



Raising Capital Is More than Fundraising

By Aggie Sweeney, CFRE, President & CEO

How can nonprofits secure the capital they need for growth? By “capital,” I refer to the broader concept of capital, including facilities, equipment and endowments, but am not stopping there. Expanding the definition of capital incorporates resources for program expansion, investments in innovation to advance promising ideas in research and service delivery, and start-up funds for mission-related enterprises.

The recent recession and changes in the financial sector have created both a squeeze on nonprofits’ capacity to secure traditional financing and new innovative solutions. The availability of nonprofit bond financing – which essentially disappeared at the end of 2008 – is returning. Traditional bank financing is an option for some, but underwriting is stringent and costs are high. While federal stimulus funds for “shovel-ready” capital projects were an option for some nonprofits and many projects advanced to groundbreaking as a result, those funds and other sources of government capital are increasingly difficult to secure.

So, what new sources for social impact investing are emerging?

- **Social Impact Funds.** Touted as a “microfinance plus” approach, investors have the opportunity to invest in a fund to provide start-up or operating capital, with a guaranteed rate of financial return plus social value. Seattle-based Global Partnerships’ \$20 million Social Impact Fund 2010 is an example of this, and has been [covered in the Seattle Times](#) and [the Chronicle of Philanthropy](#) this week.
- **Affinity Investments.** Many investors that took some of their wealth out of the stock market in 2008 are still “liquid” and interested in investing in low-risk opportunities. Several of our firm’s nonprofit clients have entered into financing relationships with their supporters, often in addition to receiving gifts. A private investor with an affinity for your mission and connection to your nonprofit may be willing to invest upfront to help advance your project and expansion plans if there’s a potential financial ROI. Several financial experts have started providing services in this area, and many nonprofits have worked out arrangements on their own. A source for additional information and advice for your organization on its overall financial health is a national nonprofit firm, the [Nonprofit Finance Fund](#).
- **New Market Tax Credits.** While this vehicle is not new (the first deals were started in 2001), it continues to be a source of revenue about which many nonprofits have limited information. It is complex and not an option for all capital projects, but can return up to 15 to 18 percent of the total project cost for projects serving low income people in economically distressed areas. A good source for more information is posted on the [INFOE Inc site](#).



What's the role for philanthropy?

We are finding that philanthropic investors are asking hard questions concerning the impact of their gifts, and want to know that nonprofits are positioning for sustainability, growth, and high impact. The philanthropic gift may be the “seed money” needed to attract other investors and to provide the capital needed to complete infrastructure development. The two together - philanthropy and social impact financing - are helping many organizations advance their missions.