



Nonprofit
Finance Fund®

Where Money Meets Mission®

Strategic Plan | 2014 - 2018
Executive Summary

Serving Through 35 Years of Change

Our Mission & Vision

We unlock the potential of mission-driven organizations through **tailored investments**, **strategic advice**, and **accessible insights**. We envision a world where capital and expertise **come together** to create a more just and vibrant society.

The Call for a Strategic Shift

Nonprofit Finance Fund (NFF) has helped nonprofits, funders, and other organizations connect money to mission for more than 30 years. In a sector that is long on heart and commitment and dangerously short on resources, NFF provides capital and advice to help nonprofits strengthen the financial resiliency that underpins their sustainability. Our services help great organizations stay in balance, so that they're able to adapt to changing financial circumstances and grow and innovate when they're ready. As a pioneering nonprofit Community Development Financial Institution (CDFI), we began providing loans to social service agencies in NYC in 1980, at a time when their access to loans was extremely limited. Grants and government contracts were not enough to fill community needs and often created new challenges for nonprofits. As a lender to these organizations, NFF was among the first U.S. impact investors, a term coined more recently to describe the diverse set of financial investments that intend to generate positive social and/or environmental impact alongside financial return.

Today, the context in which we and our clients operate has changed. More mainstream banks support community development projects, and more nonprofits are able to take on financing than ever before. Yet the funding that nonprofits do receive continues to leave far too little for enterprise needs that are necessary to operate sustainably, and private funding and government contracts often remain ill-suited and inefficient.

On top of these chronic problems, increased demand for critical social programs and diminished or uneven government funding are causing distress in marginalized communities, not to mention underinvestment in social infrastructure and competition for resources among service providers. Meanwhile, financial inequality and poverty are increasing each year. Our current systems and ways of doing business aren't working. At the same time, the growing impact investing and evidence-based policy movements create potential opportunities for organizations that can navigate them effectively.

To respond to these challenges and opportunities, our new strategy aims to expand and improve how we deliver our core services while engaging new investors in new ways and helping our clients more fundamentally adapt to the changing context in which they work. We also must collaborate more to systemically change the way money is given, borrowed, raised, and used in the sector. Where we can, we seek to repair, rather than merely lessen the effects of, the flawed systems supporting our social infrastructure.

This plan describes how NFF will grow its impact over the next five years. We have developed a balanced approach, focused on expanding and integrating the core financing and advisory work we already do well, while slowly building up new services to complement them.

How We Serve Mission-Driven Organizations

Tailored Investments

NFF provides customized loans and other financing services to help nonprofits manage uneven revenue, purchase or manage facilities or infrastructure, and grow. For funders, we serve as an advisor and program manager, supporting their efforts to provide financial alternatives to grants.

Strategic Advice

NFF serves nonprofits as a financial educator, analyst, and advisor. We meet nonprofits where they are, whether they're entering a period of growth, struggling to make ends meet, or in need of better daily financial practices. Our tools, workshops, and deep consulting services have helped thousands of nonprofits nationwide.

Accessible Insights

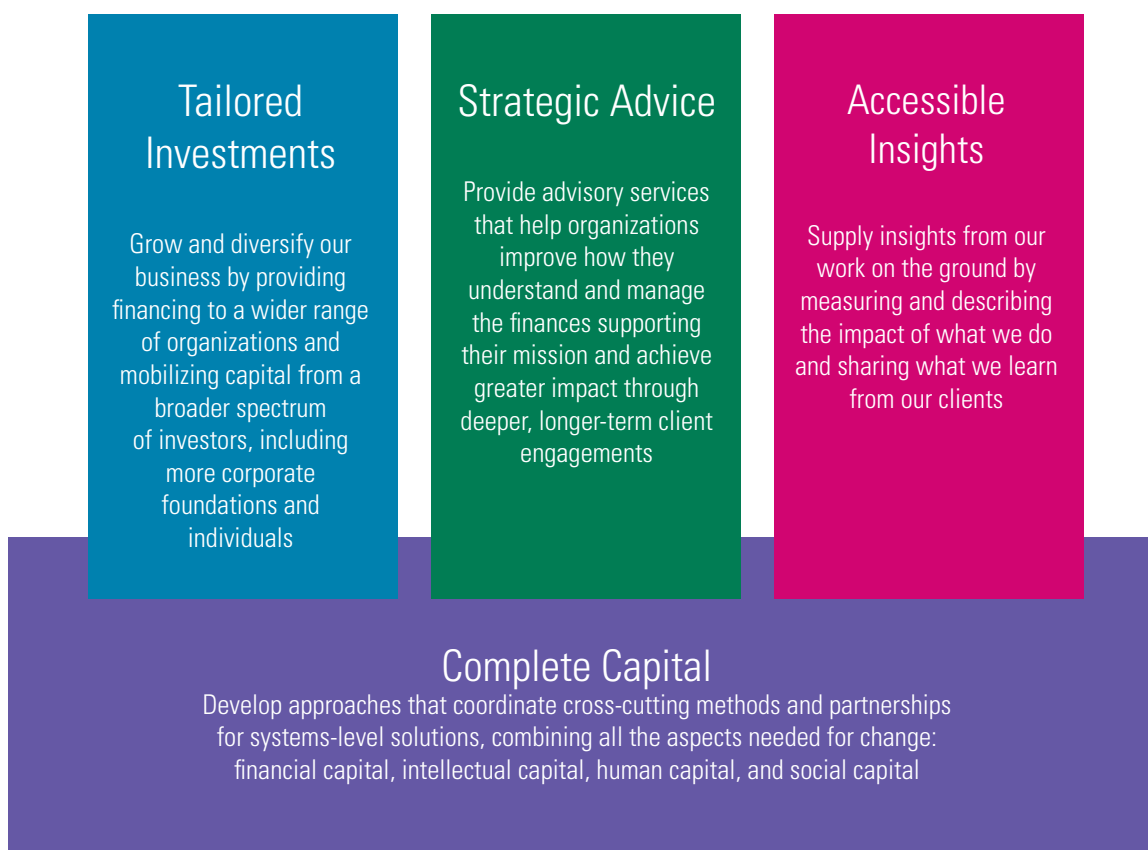
Changing our flawed systems requires sharing what we have learned over the last 30-plus years. In our unique role working with both funders and service providers, we strive to improve the funding and financing practices of the sector by sharing their insights and conducting data-driven research, writing, speaking and more.

4 Pillars of NFF's 5-Year Strategy

Our strategy focuses on growing the scale and impact of our core operations while developing new products and approaches that help build bridges between our clients and the opportunities emerging as the impact investing movement grows. As we grow the reach and scale of our existing businesses in Tailored Investments and Strategic Advice, we will also introduce new, integrated services, including: Asset Management; Impact Investing Strategic Advising; and Complete Capital, which

integrates all our services into coordinated, holistic responses to social problems.

We plan to grow overall by 80% over the next five years. New services make up 15% of our work in 2014, growing to 25% by 2018. This measured evolution will allow us to meet the increased and changing needs of our clients and partners, all while responsibly supporting NFF's financial sustainability.



The Goals Driving Our Strategy

- ▶ **Scale solutions to social challenges**, by working collectively with partners, investors, nonprofits, and experts across the field
- ▶ **Unlock more capital for the social sector**, by coordinating resources and exploring alternatives to traditional funding
- ▶ **Help repair the flawed systems** that prevent nonprofits from freely pursuing their mission

A Closer Look

Our five-year goals are organized by the four pillars that underlie how we deliver on our mission—Tailored Investments, Strategic Advice, Accessible Insights, and Complete Capital. NFF’s different teams—whether they are providing services to clients or managing daily operations— work towards these goals in different ways. We view our strategic goals through four distinct lenses: Service Delivery, Operational Sustainability, Staff Development, and Sector Influence. For each, NFF has developed annual targets, action steps, and interim progress indicators to help us achieve our ultimate plan.

	Tailored Investments	Strategic Advice	Accessible Insights	Complete Capital
Service Delivery	<ul style="list-style-type: none"> Scale on-balance sheet lending portfolio to serve more clients through more loans Launch Asset Management services for funders and impact investors Participate in Pay-for-Success transactions Develop alternative applications using our investing expertise 	<ul style="list-style-type: none"> Deliver and expand advice and training in our sectors of focus Grow initiative management services and sector-specific work 	<ul style="list-style-type: none"> Expand field education on best nonprofit financial management practices, Pay-for-Success, Complete Capital, and Impact Investing Capture insights and learn from our clients Create and distribute field-building reports to funders and clients 	<ul style="list-style-type: none"> Launch and grow fund management services and financing in Complete Capital deals Grow Complete Capital program to become a core service at NFF
Operational Sustainability	<ul style="list-style-type: none"> Achieve optimum loan mix ratio across portfolio, with more larger, long-term loans Draw on greater flexible capital funding and credit enhancements Increase permanent capital to reinvest into new products and build up net assets Diversify investor pool 	<ul style="list-style-type: none"> Increase the amount of initiative management and sector-specific services and reduce individual retail advisory work Maintain volume in wholesale advisory work Alter structure of service delivery to increase staff leverage 	<ul style="list-style-type: none"> Increase grant support for State of the Sector Surveys Increase grant support for advocacy and education Incorporate costs for post-project impact evaluation and reports into initiatives 	<ul style="list-style-type: none"> Grow Complete Capital initiatives into a sustainable business line
Staff Development	<ul style="list-style-type: none"> Recruit passionate and versatile employees with sector expertise and skills, growing staff from 56 in early 2014 to 97 by 2018 Maintain overall employee turnover rate below 20% each year Build and maintain a diverse and inclusive staff corps and culture Launch and oversee dynamic professional development and mentorship programs Operate a performance management process that creates clear career paths and includes 360-degree feedback Increase culture of collaboration, trust, and accountability Open and maintain consistent communication lines with NFF alumni 			
Sector Influence	<ul style="list-style-type: none"> Expand and deepen the use of the State of the Sector Survey Launch Impact Measurement function to evaluate and report on NFF’s impact Launch Knowledge Management function to create and maintain internal knowledge library database Produce 2-3 reports annually on large initiatives and/or work with critical sectors Track industry citations and references to NFF publications, speeches, webinars, initiatives, and terminology 			

The Internal Practices We Must Improve

Impact Measurement

Successfully hitting annual targets is meaningless if it does not help us achieve our vision and translate into positive change for our clients and those they serve. We strive to build measurement processes that assess the impact of our tailored investments and strategic advice by creating processes that allow us to collect more data consistently over time.

IT Systems

As we grow to help a greater number of nonprofits and offer more sophisticated and collaborative services, we will need robust IT systems that enable us to more effectively communicate between teams, manage relationships, serve our clients, and track outputs and outcomes.

Human Capital

We must substantially grow our team in order to build capacity and expertise, including new sector knowledge and skills in impact measurement, operations, and technology. Our plan to perform work that is increasingly cross-cutting and systemic also requires us to integrate our teams and develop greater collaboration across our staff.

The Values Driving Our Strategy

Generosity of Spirit

- ▶ We believe our work thrives in an atmosphere of trust and empathy.
- ▶ We work by seeking and bringing out the best in others.
- ▶ We succeed when we embrace a diversity of voices.

Rigor Without Attitude

- ▶ We believe our power comes from coupling thoughtful insight with accessible communication.
- ▶ We work by humbly challenging the status quo, changing practices one colleague, one client, one conversation at a time.
- ▶ We succeed when we make a positive difference not just by what we say but how we say it.
- ▶ We actively learn from our clients, partners, and others to deepen our understanding of the sector we serve.

Responsiveness

- ▶ We believe productive collaboration is founded on timely, honest and respectful communication.
- ▶ We work by communicating proactively and by responding quickly and directly.
- ▶ We succeed when we raise, respond and resolve concerns and opportunities efficiently.

Leading By Doing

- ▶ We believe that on-the-ground work is the foundation for what we do.
- ▶ We work by deriving insight from our mistakes and successes and converting them into shareable knowledge and practices.
- ▶ We succeed when we develop powerful ideas that are taken up by others.

“We have had the good fortune to work with NFF intensively over the past 17 years. During that time, NFF has broadened its services to the sector by developing many new and robust financial management products. However the one thing about NFF that has not changed is their commitment and ability to meet clients where they are. When this organization started to work with NFF, the organization had posted operating deficits for many years in a row, audits were issued with ongoing concerns, and the future looked shaky at best. Seventeen years later, the organization is consistently posting operating surpluses and working to build a robust balance sheet. I cannot speak highly enough about NFF. NFF staff are true capacity builders and leave organizations with an enhanced understanding of the role of finance in service to mission.”

Scott Fraser, Managing Director, Jose Mateo Ballet Theatre

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As one of the nation's leading Community Development Financial Institutions (CDFI), Nonprofit Finance Fund (NFF) makes millions of dollars in loans to nonprofits and pushes for fundamental improvement in how money is given and used in the sector. Since 1980, we've worked to connect money to mission effectively so that nonprofits can keep doing what they do so well. We've lent more than \$320 million to over 700 borrowers, managed \$230 million in New Markets Tax Credit projects, and provided strategic advice to thousands of nonprofits and their funders.

We provide a continuum of financing and consulting services to nonprofits and funders nationwide. Our services are designed to help great organizations stay in balance, so that they're able to successfully adapt to changing financial circumstances—in both good and bad economic times—and grow and innovate when they're ready. In addition to loans and lines of credit for a variety of purposes, we organize financial training workshops, perform business analyses, and customize our services to meet the financial needs of each client. For funders, we provide support with structuring of philanthropic capital and program-related investments, manage capital for guided investment in programs, and provide advice and research to help maximize the impact of grants.

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