonprofits

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By Merrill Wolf

For over 25 years, the New York City-based Nonprofit Finance Fund has helped fill a critical lending gap affecting poor communities in the U.S.

Since 1980, the group has provided nearly \$150 million in loans and leveraged more than five times that amount in capital investment for nonprofits, while also offering guidance in financial planning.

Now, in exchange for tax credits allocated to it by the U.S. Treasury's Community Development Financial Institutions Fund, NFF is poised to attract \$20 million -- its single-largest infusion of cash -- from private investors for community facilities in low-income neighborhoods across the country.

And with a \$1.2 million grant from the Ford Foundation, NFF will make several advisory services available to 11 public-service media organizations, including National Public Radio.

FINANCIAL LEVERAGE

NFF expects the tax credits to facilitate investment in food pantries, child-care centers, health clinics, workforce-training programs and other community-development projects, the exact nature of which will be determined through an application process.

The loans are expected to be finalized, and funds disbursed, over the next year and a half.

NFF also is on the verge of offering participating nonprofits a new financial product that can substantially reduce their debt.

After seven years of solid payment history, nonprofits will have the opportunity to buy back a portion of their debt at a deep discount, says Norah McVeigh, NFF's vice president for financial services.

"The real impact is that the equity-equivalent product is freeing up resources from the nonprofits that they can then put into their own programming and benefit their own clients," she says. "There's a domino effect."

The fund is one of 63 organizations chosen from among 254 applicants to receive tax credits totaling \$4.1 billion in the fourth round of allocations by the Treasury's New Markets Tax Credit program.

Established by Congress in 2000, the program aims to stimulate economic development, job creation and social services in distressed urban and rural communities.

Investors can claim 39 percent of their investment in tax credits over a period of seven years, and the program to date has awarded \$12.1 billion in tax credits, resulting in benefits to hundreds of initiatives.

Though all the credits must benefit programs in low-income communities, NFF is one of only two 2006 awardees that have specified the intent to channel funds leveraged toward nonprofit organizations.

"We felt it was a good fit," says NFF Vice President Sharon Combs, who oversees the organization's initiatives with major foundations and national associations serving nonprofits across the country. "The services nonprofits are providing are critical to healthy and vibrant communities."

BROAD MENU

The new initiative is part of the broad menu of products and services NFF offers its partners, including nonprofits working in the arts, education, social services and other fields.

In addition to loans, capital grants and other financing mechanisms, the organization gives nonprofits access to knowledge and information to bolster their financial health.

That information is available through advisory workshops and monographs on subjects such as nonprofit capital structure and “linking mission and money.”

A signature offering is the group’s Nonprofit Business Analysis, which Combs described as a “financial MRI.”

NFF experts spend about a month analyzing five years or so of an organization’s financial records and preparing projections based on scenarios the nonprofit wants to pursue, with a particular focus on unrestricted revenue and expenses.

The exercise “helps nonprofit executives and board members really understand if they are ready to take on a project of growth or change,” Combs says.

The business analysis is one of several advisory services that NFF will make available to 11 public-service media organizations, including National Public Radio, under a recently announced \$1.2 million grant from the Ford Foundation.

The foundation’s \$50 million, five-year “Global Perspectives in a Digital Age” program aims to promote innovation by -- and the financial security of -- new and established public media organizations.

Combs says NFF’s role will include helping the media organizations consider new business models in an age of technological innovations such as wireless, satellite and digital broadcasting.


Changes in the media landscape are forcing the organizations to define their communities, and their roles in the communities, differently, she says, and NFF aims to help them do so effectively.

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