

IMPACT INVESTING

Survey of Missouri Nonprofits

Impact Investing

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The Community Development department of the Federal Reserve Bank of St. Louis is interested in better understanding the current landscape and future potential for nonprofit organizations in Missouri to utilize impact investment—borrowed or invested funds that must be repaid—to advance their mission. In January 2017, the St. Louis Fed partnered with Nonprofit Missouri, the Gateway Center for Giving and the Network for Strong Communities to survey nonprofit leaders throughout the state to learn more about their interest in social entrepreneurial activities, their need for outside capital to finance such activities and their ability to receive impact investment capital. Over 130 nonprofit leaders responded to the survey, which was distributed to individuals associated with Nonprofit Missouri and Network for Strong Communities; those results are included in this report.

“Board support for this specific area is difficult as most board members have little to no experience in merging nonprofit board work with a business analysis and business model that works for social entrepreneurship and impact finance capital. It seems to me that the need for board education or mentoring, so that board engagement can be maximized, is huge.”

– SURVEY RESPONDENT

Why Does Impact Finance Matter Now?

A recent survey of 800 individual investors conducted by Morgan Stanley indicates that more than 70 percent of active investors are interested in the nonfinancial (social) return on their investments. Additionally, foundations, community development financial institutions (CDFIs) and others are increasingly financing social enterprises across the U.S., contributing to mission sustainability and building organizational capacity. In an era of increased uncertainty about public funding, nonprofit organizations are recognizing that in order to meet the needs of their constituents, diversification of revenue is key.

Who Completed the Survey?

The most common respondent to the survey works for a human services agency with a budget over \$1 million and operates at a regional (MSA or multicounty) level. It's worth noting that the composition of nonprofit participants in the survey—with a focus on human services, health, education, etc.—is consistent with the overall composition of nonprofits in the state of Missouri.

“One-on-one consultations to talk through our specific questions are valuable, especially when we can be matched with someone with experience in the area of business we are trying to enter. High value in-kind activities include support developing business and marketing plans, drawing up budgets and legal paperwork, building a website, creating a promotional video, and developing and producing marketing materials.”

- SURVEY RESPONDENT

What Did We Learn?

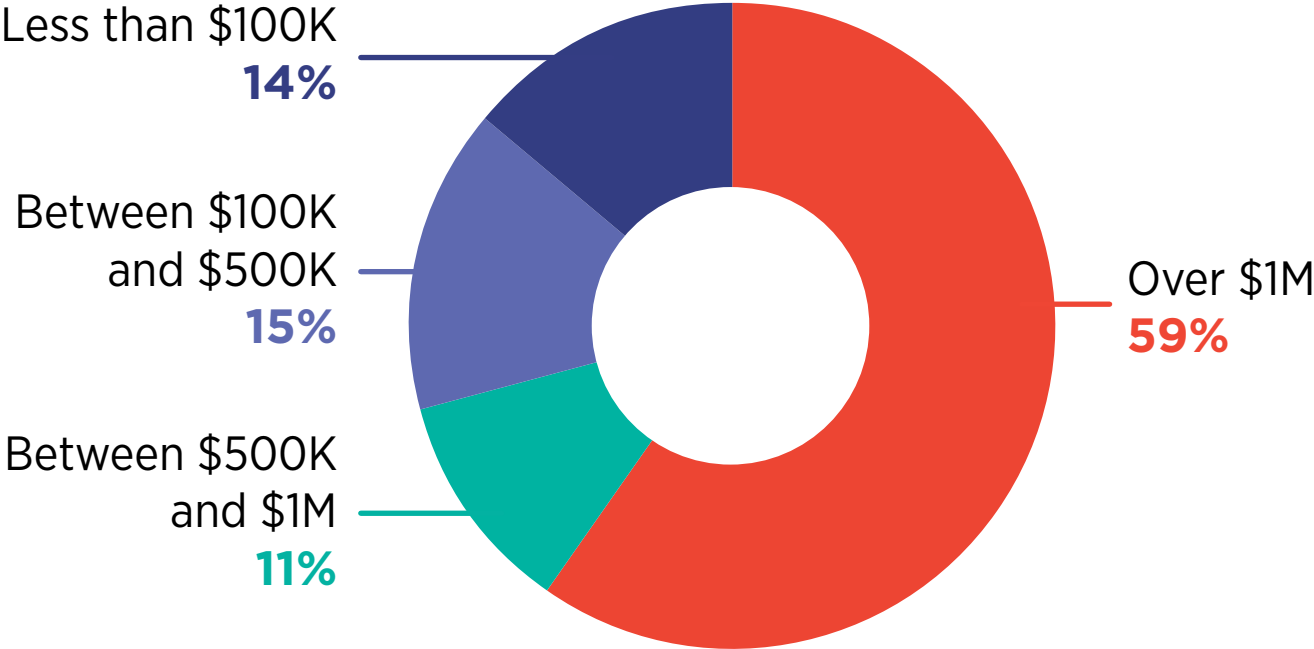
Survey respondents provided insight into how many organizations have pursued financing in the past, where and what type of financing was pursued, and their financing needs for the next year. The survey revealed how many nonprofits are currently generating earned income through the sale of goods and/or services and how many are potentially interested in doing so in the future. We also learned about the reservations that nonprofits have related to offering or scaling new goods and/or services for sale, and what supports would help executive directors successfully implement social entrepreneurial activities.

By having a baseline of data regarding nonprofit interest in social entrepreneurship and the organizations' capacity to absorb impact finance capital, practitioners now have critical information that can lead to building an impact investing ecosystem in Missouri.

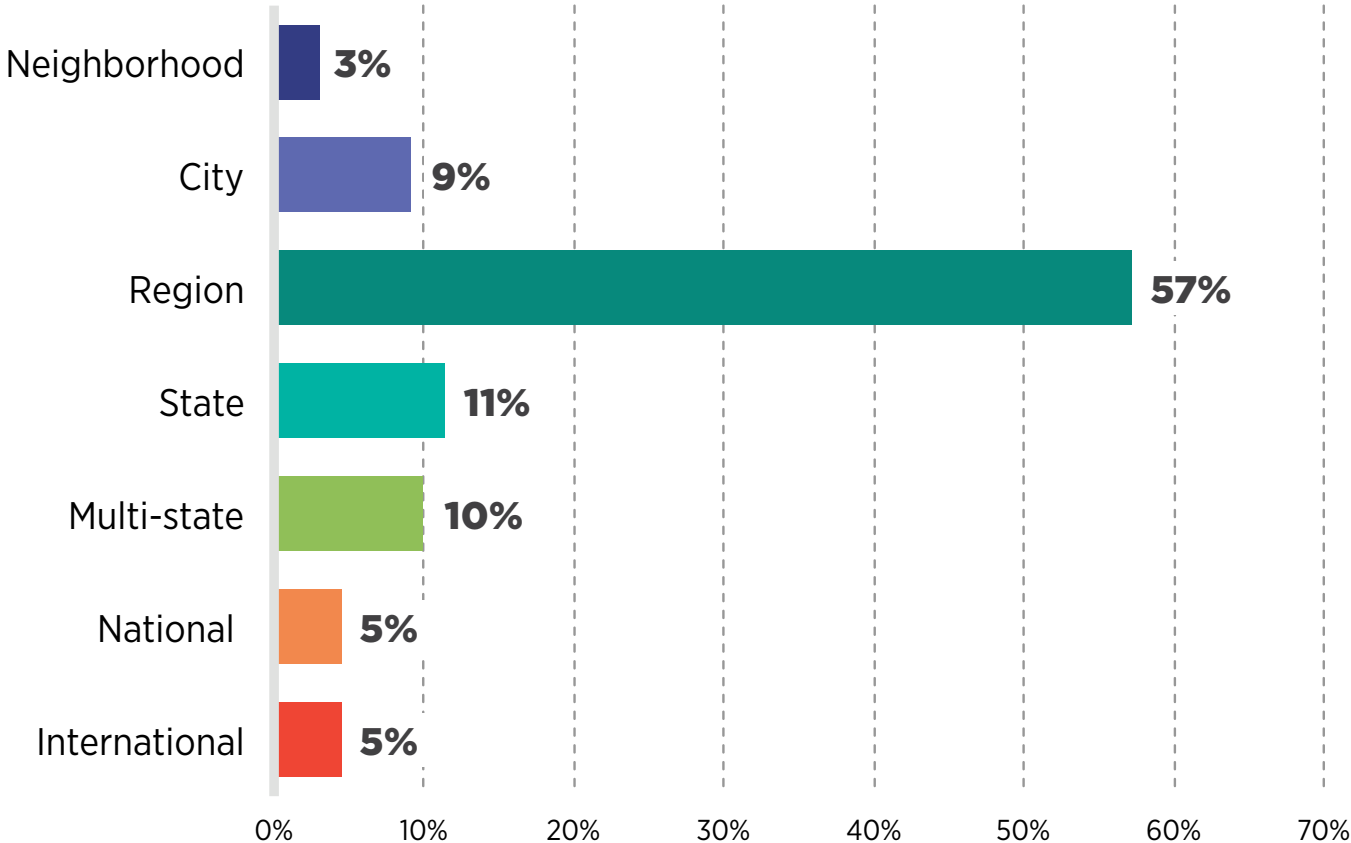
“In certain markets, community development is going to require some philanthropic/subsidy support to make loans serviceable. Or [financing] needs to be creative in the loan terms, such as lowering down payments and lengthening loan repayment to make cash flow work on revitalization projects. These types of changes could help move more revitalization work faster since it could be done without public subsidy.”

- SURVEY RESPONDENT

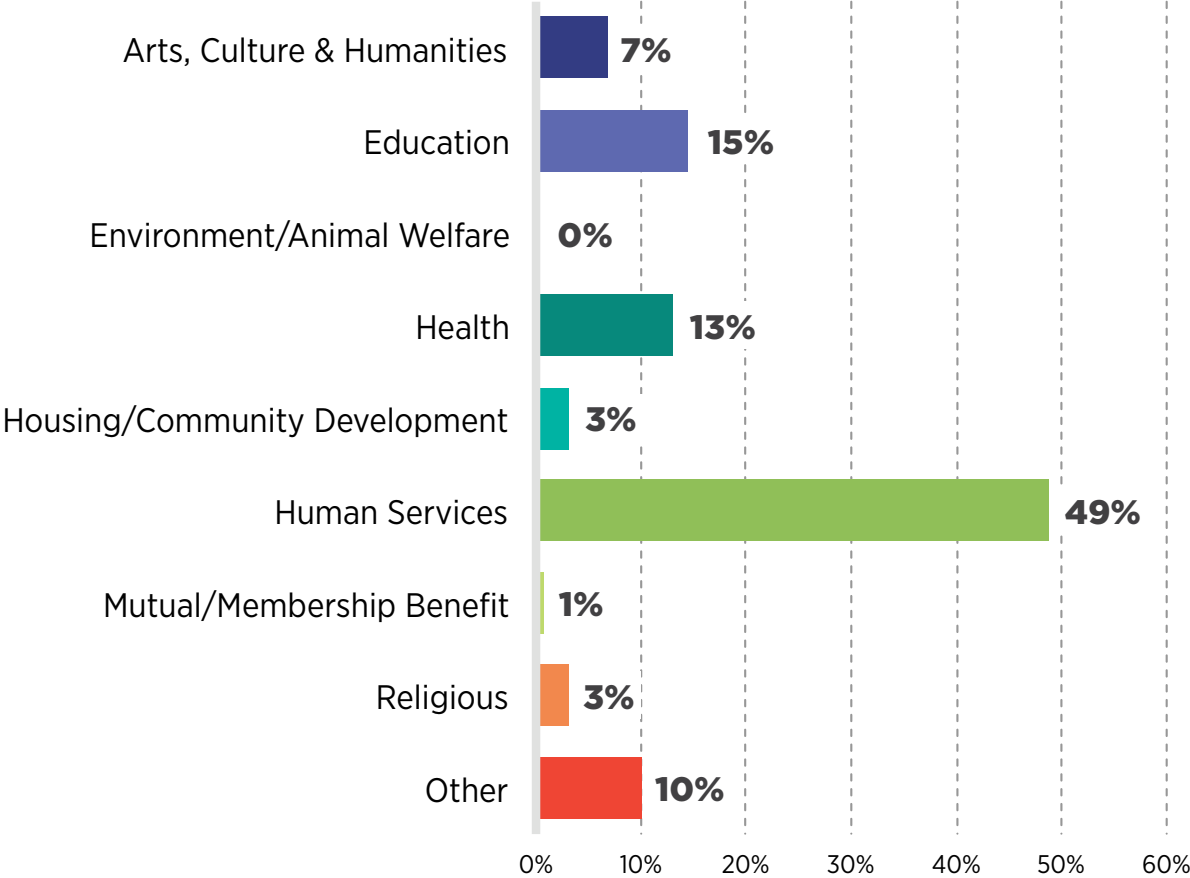
Q1 - What is your organization's current annual budget size?



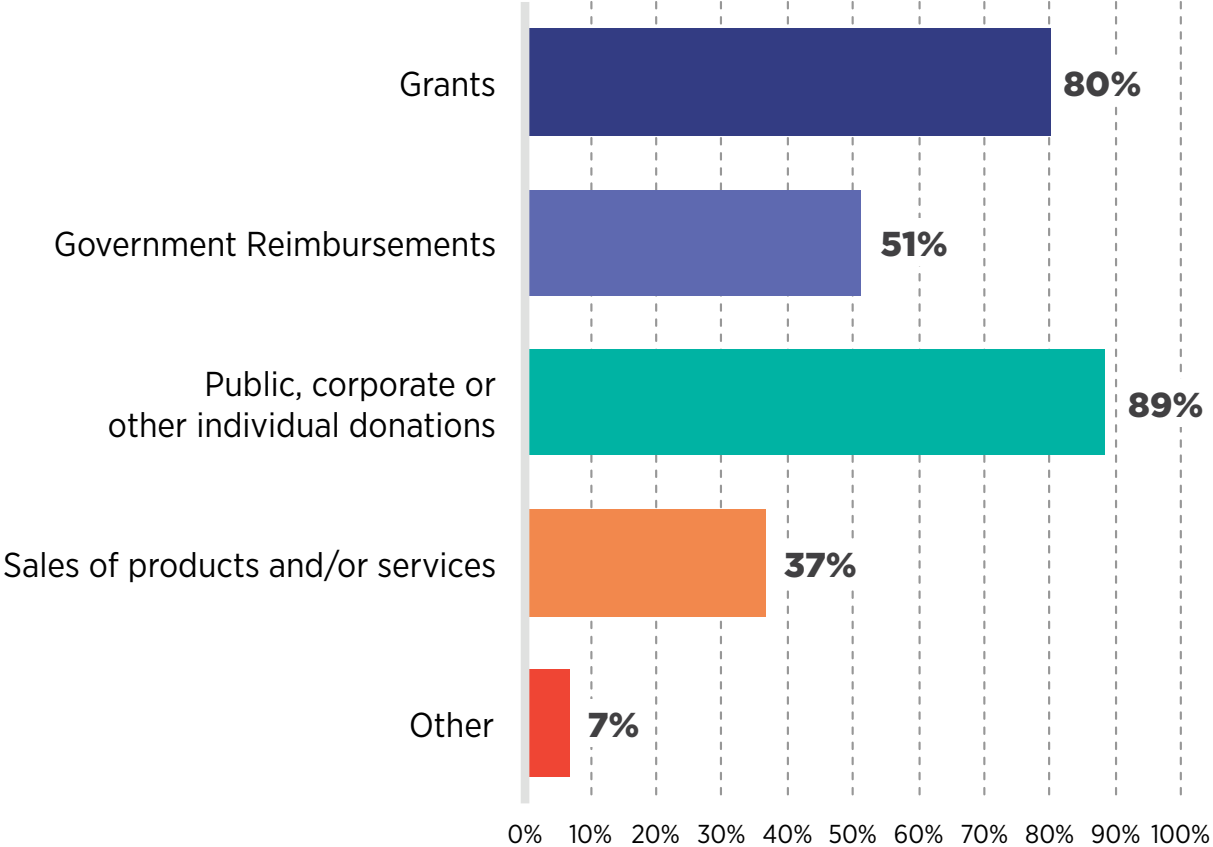
Q2 - What geographic scale does your nonprofit serve? (Select ONE of the following)



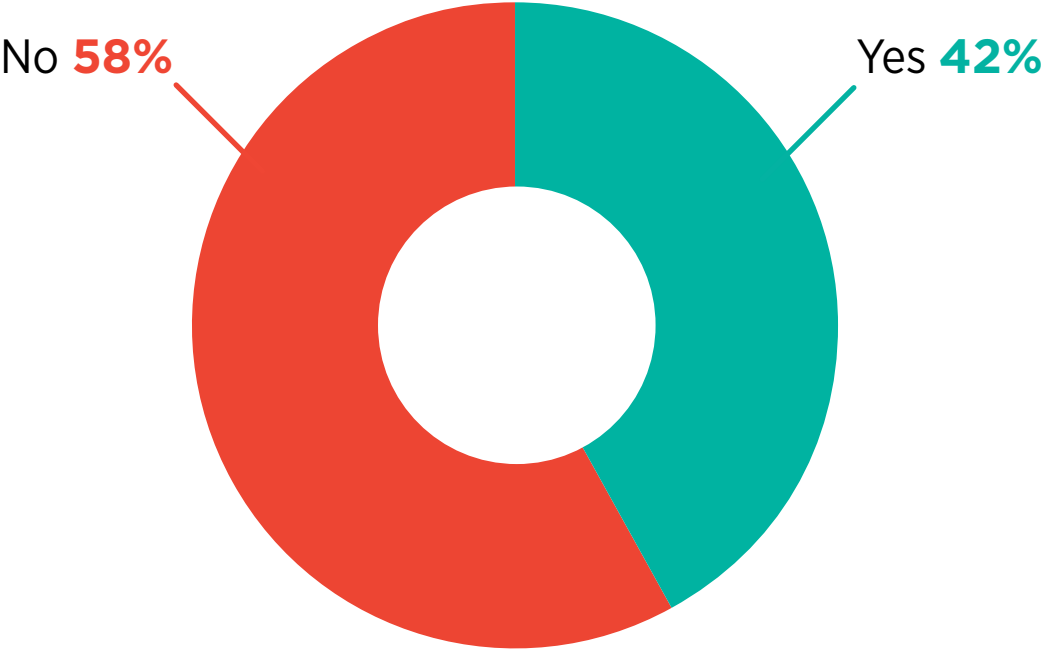
Q3 - In which of the following areas does your organization focus its activities the MOST (Select ONE of the following)



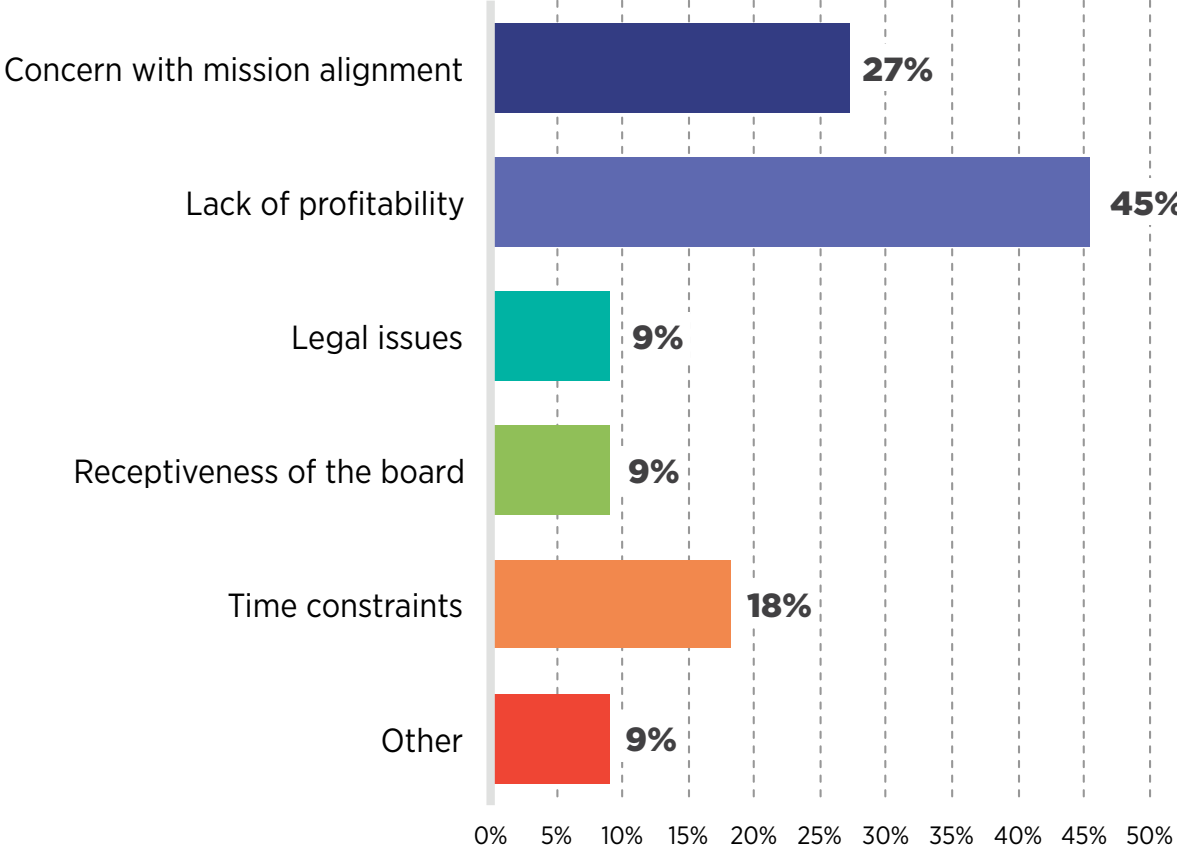
Q4 - Which of the following sources of revenue does your organization CURRENTLY RECEIVE? (Check all that apply)



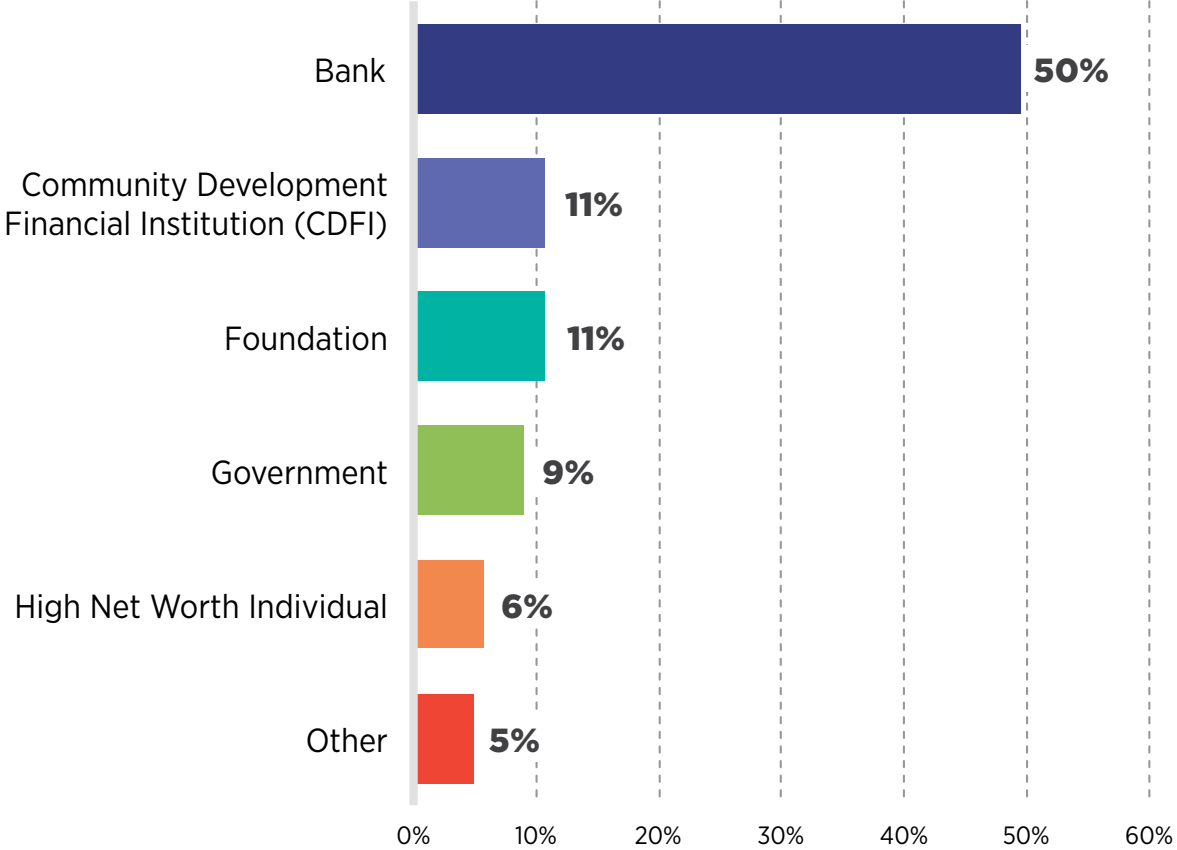
Q5 - Does your organization CURRENTLY generate revenue through earned income activities?



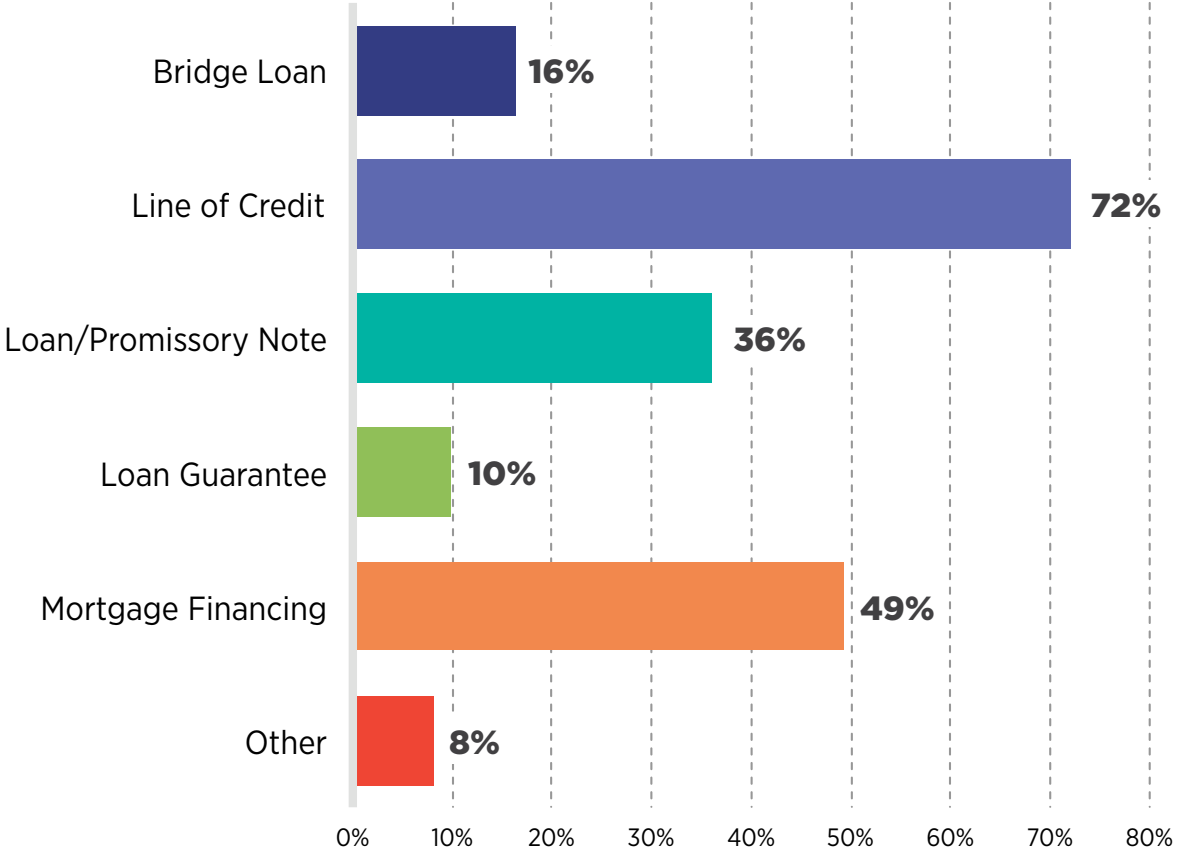
Q6 - If your organization generated revenue through earned income activities in the PAST, but no longer does so, why? (Check all that apply)



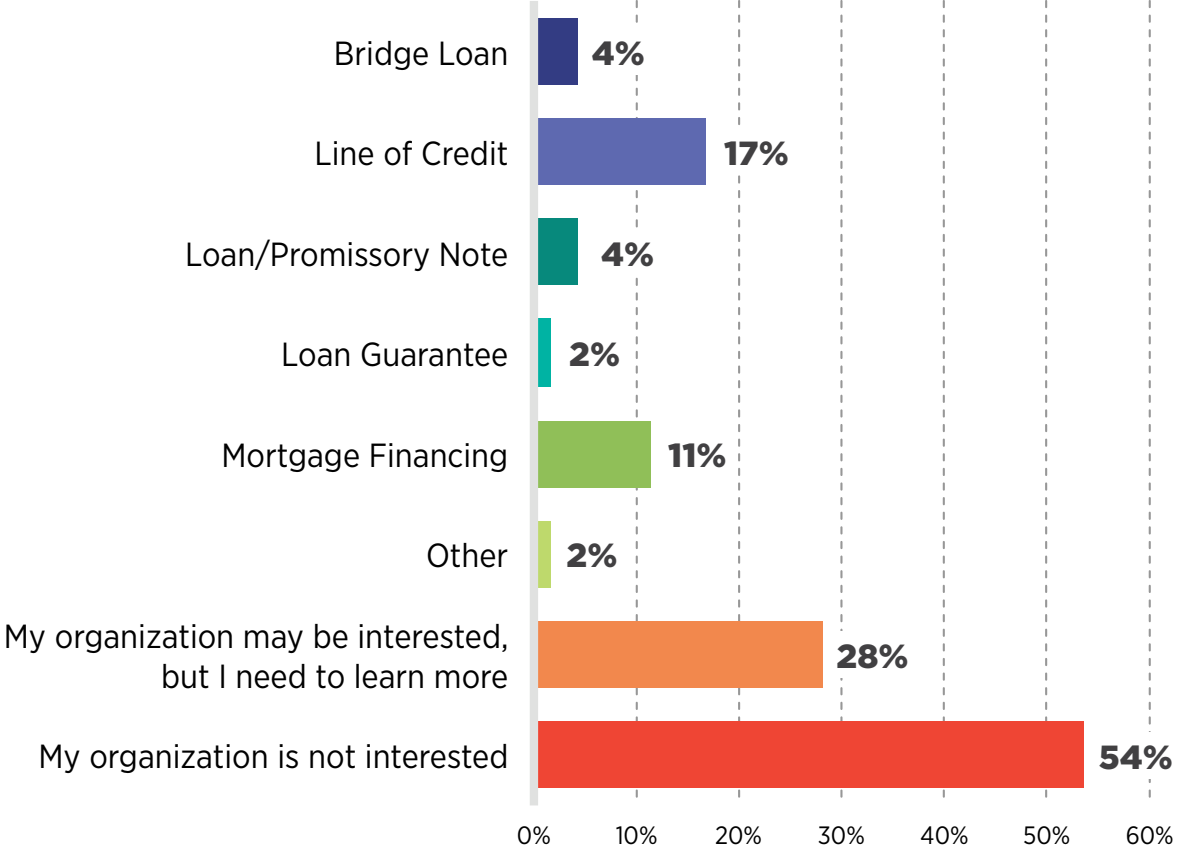
Q7 - Has your organization ever pursued any types of FINANCING (borrowed or invested funds which must be repaid) from any of the following? (Please mark yes or no)



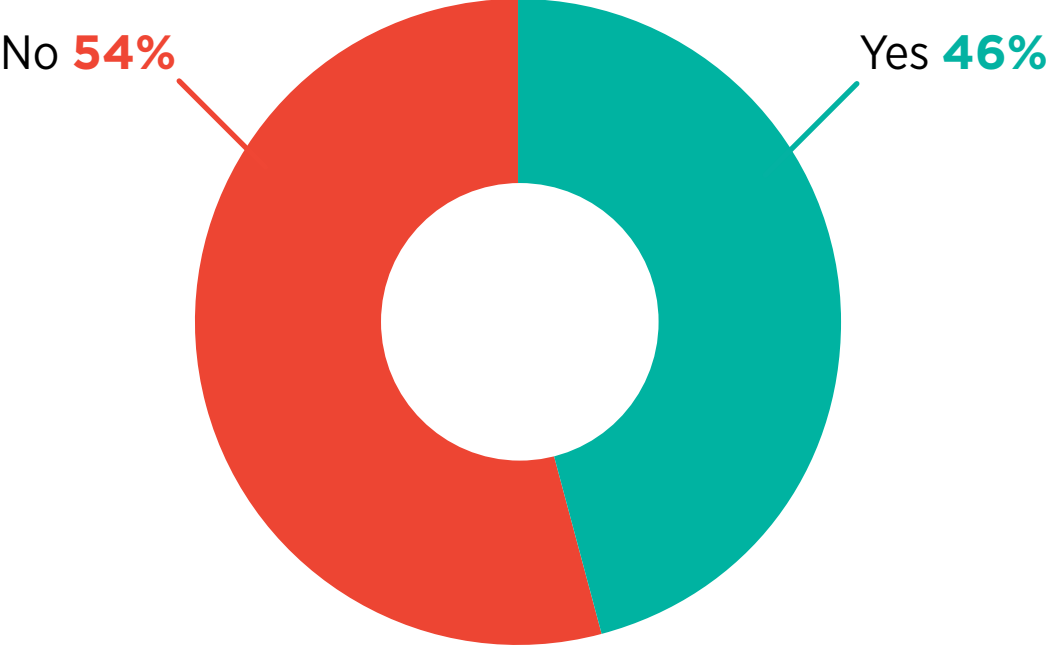
Q8 - Which of the following sources of FINANCING (borrowed or invested funds which must be repaid) has your organization ever pursued or received in the PAST? (Check all that apply)



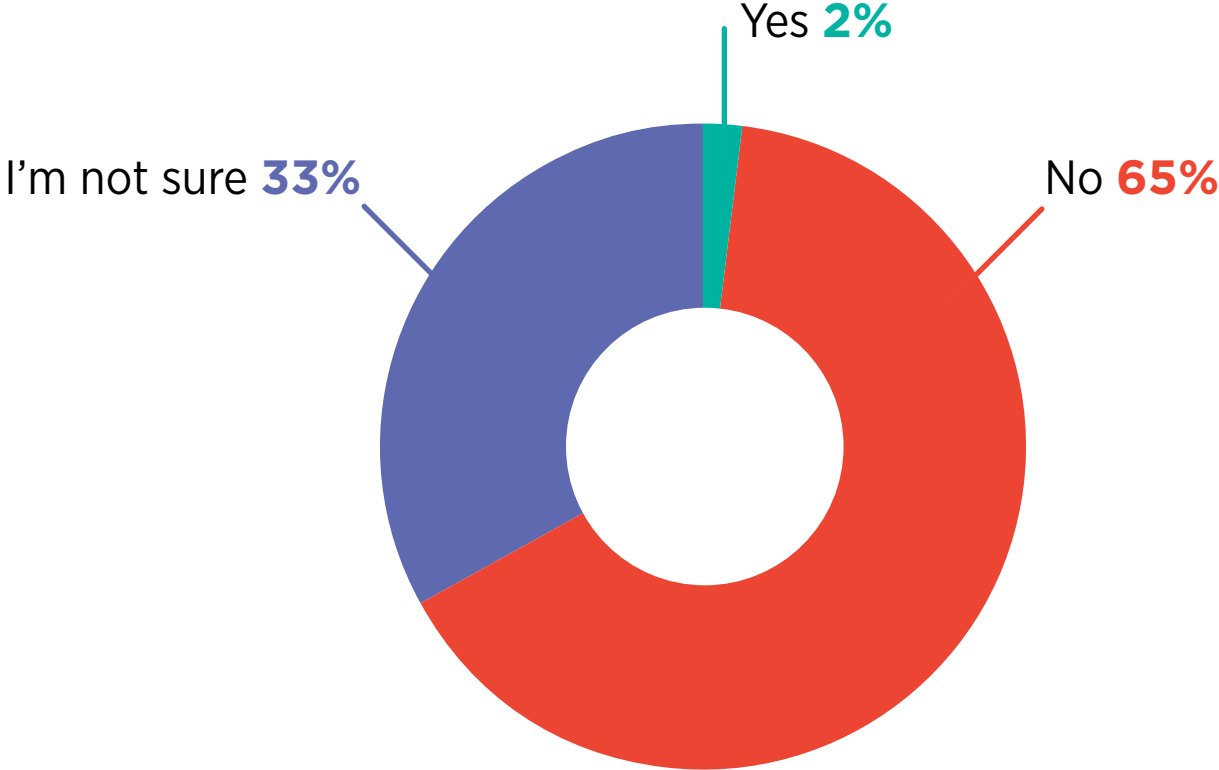
Q9 - Which of the following sources of FINANCING (borrowed or invested funds which must be repaid) does your organization plan to pursue IN THE NEXT YEAR? (Check all that apply)



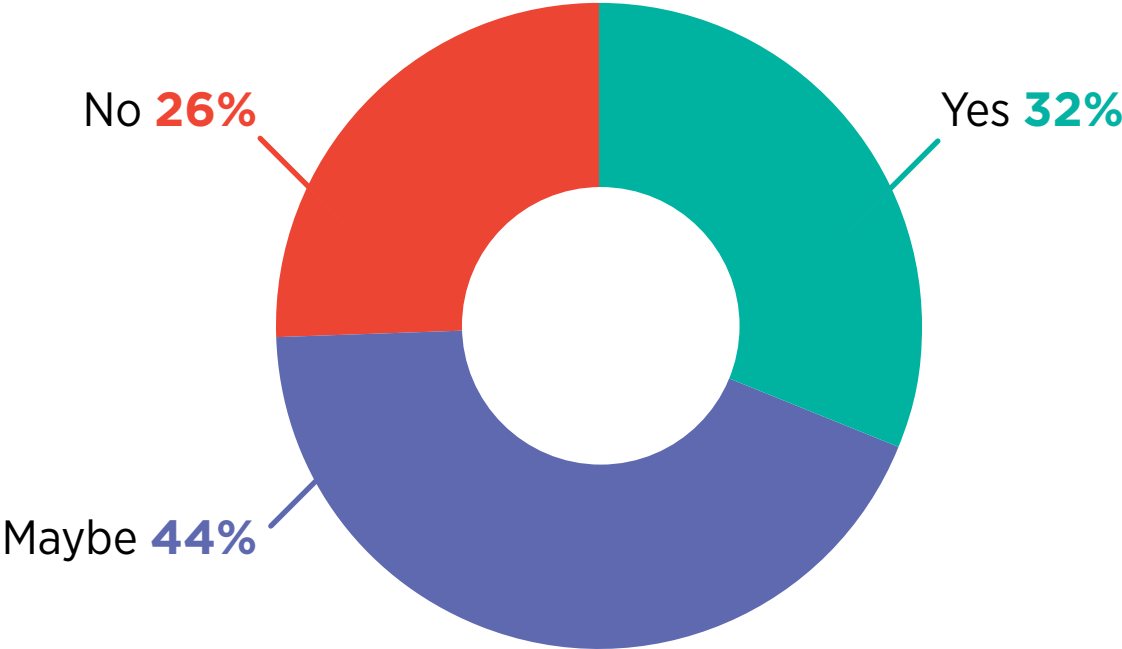
Q10 - Is your organization familiar with Unrelated Business Income Tax?



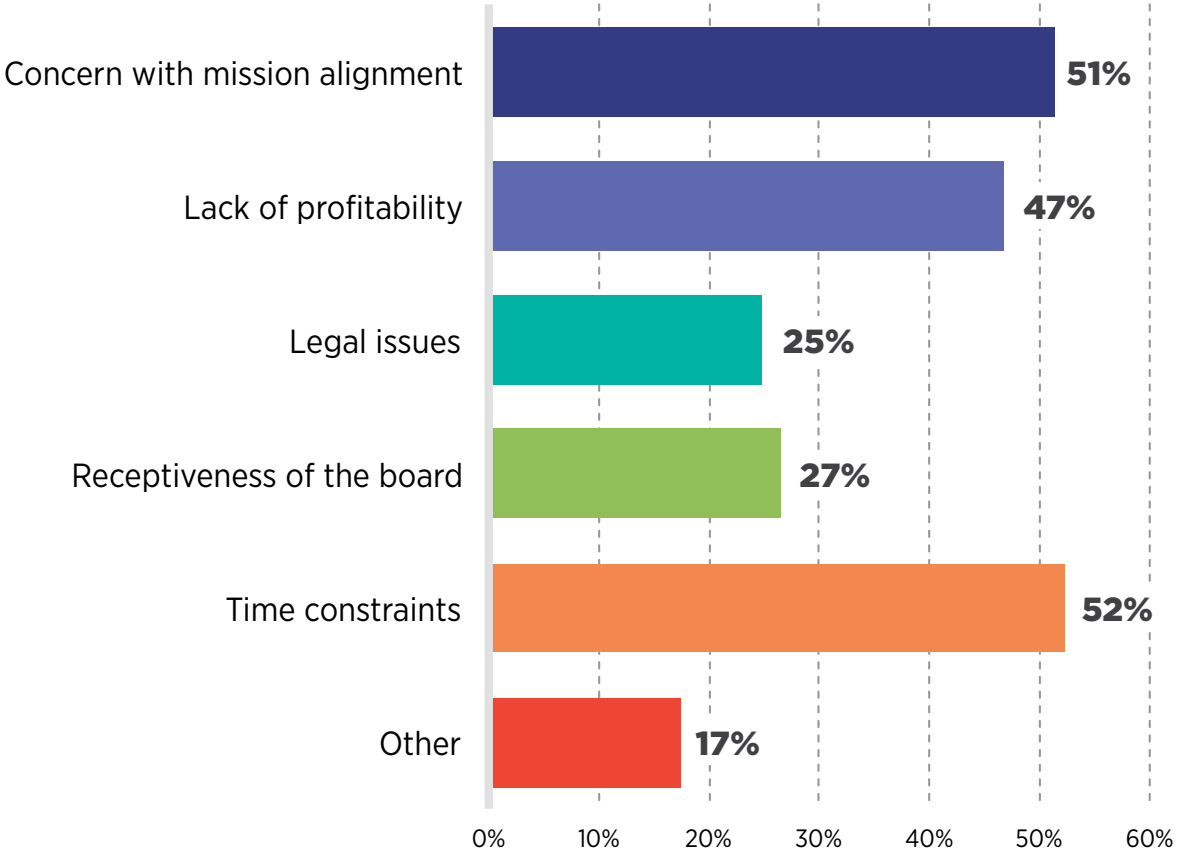
Q11 - Has your organization paid Unrelated Business Income Tax on any revenue in the past 3 years?



Q12 - Does your organization have an interest in developing new goods or services, or scaling existing offering of goods and/or services, to generate earned income?



**Q13 - What reservations do you have about developing new goods or services, or scaling existing offering of goods and/or services, to generate earned income?
(Check all that apply)**



Q14 - What types of support might Executive Directors need to help in successfully implementing social entrepreneurial activities that generate earned income? (Please check the THREE supports most useful to you)

