WHY YOU SHOULD CARE: HOW CHARITIES, NONPROFITS, AND FOUNDATIONS CAN BENEFIT FROM SOCIAL FINANCE

Nora Sobolov

NORA SOBOLOV, MSW, LLM, is one of the founders and Managing Director at the Community Forward Fund. She is a former CEO of the Lung Association, the Canadian Cooperative Association and VP of Credit Union Central of Canada. She is also an associate of the Intersol Group and has advised private sector, nonprofit and cooperative organizations on business and financing strategies. Email: nsobolov@communityforwardfund.ca .

ABOUT A YEAR AGO I WAS SITTING AT MY DESK AS CEO OF A NATIONAL HEALTH charity, when I received a call from one of my colleagues. His organization was in a serious cash flow crunch; there was money in the bank from a lottery, but he was waiting for a government contract that had been delayed. Unfortunately, due to the restrictions on the lottery money (it was designated for a specific program of the organization), he could not touch it, and he was worried about making payroll. He did not have a line of credit although receipts from donations and fundraising had been good and had covered costs and allowed for a small reserve. The timing of donations added to his problem. He had pledges in excess of his organization's needs, but the cash would not come in for up to two months. He had approached the bank with which he had done business for 15 years for a bridge loan and had been immediately turned down.

The next day I received another call from a friend who was the executive director of a smaller organization. She had the opportunity to explore a corporate sponsorship program but needed some initial capital to make it work. Other organizations like hers had realized over $100,000 annually from a similar program, and she had an interested sponsor, but she needed to provide some artwork and a small marketing campaign. The cost would be $15,000. No donor or foundation she knew would provide funding for this type of development effort, and she was very frustrated.

While these were by no means the only stories that had crossed my desk, they were the proverbial straw that broke the camel's back. For the past several months, a colleague and I have been working with a group of advisors to develop the Community Forward Fund,[1] a loan and financing fund for charities and nonprofits. Our exploration has provided some interesting insights into why charities, nonprofits, and foundations should care about social finance.

This article is not meant to provide an exhaustive survey or explanation of social finance field,[2] nor do I believe that there is a magic solution that will meet all of the financing needs in such a diverse sector. Although grants and donations are very important, and always will be, my hope is to encourage nonprofits and charities to consider an additional range of financing options that might help stabilize and grow their organizations. For those who are interested but do not know where to get the needed support or financing, some information is provided on resources that could help in the endnotes of this article. There are programs, platforms, and experienced organizations with track records of successfully providing financing to charities and nonprofits in Canada and internationally; we can build on proven and effective models to create an infrastructure that will support nonprofits and charities looking for a range of financing solutions. Foundations and other funders can help by sharing information and continuing to offer support to develop a place for these new options to thrive.

Through 25 years of work in the charitable sector as an executive director and senior manager, I have become increasingly frustrated about the gaps in funding for charities and nonprofits. A variety of options exist for the private sector, including seed funding, loans, and investments. In some regions of Canada, foundations, credit unions, and other entities have tried a variety of programs to expand financing for nonprofits and charities,[3] and while these are a great start, they are only available to a limited number of groups.

Some charities and nonprofits have felt uncomfortable allowing different kinds of funding (like loans) onto their balance sheets. Even if organizations were interested, few knew where to look for and how to use funds other than grants and donations. While the statistical evidence shows that the majority of charities and nonprofits in Canada have a fairly diverse funding base, including fees for services and revenues from product sales,[4] many of these types of funds are episodic. Increasingly, funds that are flexible in any way have dried up. As organizations lose more and more of their non-project-tied funding (and as government payments and grants continue to lag behind expenditures), entire senior management teams repeatedly lay themselves off for periods of time to bridge the funding shortfall.

Stability in a charitable or nonprofit organization has, for many years, required thinking beyond immediate needs. While funding day-to-day operating expenses is essential, it is equally essential to find a way to move beyond what George M. Overholser at the Nonprofit Finance Fund calls "buying"[5] (day to day services or programs that are purchased over and over again by funders or clients, much as you might buy a widget and if you like it, you might buy another) to "building" (considering how to ensure an organization can find capital to move the organization towards sustainability or growth and create a strong foundation for the future). Building, according to Overholser

> requires growth capital and close stewardship. It requires a patient process of trial and error. More often than not, it requires major shifts in strategic direction. ... Also, it is an episodic thing – once an enterprise is built, the builders can go on to other projects. Indeed, it is precisely by dismantling their growth capital 'scaffolding' that they prove they have built an enterprise that can stand on its own.[6]

As an executive director (or board member) in the sector, you might be saying: I have heard this all before. But how are we suppose to have either the time or resources to "build" when we spend every waking minute providing services to more and more people and worrying about where we can find money? We are always being told to find a new revenue stream or look for new financing. It echoes the old mantra that low- income women should save money to improve their future. When you're choosing between paying the rent or buying food, planning for the future seems a little ludicrous.

But more and more programs have developed to help extremely low-income individuals get ahead financially.[7] And if they can do it, it begs the question: why can't charitable and nonprofit organizations? The answer is we can, but not by mere exhortation. Just as standing on the edge of a river bank yelling at a drowning person to "swim" without offering assistance is likely to end in tragedy, crying "do something" to executive directors and board members who are already overextended isn't likely to change anything. What we need are resources and support and opportunities.

So what are some of the options charities and nonprofits can consider to augment or leverage funding beyond a typical grant, donation, or contract?

CONSIDER TAKING OUT A LOAN

Conventional wisdom says that charities and nonprofits do not want loans and will not take them. Yet consider that in the U.S. the Nonprofit Finance Fund[8] has loaned over $215 million to nonprofits during the last 30 years and that very few borrowers have defaulted on these loans. In Canada, Vancity[9] has, over the past decade, built a sizable portfolio of loans to the sector, including mortgages for building acquisition, term loans for equipment purchase, and lines of credit for working capital. The Canadian Alternative Investment Cooperative[10] has operated for many years in Canada, providing mortgages to charities and nonprofits and loans to social enterprises. And the Edmonton Community Foundation's Social Enterprise Fund[11] has been working with the sector to provide loans and support.

These are just a few examples.[12] So, clearly, some charities and nonprofits think loans are a good idea and have been using them effectively. Some foundations[13] and a small number of credit unions and banks have been experimenting with loans to charities and nonprofits. And a few organizations are emerging to act as intermediaries to support individuals and foundations that wish to provide these loans but prefer another organization to help pool resources and carry out the assessment process.

Charities and nonprofits are using loans in a variety of important ways to obtain financing where grants may not be available or the best option. Loans have been used:[14]

- to diversify a funding base with new partners and/or corporate sponsors;
- to expand to new communities where services are needed;
- to build new lines of business when an organization has the expertise to fill a gap that fits its mission and the new business could provide a potential revenue stream;
- for capital to buy a building, bridge financing during construction, or purchase materials or equipment;
- as bridge financing for cash flow when grants are pending but funds have not yet been received; and
- to even out cash flow when funds are episodic (as in the case of many arts organizations).

Loans are an option to bridge or to build. But they don't meet every need. Organizations are also looking for additional options for sustainable income.

CONSIDER FEES AND REVENUE GENERATION

While not every charity or nonprofit organization can generate income or develop a business, many already have some form of fee-based revenue stream. This might include admissions paid to attend plays or other arts events, fee-for-service contracts with the government, or charges for products or services provided to other organizations. Some groups that have never before had these types of revenue streams are looking at their operations and considering the possibilities. And some organizations that have one revenue stream, either from a product or through a contract with government, are beginning to consider how they might develop other streams. Charities and nonprofits should at least consider if revenue generation (or expansion of a service or product) might be an option.

There has been a great deal of confusion over what these types of revenue streams would be. Many organizations feel they are being pushed to start a private sector business or change their operations. That is not necessarily the case. Many charities and nonprofits are already engaged in some type of fee-for-service or other revenue-generation process that is part of their mission and that has allowed them to sustain or expand their services in ways that would not have been possible with grants or donations. Environmental organizations have developed a number of ways to use environmentally friendly products to fulfil their mission and generate income. For example, some organizations are taking advantage of the Ontario government program to buy power back into the energy grid and are looking for ways to finance the purchase of solar panels. Other organizations have found a market for some of their services or products either with government or with other organizations (these include developing and selling "plain written" election materials overseas, developing and holding workshops, or selling directories). Some organizations, in the course of developing services for their clients, have come upon an innovation or new process that might be of interest to the private sector or for which governments might pay. Health organizations have developed products that help track and monitor certain kinds of health outcomes; they have been able to license these products and receive money from royalties.

Organizations new to revenue generation or that wish to expand their revenue may need support. Those that want to consider how to generate revenue from a product, through fee for service or by some other means, often require seed funding in the form of a grant or a loan to get started, as well as some type of development advice.

Many groups and organizations are working on ways to support social enterprise or social purpose business development.[15] It is important that these processes and programs are accessible to charities and nonprofits that may want to develop revenue generation but do not self-identify as social enterprise. This may take a change of thinking by both organizations offering services and charities and nonprofits themselves.

A recent inquiry from a 25-year-old charitable arts and community development organization to the Community Forward Fund provides an excellent illustration of this point. Like most groups contacting CFF, her frustration about her quest for financing was evident:

> For 20 years, we've been told to create new revenue streams and diversify funding. But, we haven't been able to find a program to cover the capital

> expenditures we would need to do this, the banks won't lend funds, and grants for this kind of project aren't available. We couldn't find any advisors to help us decide what our best options are or who realize what it would take for our charity to move forward on this type of project.

She didn't see her organization as a social enterprise, despite the fact that the main sources of revenue for the organization included admission fees, a marketing and employment program for artists and payments for products and services. Neither did she feel that services from social enterprise organizations were meant for her organization. Her feelings were confirmed when she read about a social enterprise funding group that seemed to indicate charities without a separate for-profit business were not eligible for advisory services or financial support. Her follow up call left the same impression. For her, social enterprise options simply added to an already complicated maze of "diversified" funding streams that contributed nothing to her ability to support or build her organization. While she had managed, for now, to find grants, donors and contracts, she could see that she needed to find an alternative. Despite an exhaustive quest, she had not found a fit for her organization.

Hers was not a unique story. While some organizations are clearly private sector businesses serving a social purpose, or wholly owned private sector organizations supporting charitable groups, there is a large grey area where the majority of charitable and nonprofit organizations currently reside. Charitable and nonprofit organizations rarely fall into an easily marked box, especially because so many programs and organizations began as innovations to deal with a gap or problem that existed in the community. This is one of the reasons so many organizations have such difficulty with funding; existing funding programs were created to deal with organizations and programs as they were 5-10 years ago. While charities and nonprofits must (and most do) look for help wherever it may be (even if it comes labelled as "social enterprise"), similarly organizations dedicated to social enterprise must do all they can to embrace organizations willing to try new options and new opportunities. Many groups and individuals working on social enterprise welcome organizations who are looking for help; they do not insist every organization they see as fitting into a tiny box. Still, the struggle continues to encourage organizations to be open to options and when they are, to match them with the right group and make the options/supports more accessible.

BECOME A "GRANT ENTREPRENEUR"

Some organizations[16] are looking at developing the equivalent of a private sector prospectus to syndicate "investment grants" for nonprofits and charities that need significant cash to go in a new direction or build for the future.[17] Rather than seeking funding from dozens of sources, or trying to raise funds on a project by project basis, some organizations have begun acting as intermediaries to develop a "prospectus," which describes the long term building, growth and sustainability plan for an organization. Foundations or intermediaries assist the fund seeking organization, to consider their real financial needs and the measurements they might propose at each stage of development to trigger further philanthropic investment. This prospectus, or fund proposal, is then sent to several funders who would agree to the development plan and milestones, and make philanthropic grants or "investments" in the plan rather than on a project-by-project basis. This has traditionally been the approach used for capital campaigns to raise funds to build or buy buildings, but it has rarely been used to raise funds for growth or development financing for an organization. Instead of trying to answer to dozens of funding "masters," organizations that are taking this approach have one set of criteria to meet and one set of evaluation metrics report on. Philanthropists see these syndications as a way of working with others to ensure their grants have clear long-term impact.

These types of syndicated grants can be especially helpful to organizations in rural and remote areas, which do not have access to a large number of locally-based companies to approach for corporate sponsorships or local foundations to approach for individual project grants. Organizations can find funders who are interested in their overall mission and in seeing an organization thrive and grow. Syndicated philanthropic capital may also be helpful to smaller organizations that find dealing with a number of different grantor requirements and reports impossible to manage. A centralized investment in their mission, with a clear set of milestones that all funders can support would help these organizations concentrate on meeting their important community objectives rather than expending extremely scarce resources on small project grant proposals that do not contribute to their organizational stability.[18]

ACQUIRING ASSETS OR UNLOCKING THEIR POTENTIAL

A variety of organizations are supporting nonprofits and charities to acquire assets such as their own building or facility. Helping organizations realize opportunities to own their own facilities is a way to reduce ongoing costs of rent, potentially provide additional income (through renting to others or sharing of facilities) and provide an asset base that can be leveraged for other funding when needed. Together with organizations already mentioned, new funds like the Ontario Community Capital Fund[19] assist charities and nonprofits that need capital or infrastructure funding support. Organizations who already own considerable real estate, such as valuable land, large warehouses, group homes or housing stock, have for some time been looking at how they might leverage these assets (for example, through public-private partnerships in redevelopment).

FINDING SUPPORT

No doubt some organizations have already tried these and many other options. Over and over again we have heard from groups that have tried to access financing through traditional financial institutions and failed. The have been told they are not loan or financing ready, their institutions do not have programs that will suit their needs, or their financial institutions do not provide loans or other financing for nonprofits or charities. Some have told stories of creating their own "bridge financing" through personal lines of credits, home mortgages, and GICS while waiting for grant payments. Others have tried to find support services to look at their organizational financing and to make a plan to become loan or financing ready or to explore how they might create a revenue stream, but find that they do not fit into existing programs or that grants or support are not available.

It is clear that nonprofits and charities cannot do it alone. Supportive organizations that specialize in the types of programs and financing that help nonprofits and charities have been in existence for years in many countries and in parts of Canada, though access in many regions is very difficult. So, what services or programs have proven helpful, and what is being done to provide a network of services across the country?

INTERMEDIARIES

In the for-profit sector, a variety of organizations serve as intermediaries between funders (wealthy investors, governments, banks, and other capital sources) and those who are seeking funds for business development and sustainability during periods of growth. These intermediary organizations serve several purposes. First they vet organizations to see that they have excellent management, interesting products or services, and real possibilities to meet their goals. If organizations pass this first test, the intermediary helps them to develop a reasonable business and financial plan and to put together the proper funding to enable them to reach their goals. They also offer support in the form of financial management and planning and general capacity building and support.

In the U.S., the UK, and parts of Canada, intermediaries have developed to assist the nonprofit and charitable sector with financing and financial advisory service needs.[20] For example, the Nonprofit Finance Fund (NFF) in New York, a 30-year-old community development financial institution, and Venturesome in the UK have successfully served as intermediaries between banks, foundations, investors, and other funders and nonprofits and charities who needed funds. They look at all the financing needs of a charity or nonprofit and are interested not only in providing a loan, but also in providing financial advisory services that will help nonprofits and charities look at their current and future financing and consider where they are going and where they need to go to build a sustainable organization. They also help funders, whether private individuals or foundations, to consider investing, as well as granting, in the sector. Foundations are able to invest in intermediary funds using their endowments and core capital in ways that fit with the purpose of their foundation or individual plan. These investments provide a return (so core capital isn't lost). The investments in NFF have proven very stable; organizations rarely default on their loans and charities, nonprofits, foundations and funders have come to rely on NFF both for a variety of financial services, as well as information about the needs and opportunities for financing in the sector.

Right now in Canada, there are several organizations that serve regional markets and a few that operate nationally to serve the needs of nonprofits and charities that need mortgages or that wish to develop social enterprises. But there are few entities[21] that provide support for financial sustainability, and even fewer that help to provide loans and financing for charities and nonprofits for purposes other than mortgages or to start a social enterprise. While there are foundations that lend to the sector, some are looking for intermediaries that can offer them support services and work with charities and nonprofits on the full spectrum of their financing needs. There are development projects currently underway, like the Community Forward Fund, that hope to contribute and offer different types of intermediary services to funders and the sector. Although the Canadian marketplace is not huge, we feel there is a growing demand for loans and other financing instruments for charities and nonprofits.

It is important to recognize what needs to be done to help charities and nonprofits learn about and take advantage of alternative funding options. In some cases, intermediaries have had difficulty finding clients for social-purpose business loans or funding. Sector organizations are often confused about what is available and, in many cases, feel that it is not available to them. There is a great deal of misunderstanding about whether charities and nonprofits are eligible for these funds. As previously mentioned, many organizations do not see themselves as social enterprises, even if they have a revenue stream (such as fees, services, or products), and may believe they are not eligible for funding or support. Some intermediary organizations do not see "traditional" charities as possible clients for their services.

While it is completely fair that intermediaries have a focus and do not try to be all things to all people, it is also important to begin the conversation of what our ultimate purpose should be. We have to move beyond nomenclature and focus on the interests we have in common: a well-funded social sector, with high impact, that is sustainable and able to meet its mission.

Charities and nonprofits, as well as potential funders, need to be partners in the development of these intermediaries and services to make sure that they are of value and will work for and with them to address the range of financing and support needs.

FINANCIAL FITNESS AND ADVISORY SERVICES

While there has been increasing investment in "capacity building," there has been a concern that some of these efforts imply that charities and nonprofit managers are either not doing their jobs correctly or need some type of remedial action. Private sector companies enjoy a host of services and institutions dedicated to providing financial advice and helping them build their financial futures; these are considered to be necessary to the development process and are no reflection on the competency of the organizations that use them. Even government agencies, like the Business Development Bank and the Export Development Corporation, offer a variety of financial and advisory supports to private sector companies. Community economic development organizations have done the same for community-based businesses, and a number of organizations have worked to support social enterprise and social purpose businesses. There is no reason why similar programs, offering training and support not only for day-to-day operational financial issues and cost based budgeting[22] but also help in developing a strong financial foundation and plan, should not be available to the whole charitable and nonprofit sector. Although there are organizations that offer the former, there are relatively few that offer financial advisory services and that will work with an organization to consider its financial future and help chart a course for its sustainability and growth. Support for these types of initiatives in the U.S. and UK have helped organizations take full advantage of social and private financing and have resulted in improved results for many organizations.

NO TIME LIKE THE PRESENT, BUT WHAT ARE OUR LEGAL OPTIONS?

As part of our exploration in building the Community Forward Fund, we have looked at both the legal and other structures necessary to allow foundations and others to loan to charities and nonprofits. We have also looked at what types of financing can be accepted or developed by charities and nonprofits. While there is much work to do to provide additional incentives and create an enabling environment, it is clear that there are a number of things that are being done and can be done within current legislation and regulations.[23] Intermediaries can begin operations using existing legislation and structures; many have been operating in the field for some time. It is important, while continuing to press for additional incentives and favourable legislation and regulations, to move forward in developing different financing models and supports. The more activity we have, the more likely we are to be able to make the case for better legislation and regulations.

TELLING OUR STORIES PROUDLY

A recent trend in project-based funding has not only resulted in the erosion of core organizational strength but has also contributed to the emergence of a bias in the portrayal of the nonprofit and charitable sector. More and more, the sector is told it is inadequate, that it is badly run by people with inadequate skills who should emulate private sector practices in order to be successful. It is because charitable and nonprofit managers and staff are seen as being not up to the task.

Given the past two years experience with the economy and the private sector, it seems rather one-sided to focus a lens of criticism on the charitable sector. Few could argue that the private sector strategy or approach has emerged unscathed. The charitable sector has been heralded by private sector business leader Peter Drucker as inherently creative and frequently with excellent leadership.[24] *Good to Great* author Jim Collins speaks to the qualities he found in the social sector and points out that some aspects of the traditional private sector model can lead to mediocrity rather than greatness.[25] Why then does this negative view of charities and nonprofits persist? And why are we so anxious to emulate a private sector model that has not been more successful or increased stability in organizations?

The private sector has long argued that it is the best at what it does; how else could it attract capital and customers? It has also been successful in making the case that well-funded management and infrastructure are the keys to impact and successfully meeting mission. It is this approach that charities and nonprofits should emulate. It seems unlikely that we will develop a thriving marketplace of donor or investment capital for the charitable and nonprofit sector if we persist in talking about our weaknesses. Charities, nonprofits, foundations, and other charitable donors need to help tell the story of the strengths of the sector. In order to attract capital for mission-based and not just project-based work, organizations must start to talk about what the sector does well, make the case for stable and decently paid management and infrastructure, and build an atmosphere of confidence and trust.

This does not mean that there is nothing to be learned from the private sector. Nor does it mean that adopting a wider view of how to present and quantify success and how to finance the sector is without merit. Traditionally, the most successful ventures have been those who are prepared to beg, borrow, and steal the best ideas and theories to create the most successful entity possible. Good businesses work on constant improvement while trumpeting their value and success. As they work to improve all aspects of the sector, organizations should be prepared to tell their story based on their strengths and successes.

TAKING THE TIME TO GATHER EVIDENCE

I have learned an important lesson from my experience working in the sector: there are times when, despite all indications to the contrary, it is necessary to carve out time to reflect on the rich information we collect for funders and other purposes and find new ways to tell our stories.

At a one-stop storefront operation that served people who were homeless or in danger of becoming so, we would close for a half day every two weeks to review our data. We would then call city managers, tell them about trends we had seen, and propose policy changes that would improve the housing options of the people we served (and help stem the tide of the growing demand for our services). We spent a portion of this time considering our financial future and determining what we would need to ensure a recurring and stable funding source to fulfil our mission and serve the people who came through our door.

In truth, this half- day was very hard to come by. There was a huge demand for our services. Our caseload was enormous and growing by the day. Facilities were less than stellar and the roof often leaked. Pay, to put it mildly, was inadequate. But sanity dictated that something had to be done to break the cycle.

At first, funders (both government and others) were incensed. They weren't paying for the organization to be closed! But slowly they began to see the win-win for them. Our ability to articulate the bigger picture, with statistics and stories, was helpful to them in knowing where to target services. It helped them secure additional funding from other levels of government based on need. As well, having the organization consider how best to securely fund itself in the future meant that they did not have to find other ways to meet demand and provide these services to the community. Finally, this half-day helped us tell our story and use what we knew to make the case for more and different types of funding. Our data, demonstrating the impact of our services on the numbers of people who were homeless, who used emergency housing, the quality of the housing stock and policies within the region that contributed (positively or negatively) to the situation, allowed us to make the case both for corporate support and for a new government program dedicated to this kind of service.

Being able to report on social impact[26] is of growing importance to philanthropists and charities alike.[27] While the impetus for this measurement is to be able to explain value created by the sector that goes beyond purely economic factors, there is a danger that the message is being lost. Right now, much of the discussion around measuring social impact concerns the punishment that an organization might face if it comes up short, either through a lower score on a "rating scale" or some other type of evaluation measurement that will take it down a notch in a competition for scarce resources. Moreover, it doesn't take much imagination to realize that gathering social "impact" data could be looked on as an additional burden for a group of people that have already reached their limit.

Charities and nonprofits spend most of their organizational lives developing data to evaluate and/or defend their performance, usually against criteria that have everything to do with program outputs or details and often little to do with their mission or plan.

While all organizations must be (and, I believe, most are) prepared to demonstrate their effectiveness and efficiency against a set of measures, the use of this data is usually tied to defending day-to-day operational funds rather than to build or grow an organization. A much more effective message might be that information and impact measurement is a means to better tell the story of an organization's success and to help find new funding options. And, if this information is of growing importance, the time and resources necessary to measure and collect it in useful ways must and should be part of the overall funding package for nonprofits and charities.

SOCIAL INNOVATION AND SOCIAL FINANCE: HOW DO WE MOVE FORWARD?

Social finance has a myriad of definitions, some broadly based and all-encompassing, some very narrow. I cannot hope to find one definition that will meet with everyone's approval. So instead of a definition, let's aim at a purpose: social finance has, at least as part of its core mission, to expand financing options available to the charitable and nonprofit sector and to contribute to its impact and success. In order to have a significant impact, funders, intermediaries, and sector organizations will need to work together to find the correct mix of financing needed for sustainability. Given the variety of sector needs, it is impossible that one approach will serve this purpose; a variety of options will likely be needed for most organizations. Until we consider the sustainability, mission, as well as the day-to-day financial needs of organizations, our financial solutions will continue to be piecemeal at best. To thrive, most organizations will need a combination of grants, donations, loans, seed funding, and revenue generation. The silos that have traditionally kept the different types of financing, funders, and organizations apart need to come down. Many funders have begun to work toward this type of whole-organization funding in partnership with charities and nonprofits, but we have some distance to go. Some funders are concerned that they cannot be engaged in this type of holistic approach. They worry that they don't have the time, they cannot do it for everyone, and if they do it for one, thousands will be beating down their doors. This is another role that intermediaries can play: bringing the best financing options for organizations to the table and providing a service to foundations and wealthy individuals who want to see impact on the whole mission of the organization, beyond a project or program.

We hear a great deal about innovation in the charitable and nonprofit sector, especially when we are discussing social finance. Many find this frustrating. We change our ideas quickly, and organizations find themselves following one "innovative path" only to have funding for a newer, brighter idea replace the work they just invested so much time and effort in to make a success. All too often, discussions of innovations in the sector centre around one new or big idea, the magic bullet that will solve all problems. When these magic bullet ideas don't work, we are ready with our "I told you so's."

The Canadian nonprofit and charitable sector is as diverse as Canada itself. I think it is time to realize that to thrive we need a number of approaches that speak to this diversity and offer options to the sector in times of need. It is also time to think of innovation differently. In a recent Harvard Business School Blog, a senior contributor (and expert on innovation) summed it up this way:

> Usually, managers equate innovation with creativity. But innovation is not creativity. Creativity is about coming up with the big idea. Innovation is about executing the idea – converting the idea into a successful business.[28]

This has to be our mantra. Yes, we need the big ideas, the creative cycle. But in the world of social finance, it's time to act. If we do not, the level of cynicism will continue to rise. In order to encourage action, we also need to stop setting impossible hurdles for people who are trying to implement creative ideas. Acting requires experimentation and, sometimes, failure. Many organizations locally and nationally have been working tirelessly to provide financing options for nonprofits, charities, and social enterprise. There have been some ideas that did not work. When failure happens, let us learn from it. Successful ventures adapt based on what has been learned through other trials and experiments. So much of this field is new, or at least, relatively young. We need to create an atmosphere where people are encouraged to take risks and where more than one idea can be welcomed and explored.

We are in an era of restraint and that makes everyone cautious about our most precious resources: people, time, and money. Yet, much of our sector has thrived in difficult times because of our ability to rise to meet the challenges and the need, for the community. We would do well to remember charities and nonprofits are the foundation upon which the community rests. When we help ourselves, we are in the truest sense of the word, meeting our mission.

WHAT IS THE COMMUNITY FORWARD FUND?

The Community Forward Fund (CFF) will be a loan and financing fund for charitable and nonprofit organizations in Canada. It will also offer financial advisory services.

There have been few opportunities for charities and nonprofits to use and access loans. Some financial institutions do not offer them as they are inexperienced in working with nonprofits and have not developed credit policies to deal with the sector, and some nonprofit financing funds are dedicated to social enterprises or mortgage funding exclusively. Some nonprofit managers and Board members have been reluctant to use debt as a financing method. Yet for over 30 years in Canada, the United States and many other countries, charities and nonprofits have used loans successfully as part of their financing strategy. Many organizations have begun to see how important it is to have a range of financing options in order to thrive. CFF plans to offer loans for a range of purposes to fill some of the gaps that remain in access to financing for charities and nonprofits.

Investors are recognizing that charities and nonprofits are great investments and that these organizations rarely default on their loans. They

COMMUNITY FORWARD FUND: ONE INTERMEDIARY'S STORY

What were the results of our exploration in social finance for charities and nonprofits? Over several months, we learned from the experience of people in Canada who have tried to develop (or who are in the process of developing) other charity and nonprofit financing models. They have shared what worked and what didn't, and helped identify what kind of intermediary would help fill gaps in financing for the sector. We also learned that successful funds like the Nonprofit Finance Fund and Venturesome in the UK offered models to build from, with successful track records and great information and experience to share. With their support and encouragement, and the generous support of Citizens Bank (a subsidiary of Vancity Credit Union), Social Innovation Generation, and a number of dedicated advisors and volunteers, we have begun development of the Community Forward Fund. We are moving quickly and hope to complete the first stage of our development in the late fall of this year.

want to have a modest return and to support organizations in their work; investors have shown real interest in funds like CFF. While grants will always be important for charities and nonprofits there is growing room for new options to fill gaps in funding and expand the financing available to the sector.

Many senior staff and Boards of charities and nonprofits are looking for impartial financial advisory services to help them create and maintain a strong financial foundation for their organizations. CFF is planning to offer these services, adapting programs from Canada and internationally.

There are many regional organizations in Canada that have a long history of serving the financial needs of charities and nonprofits in their communities. As it builds, the Community Forward Fund is working to complement these organizations and collaborate with regional partners. Our developers, advisors and volunteers include investment fund professionals, bankers, credit union executives and board members, foundations and charities. With their help, we have just completed a financial model and initial legal structure for the Fund.

With encouragement from Imagine Canada, CFF is meeting with nonprofits and charities across Canada, discussing financing issues and finding out about financing needs. We are gathering case studies from organizations that want to tell their financial stories and talk about how they might use loans if they were available. We plan to provide a small number of demonstration loans to show how organizations would use loans as part of their financing strategy. We are also meeting with interested groups of investor organizations that have expressed interest in the fund and are telling us more about their needs and providing feedback.

For more information or to tell your story visit www.communityforwardfund.ca .

NOTES

1. www.communityforwardfund.ca.

2. Information and definitions of social finance are abundant and the reader will find many valuable resources on the Internet. For the purposes of this article, I intend to focus on the financing needs of the charitable and nonprofit sector. For other resources and more general information, see: www.socialfinance.ca and SIG (Social Innovation Generation): http://sigeneration.ca .

3. Throughout this article, references are made to websites of organizations that are examples of existing programs and services.

4. The 2005 satellite account of Statistics Canada survey on Charities and Nonprofits indicates that 46.4% of income in the core nonprofit sector (excluding hospitals and universities) is from sales of goods and services.

5. This article is available at www.nonprofitfinancefund.org/articles-publications/george-overholser; *Buying is Not Building,* January, 2010.

6. Ibid.

7. One example of this type of organization is SEDI, the Social and Enterprise Development Innovations, a charitable organization that works with community groups nationwide to help low-income people become self-sufficient through financial literacy, saving and asset building, and entrepreneurship. www.sedi.org .

8. www.nonprofitfinancefund.org .

9. www.vancity.com/MyCommunity/NotForProfit .

10. www.caic.ca/portfolio.html .

11. www.socialenterprisefund.ca .

12. The organizations mentioned do not constitute a complete list. In addition to those listed above, there are organizations, in Canada, the UK, and the U.S. that provide loans and investments to charities and nonprofits. A couple of additional examples: The Réseau d'investissement social du Québec (RISQ) was created in 1997 to provide loans and investment capital to the sector: http://www.fonds-risq.qc.ca . Venturesome is a 12-year-old UK organization providing loans to charities and nonprofits (www. www.cafonline.org). There are also a number of organizations providing micro-credit and other supports to community based institutions and small businesses. For a more comprehensive list of these, please see www.www.ccednet-rcdec.ca .

13. For an overview of foundations providing loans to their organizations, see the Community Foundations of Canada: www.cfc-fcc.ca/programs/ri_what-are-cfs-doing.html, as well as the resources on responsible investing on this page.

14. For more information or examples/case studies of how charities and nonprofits have used loans see www.communityforwardfund.ca or www.nonprofitfinancefund.org .

15. There are many sources and resources to assist organizations interested in revenue generation and a range of financing options, but among them, in Canada are http://www.enterprisingnonprofits.ca; Social Innovation Generation, SIG@MaRS, which is developing a program of support for new social enterprises; BC Centre for Social Enterprise, which offers a number of supports to charities and nonprofits: www.centreforsocialenterprise.com; http://www.renewalpartners.com/about; the BC Centre for Social Enterprise: www.centreforsocialenterprise.com; www.socialeconomyhub.ca; and the Centre for Social Innovation in Toronto: www.socialinnovation.ca, which has two buildings offering space and a host of other supports and services.

16. For an interesting model of syndicated philanthropic investment, look to the Growth Capital funds of the Nonprofit Finance Fund at www.nonprofitfinancefund.org/capital-services/growth-capital-prospectuses. The Social Venture Exchange, currently under development, is considering a range of options to bring together funders and organizations: www.socialventureexchange.org .

17. Many foundations in Canada have worked to consolidate or syndicate funds. For larger discussions on this issues in the foundation world, please see the Community Foundations of Canada website and resources: www.cfc-fcc.ca, and Philanthropic Foundations of Canada: www.pfc.ca .

18. New types of capital investment for these "whole organization" or syndicated funding models include the Social Impact Bond, currently underway in the U.K. For more information on Social Impact Bonds in the U.K., please see http://www.socialfinance.org.uk .

19. http://www.trilliumfoundation.org/cms/en/CCF_main.aspx .

20. Examples of these have been listed previously.

21. Tides Canada provides a variety of support including philanthropic, financial, and project management services: www.tidescanada.org .

22. There are several resources to deal with basic financial overviews and for cost based budgeting for organizations. While we have not reviewed these resources in detail, here are some examples of what is available: ACEVO in the UK has developed a new resources available through their website: http://www.fullcostrecovery.org.uk/main; Charity Village offers an online finance and budgeting course: www.charityvillage.ca; The Nonprofit Finance Fund now also has an online resource for financial self assessment http://nonprofitfinancefund.org/knowledge-advocacy; Vancity offers a series of workshops on Financial Fitness for nonprofits and charities. Information is available on their website: http://www.vancity.com/MyCommunity/NotForProfit/FinancialEducation . The Community Forward Fund will be offering financial advisory services as part of its plans. Watch the website for details: http://www.communityforwardfund.ca .

23. Community Foundations of Canada recently commissioned work on legal parameters of program-related investing and loans for foundations. This work is forthcoming. For information on how the Community Forward Fund is dealing with legal structure, please see www.communityfowardfund.ca .

24. For more information on Drucker's work see http://www.druckerinstitute.com/ and http://www.pfdf.org/about/index.html .

25. www.jimcollins.com/books/g2g-ss.html .

26. There are many efforts underway to try to measure social as well as economic impact of investment. Summaries of these discussions can be found at www.socialfinance.org and http://www.enterprisingnonprofits.ca/projects/demonstrating_value .

27. One international effort to rate social as well as financial impact is the IRIS (Impact Reporting and Investment Standards) model, hosted by the Rockefeller Foundation: www.iris-standards.org .

28. Vijay Govindarajin. (2010, August 3). The Other Side of Innovation: Solving the Execution Challenge, *Harvard Business Review Blog.*
URL: http://blogs.hbr.org/govindarajan/ 2010/08/innovation-is-not-creativity.html .