



Dear Friends,

We live in a disorienting time. We are more inspired than ever about the positive difference we can make combining capital and expertise to unlock the potential of social-sector organizations. Yet we are reminded daily of the work still needed to make this country more [just and vibrant](#). A caustic and divisive presidential campaign has revealed the fragility of our commitment to each other. And increasingly vocal social movements remind us of how much work remains to realize our country's ideals for all our people.

At Nonprofit Finance Fund, we draw continuous strength from the inspiring contributions that our clients and partners make every day. This imbues us with optimism and drive to keep asking what more we can do to support and empower them.

What does this look like in practice? Between July 2015 and July 2016, NFF served hundreds of organizations with consulting services and lent \$32 million to 17 new borrowers. For example:

- We helped 21 Child Abuse Intervention Centers in Oregon understand the financial environment in which they operate and chart a more stable financial future.
- We led a group of investors to help pioneering social service agency HealthRIGHT 360 provide its integrated services to San Francisco's most vulnerable people in a facility they now own, freeing them from a rental market that threatened their ability to stay in the community that needs them.
- We supported small, minority-led performing arts organizations across the nation by opening avenues to previously inaccessible funding.
- We provided a loan that helped Housing Works, a New York homeless service and advocacy organization, continue a program threatened by shifts in healthcare funding.
- We partnered with two private foundations in Southern California to foster a breakthrough conversation between program officers and grantees that built mutual trust as well as insights about financial health.

NFF provides social-sector organizations with the capital and expertise to weather crises, survive, and thrive, by helping them build the stable footing and practices to sustainably and strategically reach for the futures they envision.

The right answers and financial insights are critical. But we have learned that we must also:

- *Empower rather than impress:* We know that the people leading these organizations are just as likely to be doctors running health clinics, teachers who started early-childcare centers, social workers running homeless shelters, actors who manage theater companies, or policy experts working in private foundations, as they are to be finance professionals. We make the largest and longest-lasting contributions by entering each interaction determined to leave our clients better armed to control their financial futures.

"The spirit of co-creation and learning between NFF and our Oregon nonprofit partners has resulted in capacity building work customized to our nonprofits' needs and delivered in a way that is truly relevant and accessible to a range of organizations." Candy Solovjovs, Director of Programs, Meyer Memorial Trust

"In NFF we found a partner who not only shares our goal of helping vulnerable communities but who also worked diligently with us to create a customized financing solution for a complex project." David Crawford, CFO, HealthRIGHT 360

"Because there were funder and nonprofit staff together around the table, I thought it was one of the most beneficial and 'real' convenings I had been to. The perspectives and openness were so refreshing and challenging." California nonprofit



- *Combine capital and expertise:* We start our conversations with clients by asking, “What are your mission objectives and how can we best help you meet them?” And the answers increasingly call us to integrate our lending and consulting practices to provide comprehensive support.
- *Muster stamina and creativity:* NFF makes the biggest impact with clients and partners by combining creativity with long-term commitment. For example, we worked side-by-side with HealthRIGHT 360’s leadership team for a year before closing a loan, helping them weather delays and bureaucratic obstacles.

NFF lives by the same rules as our clients. We can only sustain and serve our mission if we constantly examine and improve how we operate. This year we enhanced our capacity by:

- *Deepening our commitment to [our values](#):* NFF’s values are an explicit draw and filter in our recruiting, are embedded in our performance review process, and are called upon to help us navigate hard choices.
- *Focused recruiting:* NFF welcomed 18 new colleagues from mid-2015 to mid-2016, people who bring professional excellence, embrace our values, and are committed to our clients. Our team is stronger than ever, as is the job market. Please contact me directly if you or someone you know might be interested in joining Team NFF and check out our [job listings \(nff.org/employment\)](#). We are hiring across all five offices and across our Financial Services, Advisory, Knowledge & Communications, and Operations teams.
- *Building our cultural competence:* The organizations we serve bring forward opportunity and perspective borne from their communities’ realities of cultural depth and marginalization. NFF has embarked on a wide-ranging journey to build our own diversity, empathy, and practices of inclusion that recognize the places we all occupy in our structurally racist and unequal society.
- *Ensuring a strong financial foundation:* As we remind our clients every day, money and mission are intertwined. We are very pleased to have expanded our client work while also growing our unrestricted net assets by approximately \$500,000 in 2015, a trend we are on track to continue this year, positioning us for wider and greater impact fueled by bolder innovation.

Changing the system

We are also expanding our influence and advocacy work to catalyze a more empowering social sector *system*. For more than 30 years, NFF has advocated for fundamental reforms in philanthropic and government funding practices to ensure grantees have the flexible support they need to thrive. We were heartened to see some of these themes gain traction this year, with renewed attention to the destructive consequences of a narrow focus on minimizing “overhead.” But we also know that building trust and insight is going to be even more important in driving lasting change in funder practices. We were excited to partner with the Weingart Foundation and California Community Foundation on [a promising pilot](#) to build mutual trust between program officers and grantees to understand, discuss, and cover the full costs of delivering services. We look forward to expanding this work.

NFF also deepened our work in two areas with potential to catalyze real, positive change in social-sector funding. With the Federal Reserve Bank of San Francisco, we launched a [campaign](#) to help accelerate the shift to an outcomes-oriented funding and financing system. And we expanded our work to help community-based

NFF Values in action

Creating positive social change is hard work that requires focus, discipline, and collaboration. Explicit values guide our decision-making, organize our priorities, and facilitate effective partnerships. I am deeply gratified to see the NFF team live our values every day:

***Rigor without Attitude** helped us to earn the trust of both funders and grantees and overcome a traditional, mutual skepticism.*

***Responsiveness** led us to structure a bridge loan enabling HealthRIGHT 360’s construction to progress through bureaucratic twists and turns.*

***Leading by Doing** was a touchstone in our work on Pay for Success nationally, as we consistently brought an on-the-ground perspective to an often-theoretical debate.*

***Generosity of Spirit** guided our diverse and dispersed team to work together effectively on challenging projects, appreciating each other’s best intentions and respective constraints.*



providers of human services and large healthcare organizations figure out [how to work together effectively](#) to deliver better health to more people and communities at lower costs. Building on our lending and consulting in this area, in September we launched the first of several exciting partnerships that will bring the best of NFF to the opportunities and challenges of national healthcare reform, with our deep understanding of the crucial knowledge and value that community-based human-services providers represent. This work is underpinned by support from [The Kresge Foundation](#) and the Robert Wood Johnson Foundation and our partnership with [Dignity Health's](#) community investment team.

It takes a village to support this work. We are honored to be part of a wide array of partnerships. Among these, a new initiative with The Prudential Foundation brings NFF's focused consulting services and capital to organizations based in Newark, NJ. Ford Foundation continues to provide us with core support, crucial to sustain our team and innovate. The W.K. Kellogg Foundation has supported a two-year initiative among New Mexico community groups. We are working with The Andrew W. Mellon Foundation on comprehensive support for minority-led arts organizations across the country. Bank of America Charitable Foundation is an anchor funder of our outcomes knowledge campaign. The MacArthur Foundation has provided seed funding to plan a new health-focused investment vehicle. Laura and John Arnold Foundation has generously enabled us to continue our work collecting and sharing information on how the Pay for Success field is evolving in the United States. We continue to receive crucial support from the US Department of Treasury's Community Development Financial Institutions Fund. We are ever-grateful for the wisdom and professional support from our pro bono legal counsel, Orrick, Herrington & Sutcliffe. NFF's [board](#) members continually push us to find the balance between strategic ambition and prudence. And I am humbled every day by the savvy, commitment, and joy that Team NFF brings to our work.

Since NFF's headquarters moved into our beautiful new space in New York's Financial District in March, my morning commute takes me past Federal Hall, where George Washington was sworn in as the United States' first president. As I pass, I nod to his statue and commit that today I will do what I can to help realize the promise that his troops' sacrifice set in motion almost 250 years ago. And I think of President Obama's repeated exhortation that each of us play our part to help forge "a more perfect union."

NFF's part is to empower our clients, and to push the system in which we all operate to be more fair and manageable. This work is not easy. But when we bring together the right partners with the right ideas in the right ways, it can make all the difference.

Thank you for your ongoing support.

Antony Bugg-Levine

Antony Bugg-Levine, CEO
November 2016

NFF concluded 2015 in a strong financial position, bolstered by in-year results.

NFF's \$85.5M balance sheet provides a platform to deliver our mission. This is comprised of \$62.7M in outstanding loans, \$15.0M restricted for future client service, and \$7.8M deployed in support of our enterprise. A robust \$9.6M in Unrestricted Net Assets ensures NFF is well positioned to navigate our future opportunities and challenges.

Operating revenue of \$13.6M represents a 9.3-percent gain on 2014 and provided a \$0.5M increase in Net Assets after funding all operating expenses. Bottom line results surpassed our budget expectations, while top line growth was strong, though less so than we had hoped.

NFF has seen continued support from core funding partners: \$8.8M in grant support, fees, and contributions reflect a 10-percent increase in support for NFF service delivery. Financial product provided \$4.8M in revenue, supported by \$8.7M growth in our lending portfolio. Our borrowing clients are collectively doing well, and underlying loan performance continues to improve at the best rates since the great recession.

Like so many of our clients, NFF continues to work on our own sustainability. We are improving our utilization of capital, improving our controls and planning tools, and continually securing the resources needed to advance our programs. Last year represented another important step on our path to enduring service built upon enterprise sustainability.