



CNC Recommendations for Cambridge Redevelopment Authority (CRA) Forward Fund

The proposed CNC recommendations below respond to the following realities, based on the data we have collected through the [two nonprofit sector surveys](#) that CNC has conducted since the pandemic struck and that are supported by [national trends](#):

- **There is widespread and urgent need:** Nonprofit organizations across the city have an immediate and critical need for financial support, in order to address the immediate and critical community needs.
- **Nonprofits are facing capacity challenges:** Nonprofit staff are already stretched thin adapting to the current reality and addressing the dramatic increases in community need.
- **Nonprofits are facing cash flow and financial challenges:** Many nonprofits are struggling with immediate cash flow shortages, major reductions in income, and zero or very limited cash reserves.

Recommendation Summary: CNC is grateful that the CRA is considering changes to the Forward Fund in an effort to better meet the needs of Cambridge residents and the nonprofits many Cambridge residents rely on. As the local sector continues to adjust to the new realities that the COVID-19 pandemic has created, we deeply appreciate all efforts to bolster our ability to provide the critical support our community needs at this time.

Our intent with these recommendations is to ensure available funding is distributed quickly, done in a way that is as impactful as possible, and reduces barriers to accessing these funds.

CNC Recommendations:

Funding Approach for 2020 Forward Fund:

- Utilize the remaining dollars from the 2020 Forward Fund for grants of up to \$1,000 per organization, for the purpose of purchasing PPE, cleaning supplies, and/or other supplies and equipment that will allow for safe in person programming.
- Design and administer a simple process to allow for disbursement of these funds by the end of November 2020.

For the 2021 Forward Fund:

- Increase the amount of funding available to Cambridge serving nonprofits to \$500,000
- Apply a broad definition of capital projects in a manner that aligns with the kinds of [capital defined by Nonprofit Finance Fund](#). This approach will provide nonprofit leaders with the necessary flexibility to sustain their organizations through the COVID-19 crisis.
- Allow organizations to define their approach to addressing the broad impact of COVID-19 on the consumers and community they serve, and the ability of their organizations to operate.

This position is supported by the following 51 Cambridge Serving organizations:

Maria LaPage, Organization formerly known as Agassiz Baldwin Community

Rouwenna Altemose, All In Energy

Gina Scaramella, Boston Area Rape Crisis Center

Dan Yonah Marshall, Brookline/Cambridge Community Center for the Arts, Inc. (BCCA / CCCA)

Sharon Zimmerman, Cambridge Camping Association

Darrin Korte, Cambridge Community Center

Susan Fleischmann, Cambridge Community Television

Tina Alu, Cambridge Economic Opportunity Committee

Bernette Dawson, Cambridge Families of Color Coalition

Robert Gittens, Cambridge Family and Children's Service

Theodora Skeadas, Cambridge Local First

Meg Ramsdell, Cambridge School Volunteers

Laurie Rothstein, Cambridge Volunteer Clearinghouse

Jessye Kass, Cambridge Women's Center (Women's Educational Center, Inc.)

Catherine Carr Kelly, Central Square Theater

Laura Jasinski, Charles River Conservancy

Jane Hirschi, CitySprouts Inc

Erin Muirhead McCarty, Community Art Center, Inc.

Gail S. Packer, Community Dispute Settlement Center, Inc.

Salvatore Bramante, Dante Alighieri Society of Massachusetts

Michael Delia, East End House

Ben Clark, Enroot Inc.

Sasha Purpura, Food For Free

Steven Nutter, Green Cambridge

Shiela Moore, Hildebrand Family Self Help Center

Peter Daly, Homeowner's Rehab Inc.

Michael K. Dawson, Innovators for Purpose

Norma Finkelstein, Institute for Health and Recovery

Sarah MacDonald, Life Science Cares

Dr. Kimberly Massenburg, Margaret Fuller Neighborhood House

Paulo Pinto, MPA, Massachusetts Alliance of Portuguese Speakers (MAPS)
Sunny Schwartz, Massachusetts Biotechnology Education Foundation
Cassie Hurd, Material Aid and Advocacy Program
Shelley Neill, Multicultural Arts Center
Elizabeth Aguilo, Paine Senior Services
Eve Sullivan, Parents Forum
Ronnie Millar, Rian Immigrant Center
Bonnie Bertolaet, Science Club for Girls
Andrea Shapiro, Second Chances, Inc.
Paul Hollings, Somerville-Cambridge Elder Services
Jyoti Sinha, South Asian Workers' Center
Peter DiMuro, The Dance Complex
Kate Layzer, The Friday Café at First Church in Cambridge
Christopher Hope, The Loop Lab
Joan Squeri, Vice President, The Union Partnership for A Whole Community
Sarah Gyorog, Transition House
Elaine Ng, TSNE / Link
Kathryn Fenneman, Tutoring Plus of Cambridge, Inc
Bruce Bird, Vinfen
Martha Hinkley, Violeta Montessori School
Eva Martin Blythe, YWCA Cambridge

Using the right kinds of capital in the right ways helps nonprofits effectively pursue innovation and experimentation, manage risk, respond to the unexpected, and invest in revenue generating activity.

All invested capital, regardless of its specific application, should contribute to a more appropriately aligned capital structure. A healthy capital structure is critical to enabling organizations to pursue innovation and experimentation, manage risk, respond to the unexpected, and make critical investments in revenue-generating activity.

NFF defines capital and its uses in the ways described here, while acknowledging that there may be some fluidity between the types.

These capital funds can be generated in many different ways. Some of the most common include:

- Retained earnings from operating surpluses (i.e., “savings”)
- Periodic campaigns for capital (including campaigns for facilities as well as for change capital) and targeted fundraising
- Judicious use of debt, including internal borrowing, bank or other outside debt

*Organizations scaling rapidly may require an enterprise-level infusion of growth capital into a rigorous plan for sustainability. To learn more, visit: nonprofitfinancefund.org/capital-services/portfolio-performance-report



Working Capital

Funds to maintain ordinary business operations.



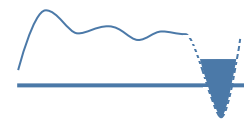
Operating Reserve

“Rainy day” fund; absorbs unforeseen funding losses or unexpected, extraordinary expenses



Risk & Opportunity Capital

Funds to weather the unexpected and support experimentation or course corrections.



Change capital*

For growth, downsizing and to change the size and scope of the organization.



Recovery capital

Helps recover from damaging financial shortfalls, reduce debt, or fund much-needed repairs to facilities / equipment.



Facilities & Equipment Capital

Organizations can raise funds for specific acquisitions or upgrades, or accumulate reserves to meet future needs as they arise.



Endowments

Raised capital that is often permanently restricted and generates investment income to support the organization. Investment income can be used as revenue or re-directed towards any of the types of capital described above.

Kinds of Capital: In Depth	In Practice
 <p>Working capital is the funds on hand used to maintain ordinary business operations or cover ongoing expenses.</p>	<p>An education nonprofit pays for a program's costs up front and receives reimbursement later. It uses working capital to cover expenses during the gap.</p>
 <p>Operating Reserve is a "rainy day" savings account for unexpected cash flow shortages, expenses, or losses.</p>	<p>A large grant that was anticipated is significantly delayed, resulting in cash shortfalls. A human services nonprofit uses its operating reserve to cover operating expenses during the delay.</p>
 <p>Risk & Opportunity capital allows organizations to absorb risk and pursue opportunities, be they artistic or organizational in nature. It can be used to help weather unexpected internal or environmental challenges and to invest in experimentation or course corrections.</p>	<p>A community-based organization that has experienced historical challenges in recessionary environments budgets and manages annually for operating surpluses that can be set aside into a board-designated cash reserve to be spent for unanticipated and adverse events.</p>
 <p>Change capital funds improvements in efficiency or quality of program or operations and/or adjustments to the size and scope of the organization. It is an investment in the alignment of an organization's fixed costs to its reliable, recurring revenue. It is spent down as needed with the explicit expectation that it will lead to improved recurring net revenue (i.e., surplus) to sustain delivery of programs.</p>	<p>Two human services nonprofits are considering a formal collaboration that would combine their programs in one space. The planning and implementation periods will span three years and require an infusion of several million dollars, to be spent down to cover temporary deficits while the partners make investments in joint development and marketing capacity that will generate future net revenue.</p>
 <p>Recovery capital helps restore an impaired capital base by replenishing depleted working capital and facilities capital and by reducing or restructuring debt and other obligations. Some nonprofits require recovery capital before they can effectively use change capital.</p>	<p>A community-based organization has several years of deficits, which depletes its cash and requires it to take on debt. Future operating surpluses will not likely be sufficient to pay off its liabilities. The organization requires a targeted fundraising campaign for recovery capital.</p>
 <p>Facilities & Equipment capital represents funds earmarked for investments in new fixed assets, including such items as: real estate, costumes and sets, technology and other major furniture or equipment. The funds may be raised expressly for specific acquisitions or upgrades, as well as accumulated in reserve to meet future needs.</p>	<p>A theatre renting its performance space launches a \$5 million capital campaign and secures \$2 million in bank financing to purchase and build a permanent home. For long term durability, management incorporates into the campaign fundraising for a facility reserve to pay for future repairs and replacements and a risk reserve to cover anticipated early revenue shortfalls/expense overruns in the early days of operating in a larger space.</p>
 <p>Endowments typically represent donated capital that is kept intact (and grown) to generate investment income. The corpus of an endowment is typically permanently restricted, though NFF encourages nonprofits to prioritize raising flexible forms of capital since endowments need to be large to generate adequate annual income and may compete with other fundraising efforts.</p>	<p>After building its major donor base over many years, a symphony launches a campaign to raise an unrestricted, but board-designated, endowment. The target amount for the board-designated endowment will yield annual investment income to support a small percentage of the symphony's operating budget.</p>