Nonprofit Finance Fund®

Thriving nonprofits need revenue that **buys** as well as revenue that **builds**. Understanding and planning for these distinct roles is key to truly growing social impact.

Even thriving nonprofits occasionally need special funding on top of regular revenue to gain control of their financial future – to grow, adapt, or change the way they do business.

Nonprofits Need Customers to Buy Their Services

Discussions of nonprofit support tend to focus on buy dollars. Buyers provide regular revenue streams that nonprofits turn into programs. Buyers are grantmakers funding tutoring sessions, museum visitors purchasing admission tickets, and more.

Buyers pay for what an organization already does. Without buyers, nonprofit programs don't happen. But their dollars don't cover what a nonprofit needs to grow, innovate, increase efficiency, shift its strategy, or experiment with new directions.

Nonprofits Also Need Builders with Capital to Support Change

In the funding equation nonprofits also need – but often lack – build dollars. Builders provide funding that supports a nonprofit when, for example, it's rebuilding or scaling up its business model, covering the revenue gaps that can appear during periods of change, and helping to make the organization more attractive to buyers. Build dollars can pay for everything from launching a program and upgrading technology to business model changes from partnering with another organization or downsizing.

"I can't describe what an impact NFF's training and subsequent work had on our efforts around financial sustainability at OMCA (Oakland Museum of California). Terms such as 'buy' and 'build' have become absolutely ingrained in our lexicon here, and we are in the midst of a major fundraising campaign, primarily focused on our long-term financial sustainability!"

– Lori Fogarty, Executive Director, Oakland Museum of California

Build + Buy = Well-funded organization

Missions are best served when an organization's leadership and its funders understand the build/buy distinction, and when each kind of dollars is needed.

A Build-Buy Mindset

Helps Funders:

- Focus on enterprise strategy, making a nonprofit's mission goals the heart of all funding conversations.
- Approach their grantmaking with greater clarity around what they're paying for and why.
- Invest in a nonprofit's growth, evolution, and ability to achieve better results.
- Understand when their build capital has successfully supported a business model shift or experiment to make the organization more resilient.

Helps Nonprofit Leaders:

- Have the space to try new things or invest in deferred organizational needs that can help their nonprofits to grow and/or strengthen their social impact.
- Protect their organization from getting overextended – with sufficient build capital, managers can turn down grants that don't fully cover costs and resist the temptation to grow using buy dollars, which isn't sustainable.
- Be clear with their funders – and themselves – about needed investments that are separate from ongoing program costs.
- Fund intentional deficits that may be necessary during periods of change or growth.

Interested in how build dollars can help nonprofits try new things, build resilience, and boost their impact with confidence? Email us at **learn@nff.org** for more on how to think about, make the case for, and use build capital.

Nonprofit Finance Fund®

Nonprofit Finance Fund® (NFF®) works toward a more equitable, responsive, and valued social sector. We provide financing and consulting to help nonprofits and their funders better connect money to mission results. We are a community development financial institution (CDFI) applying 40 years of experience to today's toughest social challenges, and we share what we learn to speed progress. NFF manages over $352 million. Since 1980, we have provided almost $890 million in financing and access to additional capital in support of over $2.8 billion in projects for thousands of organizations nationwide. To learn more, visit us online at **nff.org**.