Philanthropy can’t go back to business as usual.

The needs of the moment call for enterprise capital.

What is enterprise capital?
A new paradigm for philanthropic funding, enterprise capital (EC) treats long-term, flexible capital as high-value fuel that helps nonprofits fulfill their social and economic missions. Also called “philanthropic equity” or “net asset grants,” it is any form of long-term, unrestricted funding that targets a group’s balance sheet rather than its income statement.

How does enterprise capital differ from general operating support?
Many funders have come to see unrestricted general operating support as a more effective alternative to traditional restricted grants. Unrestricted support and enterprise capital share many goals, but they differ in the same way that revenue and equity capital differ: revenue, whether earned or raised, supports ongoing operations; equity builds infrastructure and capacity, allowing investment where it’s needed most.

How does enterprise capital help build organizational capacity?
An EC investment becomes even more effective when combined with an assessment of how business and financial models drive the funded organization’s impact. An assessment can also identify technical resources or capacity-building services that will help the group implement its business model and guide the evolution of the financial model. Examples include
• organizing an “EC cabinet” of advisors;
• helping identify professional development opportunities to provide staff members; or
• providing financial modeling services.
How do organizations use enterprise capital?

**FOR LAUNCH**

**FUNDING A NEW ORGANIZATION, MAJOR PROGRAM, OR SERVICE**
EC functions the same way that seed or venture finance does in a for-profit business.

*Case study:* Launched in 2008, ROC USA builds on a successful model developed in New Hampshire to increase resident ownership of manufactured-home communities. The Ford Foundation made a $5 million grant, split between operations and net assets; four partners matched the enterprise capital portion of the investment. ROC USA used EC to create a robust cooperative strategy and business plan that saw it through the 2008 financial crisis and has extended the model’s reach nationally.

Enterprise capital fueled growth and supported operations until real estate values recovered enough to generate profits while building a more equitable market for homeowners.

**FOR STABILIZATION**

**SUSTAINING OPERATIONS, MARKET PENETRATION, OR HUMAN CAPITAL**
EC can support organizational transition, address unexpected financial setbacks, or underwrite the delivery of essential emergency services to the community.

*Case study:* REACH Riverside emerged from an effort to save a community center after financial mismanagement threatened its very survival. While the organization struggled with a cash shortage over two years, innovative funders provided patient investments of enterprise capital coupled with capacity-building support. These investments provided the buffer needed to stabilize the organization, turn it around, and successfully launch a multimillion-dollar model for equitable development.

**FOR GROWTH**

**TAKING A PRODUCT OR SERVICE TO MEANINGFUL SCALE**
EC helps build the infrastructure that groups need to deliver products and services.

*Case study:* Prepare + Prosper has developed innovative strategies and services that help low-income households take full advantage of the tax code to build financial stability and savings. Their approach has attracted funders and encouraged them to make longer-term grants with fewer restrictions. Because it delivers its services for free, P+P must pursue funding nonstop. The drain that puts on staff and resources has turned the organization into an advocate for enterprise capital as a core practice for funders.

Learn more at [EnterpriseCapital.info](http://EnterpriseCapital.info).