

# Orientation to Capital-Savvy Grantmaking

For

## Money Matters

EXPLORING A NEW PARADIGM FOR GRANTMAKING

By

**Nonprofit Finance Fund**

**Presenters**

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# TODAY'S CONCEPTS

- Business Model
- The Enterprise
- Build vs. Buy



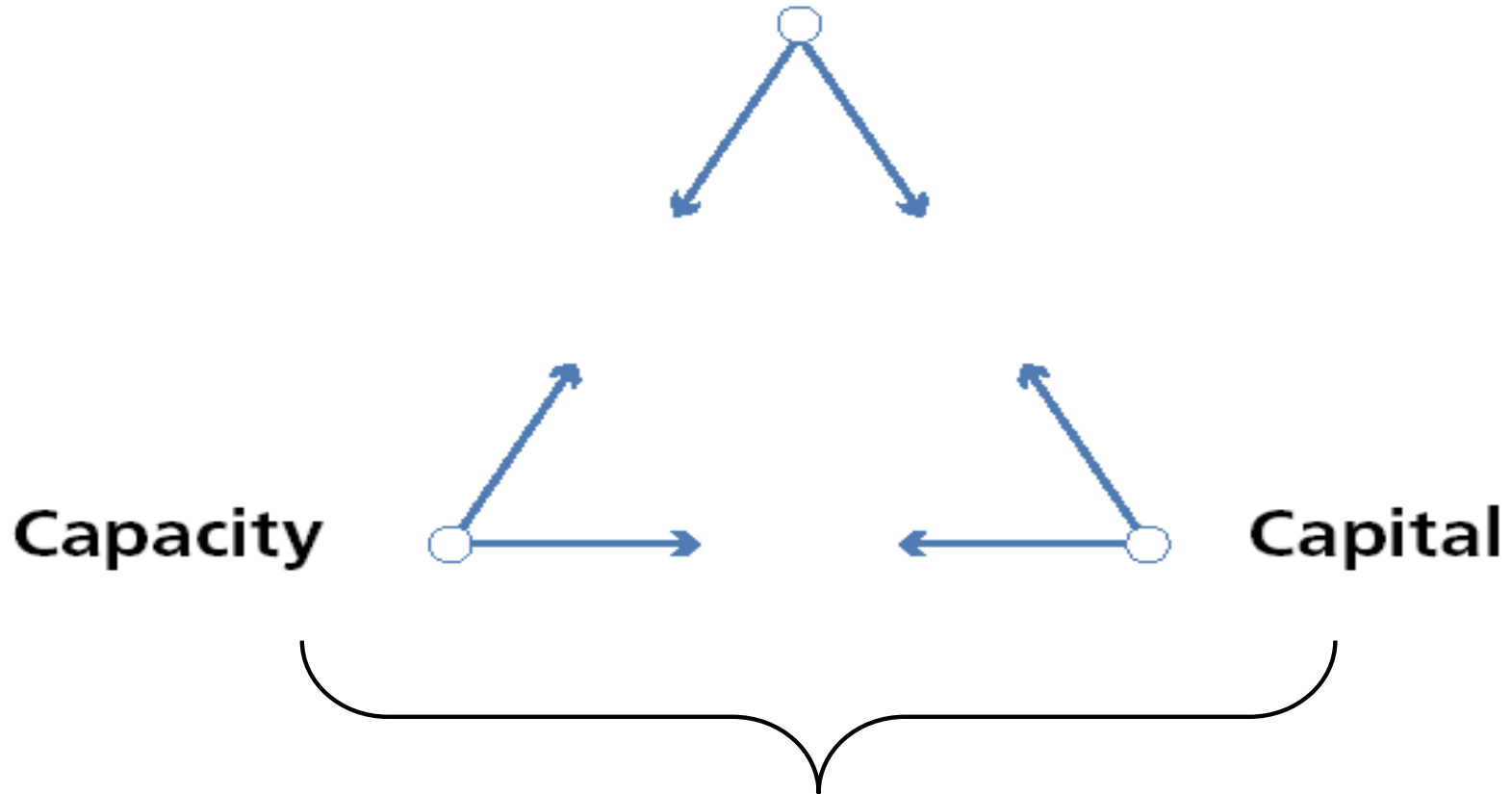
# BUSINESS MODEL

- Has many related meanings. Today we will discuss it from two perspectives:
  - Nonprofit Leaders
  - Funders
- To nonprofit leaders, business model is best defined by what their organizations have and use to meet their missions
- To funders, perhaps, business model is best defined by how your investments/grants help organizations meet their mission
- These seem harmonious...but are they?



# THE NFF TRIANGLE = “THE ENTERPRISE”

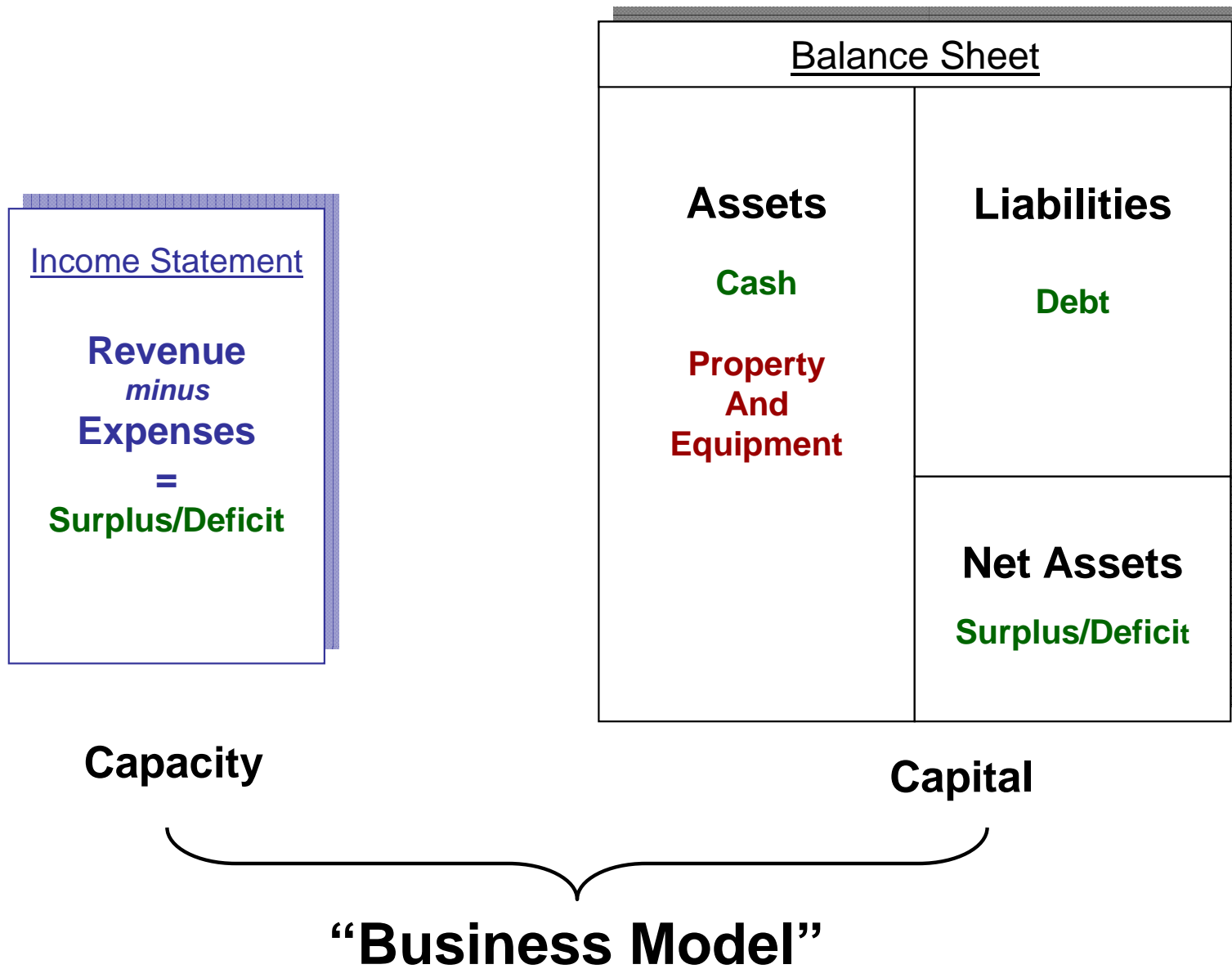
## Mission and Program



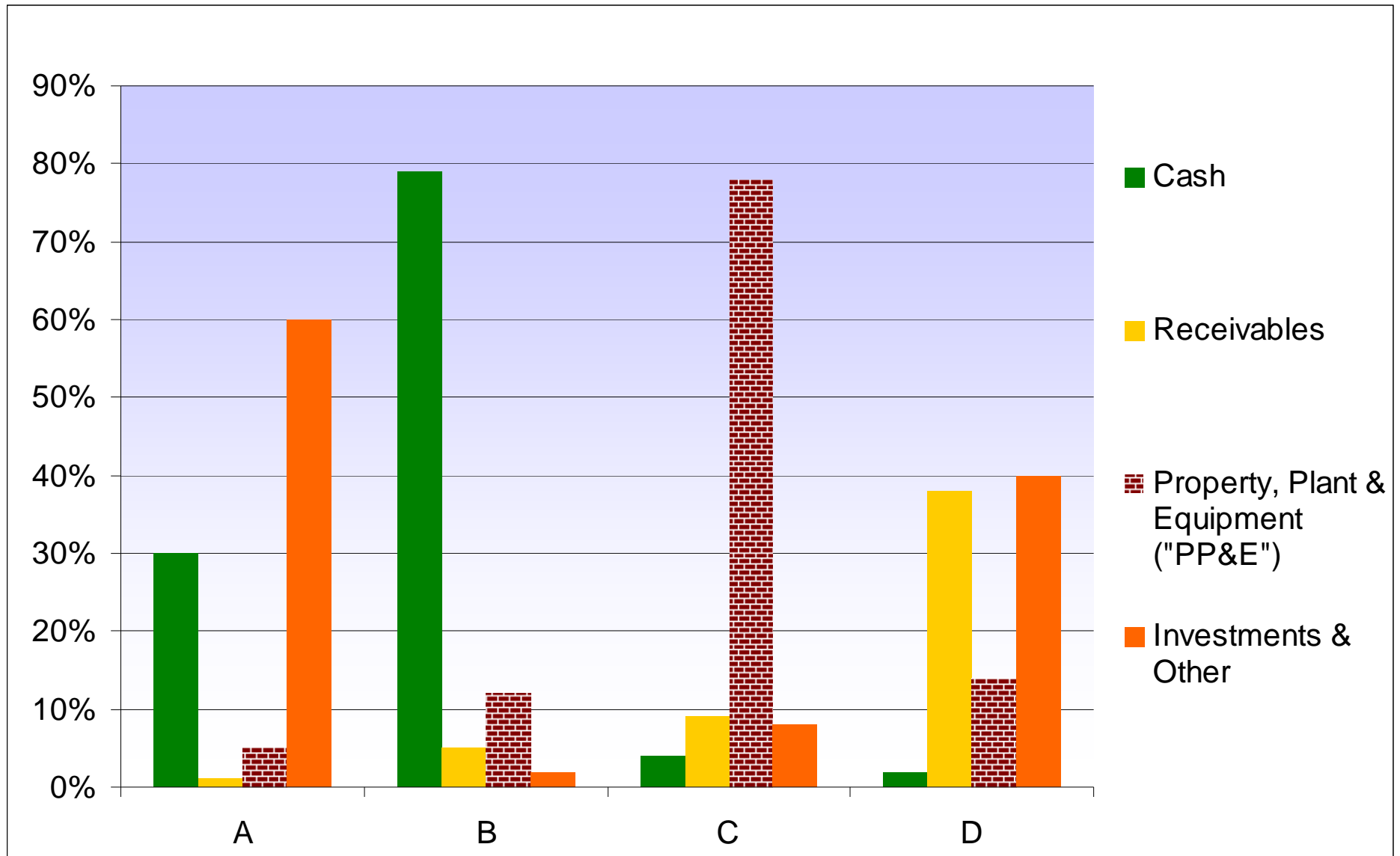
## “Business Model”



# BALANCE SHEET IS CENTRAL TO “WHOLE ENTERPRISE”



# ONE SECTOR, VERY DIFFERENT BUSINESSES



# FUNDING HIERARCHY: EASE VS. RISK

It's easier and cheaper to raise money for:

## **Program Expansion**

(start a new program, expand services)

than for

## **Capital Expansion**

(new facilities, endowment)

than for

## **Program Continuation**

(continuing programs without growth)

than for

## **Overhead**

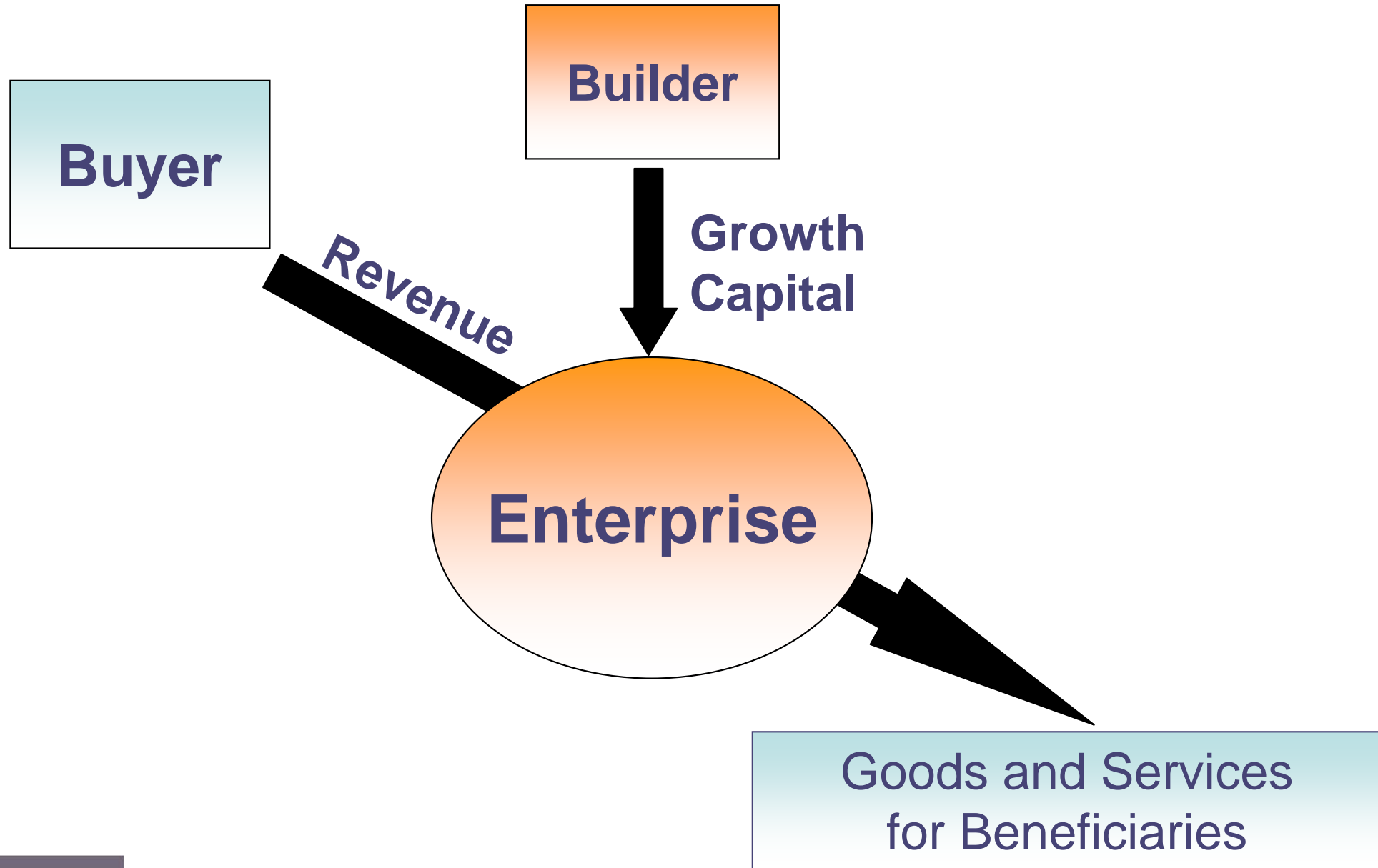
(administrative expenses, spike with growth)

than for

**Capital Maintenance: Physical & Organizational**  
(depreciation, research and development, retraining of staff)



# BUILDERS AND BUYERS



# BUILDING IS NOT BUYING

## BUYER (ORDINARY REVENUE)

1. Money to *Do* what you do
2. Ongoing
3. Accountability is Straightforward:  
*Did you do what I paid you to do?*
4. Success → Do it again and again

## BUILDER (GROWTH CAPITAL)

1. Money to *Change* what you do
2. Episodic
3. Accountability is Complex:  
*Adjust strategy en route to sustainability that prompts others to participate in ongoing fashion*
4. Success → No more money in

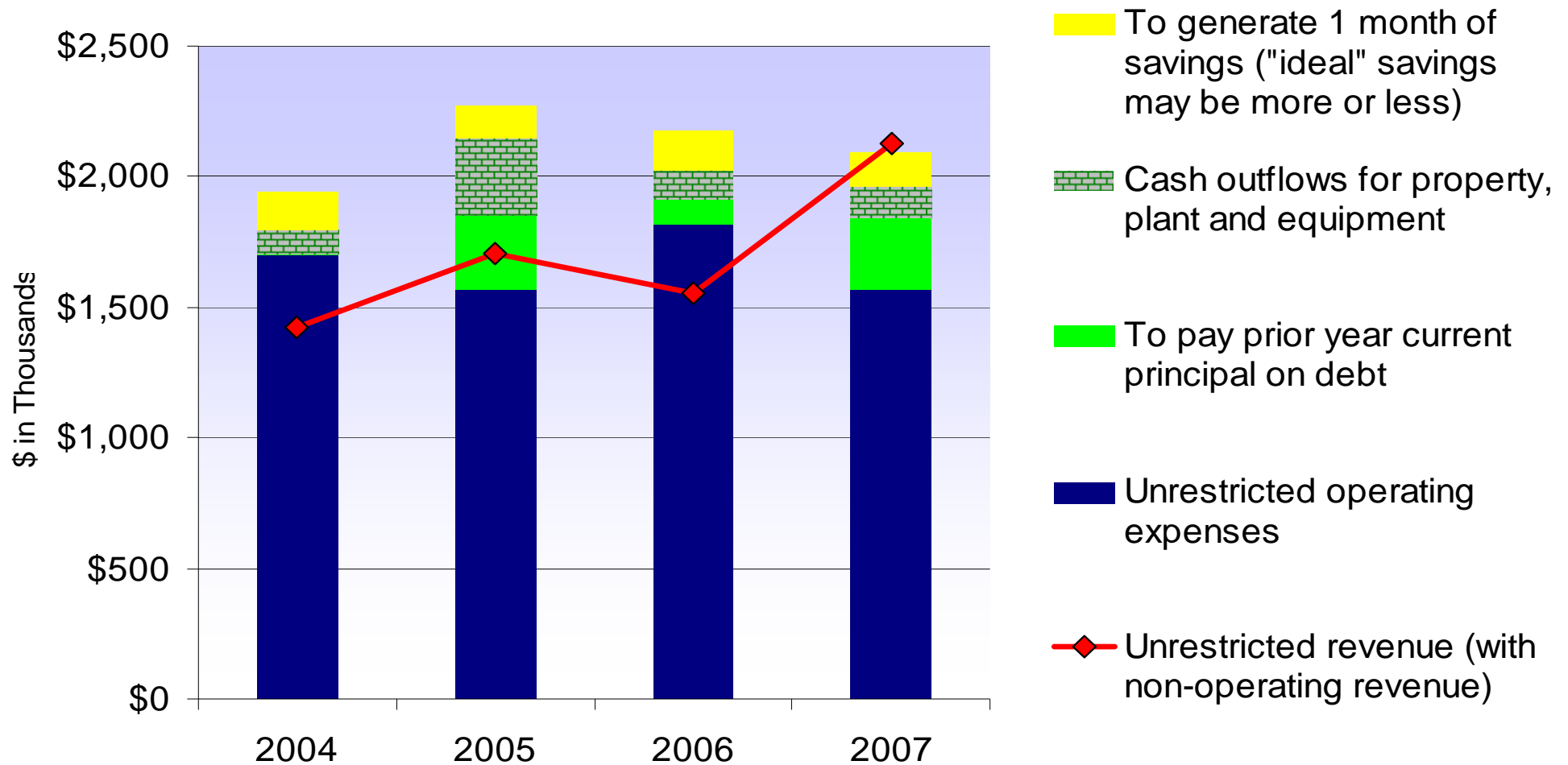


# WHOLE ENTERPRISE FINANCE: THE BARE MINIMUM

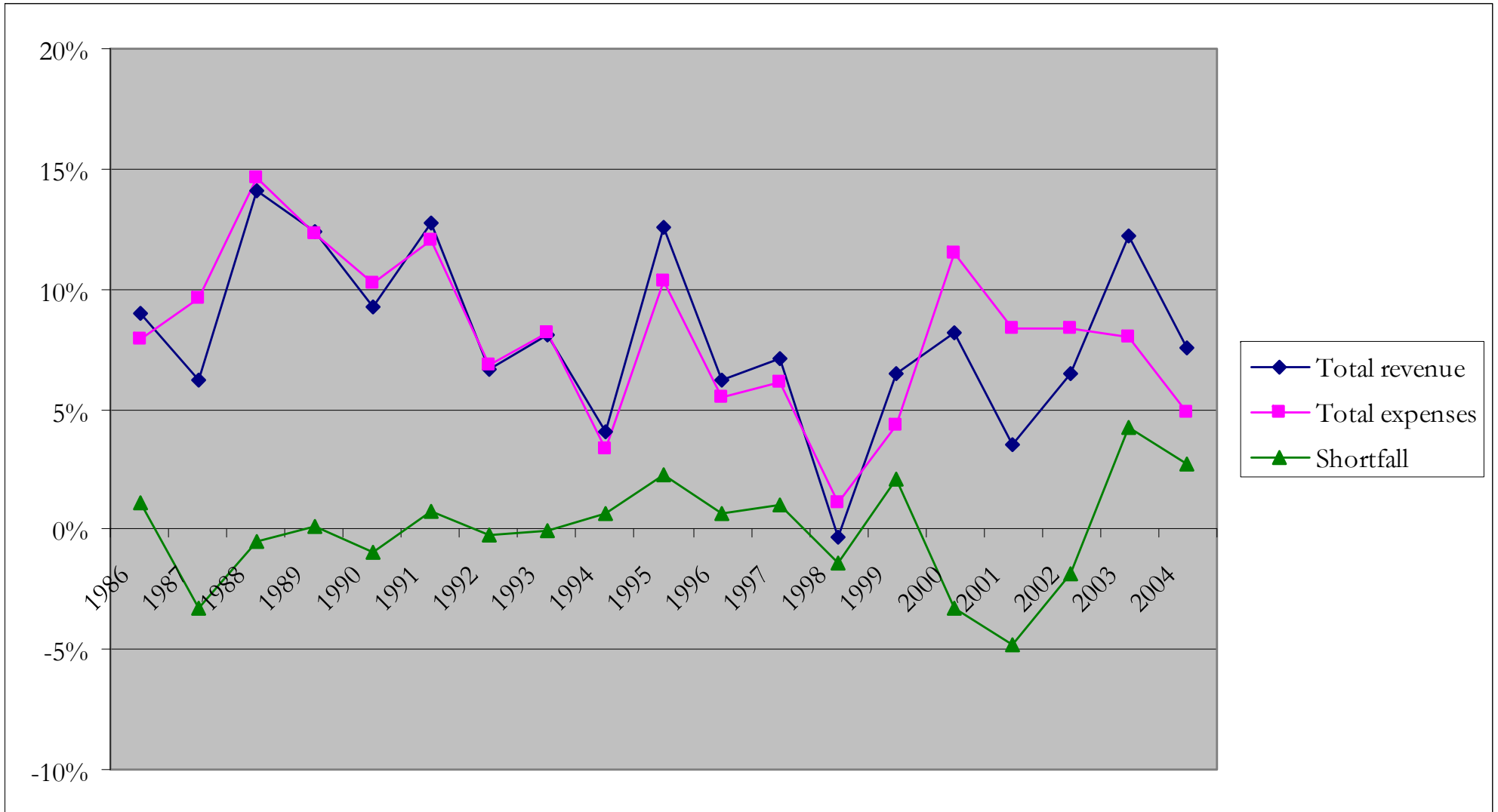
- Every day, every year, nonprofits are challenged to generate sufficient revenue to cover operating expenses
- Even when they do, it is not enough to sustain the organization
- Covering “full costs” is not always understood
  - It requires comfort with the balance sheet



# What is your "Full Cost" of Operations?



# NP SECTOR: % Change in Rev, Exp & Shortfall (1986 – 2004)



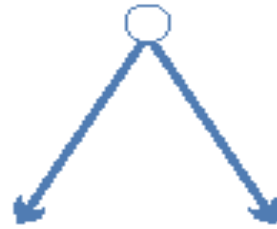
# CAPITAL SAVVY GRANTMAKING IN A RECESSION

- The Balance Sheet Matters
- Healthy balance sheets require enterprise-friendly funding
- Remember, your grantees/applicants are not equally able to articulate their “whole enterprise” needs
  - Incentives have trained them this way
- As private funders, you can make a big difference by:
  - Paying for the full costs of activities you support
  - Offering flexibility with use of funds
- Are you a builder or a buyer?
  - The sector will always need both



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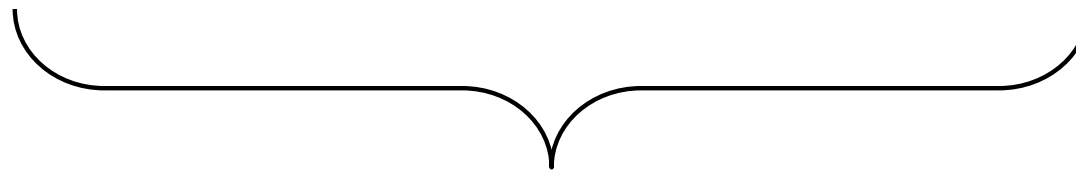
## Mission and Program



Capacity



Capital



“Business Model”

## **For more information, please contact:**

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## **To learn more about NFF:**

**[www.nonprofitfinancefund.org](http://www.nonprofitfinancefund.org)**

