



# Advancing Financial Series – Impact Capital Strategy

**REDF**  
An investment that works.

# Introductions

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*Senior Manager*  
*Capacity Building*

# Let's warm up



Context: In 2023, San Francisco-based ESE **Farming Hope** immediately needed a new catering van.

They did not currently have the money for it.

**They purchased the van. How?**

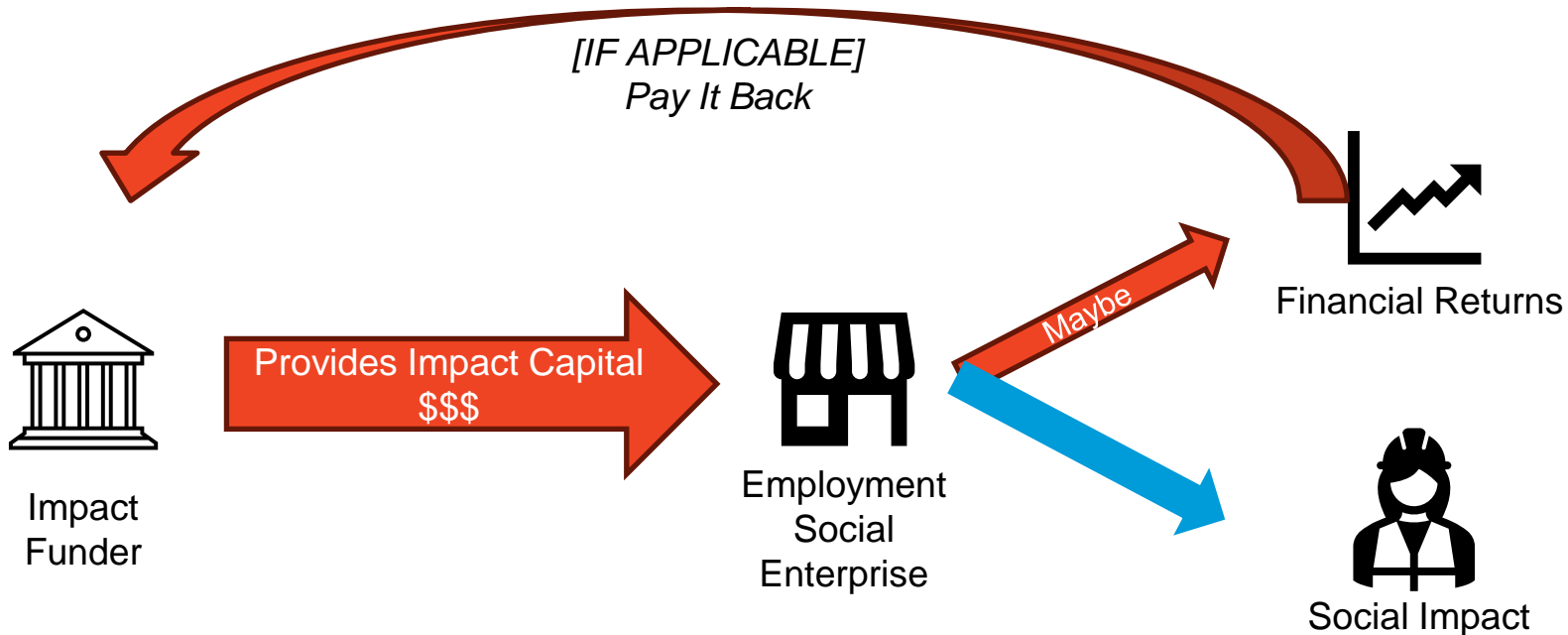


## ...What happened?

- Took out a loan to purchase the van NOW.
- They knew they'd get a reimbursement from Cal Recycle (funder) in the future.
- They used a specific type of loan called a **bridge loan**.

# First, let's align on a definition for Impact Capital

**Impact Capital:** Capital (i.e. money) provided to companies or organizations with the intention of generating social or environmental impact [and maybe] a financial return.



# Why take an impact capital lens?

- **Don't leave money on the table**
  - Grants are important (and it's one type of impact capital) but it isn't the whole world of possibilities.
- **Fund different parts of your organization**
  - As ESEs you have **business costs & mission costs** – the best type of impact capital for each of these could differ.
- **Time and place for everything**
  - Yes, taking on debt or equity (i.e., owners) can be scary.
  - However, they aren't inherently bad – they have their time & place to help your organization achieve its goals.

# After today's session, you will know more about different types of impact capital

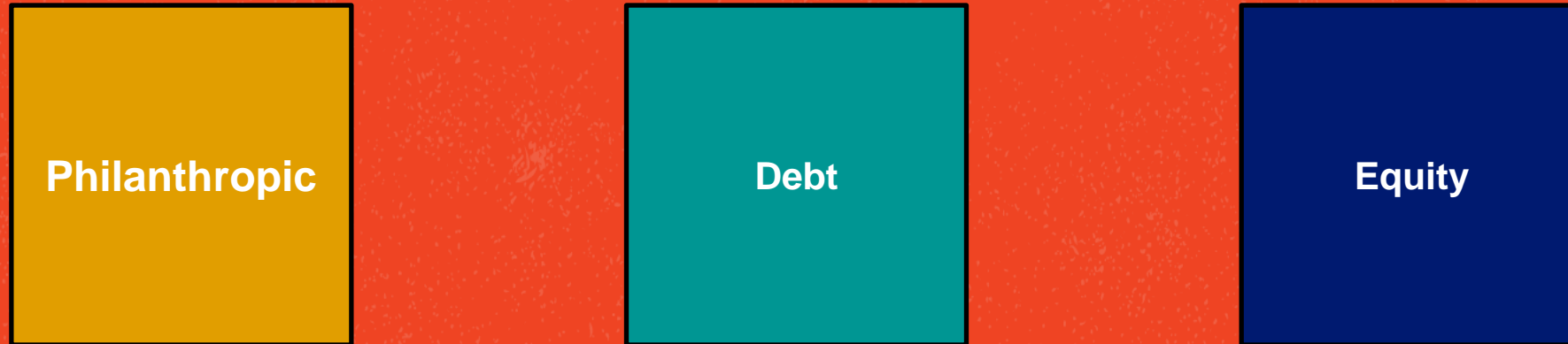


equity funder  
pri-debt investor  
pri-equity crowd-funding  
recoverable-grant loan  
debt grant

*And you will....*

- Anchor your impact capital strategy on **specific needs / costs**
- Identify the **pros/cons** of different impact capital
- Prioritize 2-3 impact capital for your organization

# Impact Capital Generally Falls Into Three Categories



## Anchor on Specific Needs

**“I need to obtain \$XYZ in funding  
to fund ABC”**



# Why anchor on your specific needs and costs?

- Transparency & Trust
- Realistic Planning
- Improved Funder Engagement
- Financial Stability
- ...Others?

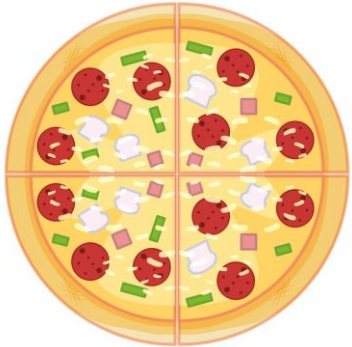
# Start by identifying your projected business costs & social costs

Business Costs		Social (Mission) Costs	
Cost or Need	Projected Amount (\$)	Cost or Need	Projected Amount (\$)
Line Staff	\$730,000	Case Managers	\$130,000
Supplies & Materials for Production	\$110,000	Director	\$80,000
Supervisors	\$120,000	Housing Stipend	\$90,000
Director	\$40,000	Skills Training	\$200,000
Total Business Cost & Need	\$1,000,000	Total Social Cost & Need	\$500,000

 *You have already started to do this in another optional workshop. Where?*

Double-Bottom Line Analysis

# Your identified "Need" can be expressed in a total amount OR specific gaps



**Total Need:** *My programming / mission-related costs next year will be \$500,000. I need to cover this amount.*



**Specific Need:** *My business needs to purchase a \$50,000 van to improve our catering and increase sales.*

*Either starting place is okay for today's conversation!*

*If you choose to focus on a specific need, just make sure that your organization eventually develops an impact capital strategy for your total needs.*

# You Do: Fill out "Section I" of your impact capital plan worksheet to identify your business OR social need

## Two Options

### 1.) Total Need

- Scroll to the bottom of your DBL to see your total business & social cost ([LINK](#))

Category	Total cost	Social	% of total	Business	% of total
TOTAL REVENUE	\$805,000.00	\$75,000.00	9%	\$730,000.00	91%
TOTAL COSTS (COGS + OPEX) & MARGIN (%)	\$795,000.00	\$123,000.00	15%	\$672,000.00	85%
NET INCOME	\$10,000.00	-\$48,000.00		\$58,000.00	

- Project this cost for next year – do you expect it to grow or stay the same? (use intuition for now!)
- Write down that cost in Section 1 of your impact capital plan worksheet.

OR

### 2.) Specific Need

- Write down specific social or business needs that you know won't be fully covered by your current earned or contributed revenue.

# Total Cost (Need)

Business Costs	
Cost or Need	Projected Amount (\$)
Line Staff	\$730,000
Supplies & Materials for Production	\$110,000
Supervisors	\$120,000
Director	\$40,000
Total Business Cost & Need	\$1,000,000



OR

# Specific Cost (Need)

Business Costs	
Cost or Need	Projected Amount (\$)
Catering van	\$50,000
Total Business Cost & Need	\$50,000

# Now that you know your need, how much do you expect to be able to cover?

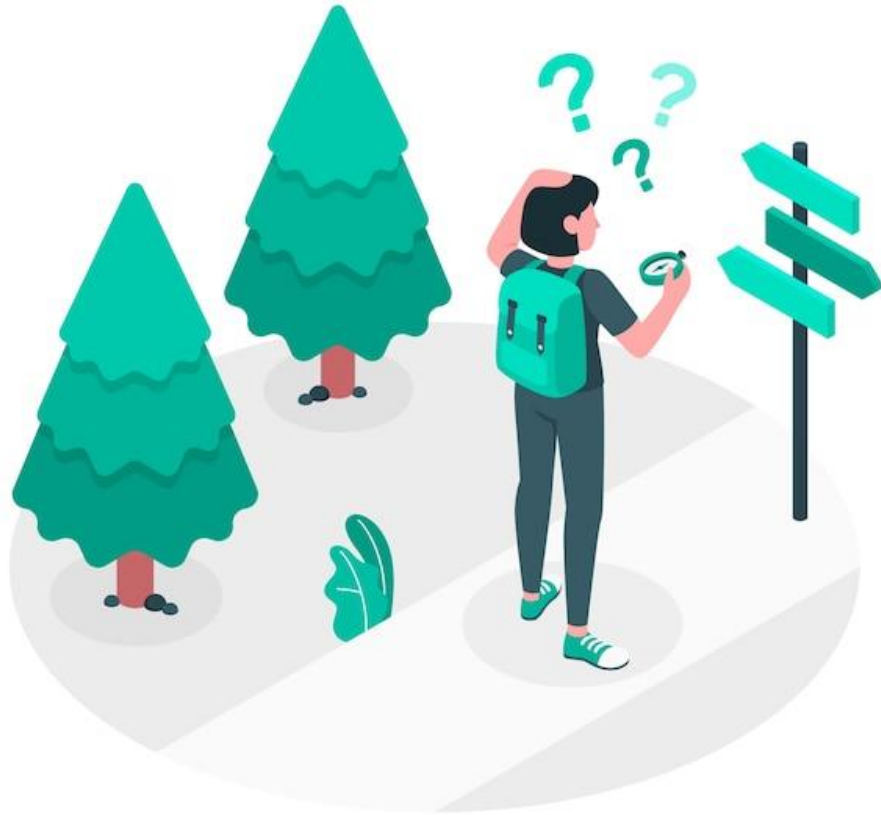
## If Looking at Total Need:

My projected social/business costs are \$\_\_\_\_\_ (from Section 1) and my projected revenue to cover this cost is \$\_\_\_\_\_.

This means that I am projecting a gap/surplus of \$\_\_\_\_\_ (revenue *minus* costs).

Category	Total cost	Social	% of total	Business	% of total
TOTAL REVENUE	\$805,000.00	\$75,000.00	9%	\$730,000.00	91%
TOTAL COSTS (COGS + OPEX) & MARGIN (%)	\$795,000.00	\$123,000.00	15%	\$672,000.00	85%
NET INCOME	\$10,000.00	-\$48,000.00		\$58,000.00	

**Proceed with caution: If you have a TOTAL business gap, first ask if you can cover it by improving your financial performance.**



Some impact funders (esp. those that who want **returns**)...are wary of funding businesses that are losing money. **Why?**

Impact funders may be willing to fund businesses losing money if...

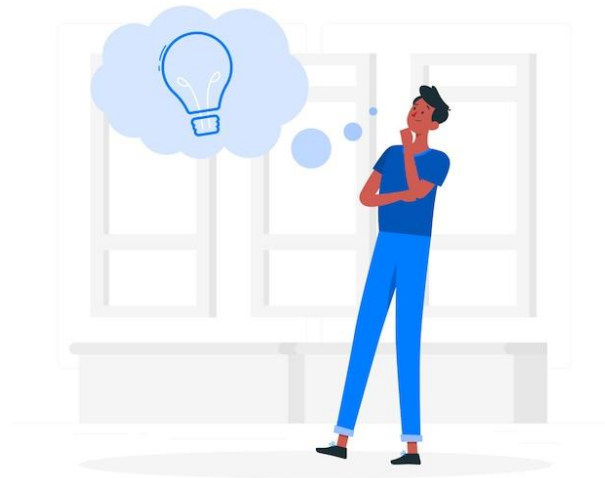
- Startup phase
- Proven growth opportunity
- Past track record of being cash positive

# Now that you know your need, how much do you expect to be able to cover?

## If Looking at Specific Need:

Think about how much of that need you'd be able to cover with your projected revenue. **What's the gap?**

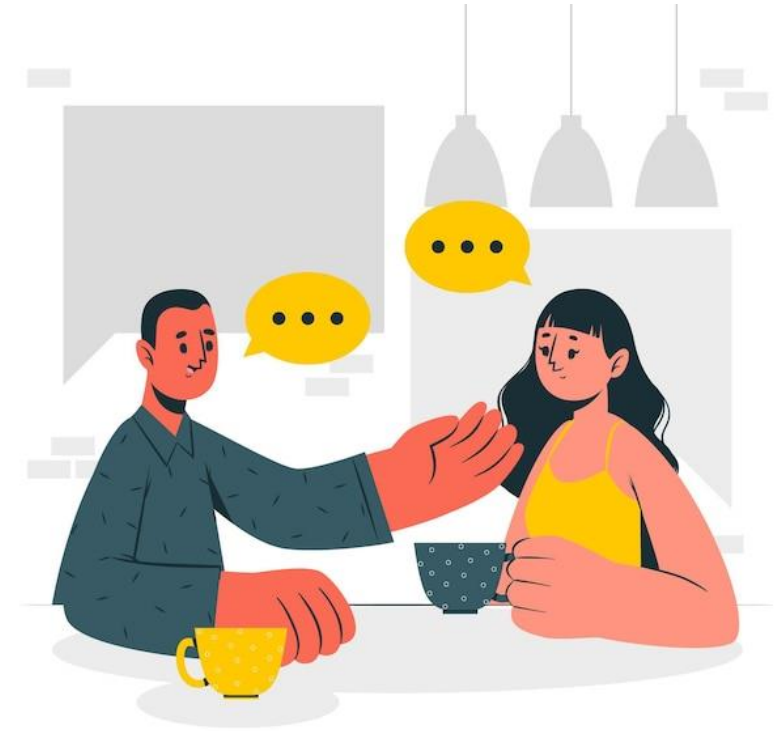
- *I need a \$50,000 van*
- *My earned revenue can help me pay for \$10,000 right now*
- *I have a \$40,000 gap*



## Pair & Share (5 mins.)

*Pair with someone outside your organization, and share:*

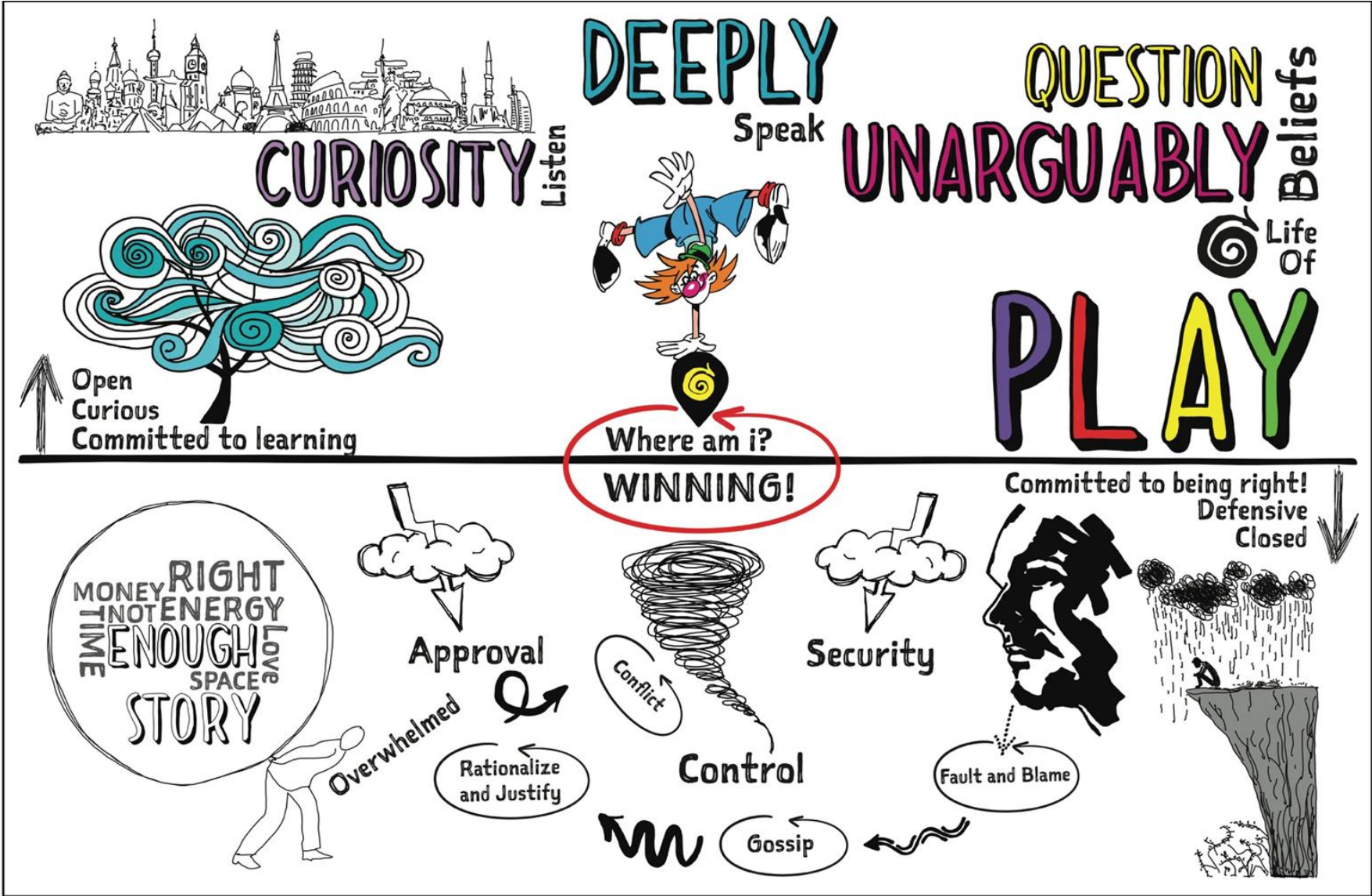
“During today’s session I will be focusing on my business / social cost needs **[choose one]**. Specifically I will think about how to cover \$\_\_\_\_\_ needed for \_\_\_\_\_.”



# Break Time



Welcome back! Drop your location in the chat.



# After today's session, you will know more about different types of impact capital



equity funder

pri-debt

investor

pri-equity

crowd-funding

recoverable-grant

loan

debt

grant

*And you will....*

- Anchor your impact capital strategy on **specific needs / costs**
- Identify the **pros/cons** of different impact capital
- Prioritize 2-3 impact capital for your organization

# You must know the gift type AND know the giver



Type of Impact  
Capital



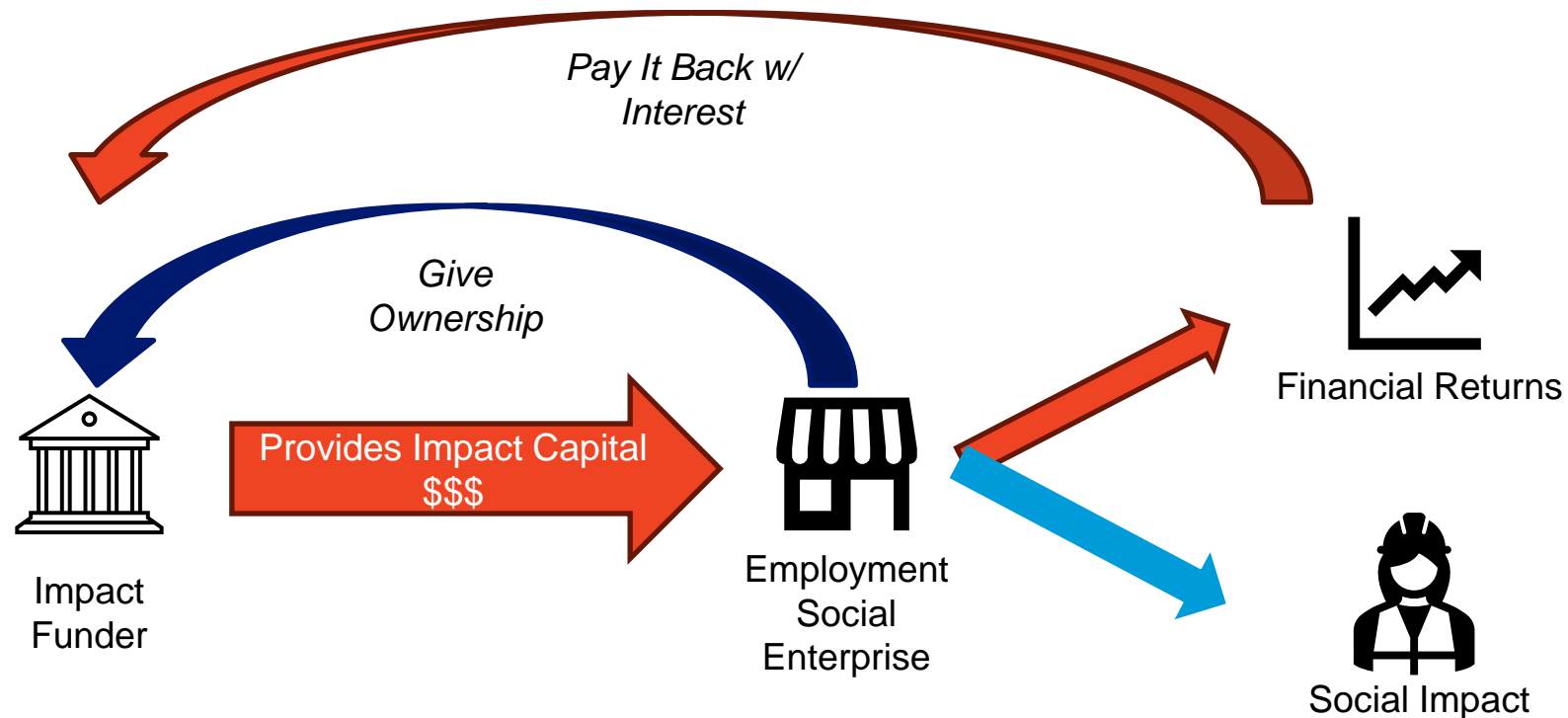
Person or  
Organization  
That Provides It

# Impact capital falls under three categories

Philanthropic

Debt

Equity



# Myths and misconceptions about philanthropic impact capital

## Philanthropic

**Myth:** Philanthropic money is only for nonprofit organizations

**Myth:** I should go after ALL philanthropic money because it's “free” money

**Myth:** All funders care about the same things and I should use the same pitch for everyone

# Grants and crowd-funded donations are two types of philanthropic impact capital



## Philanthropic

	Grant
<b>Description:</b>	Gift of cash that can come restricted (required milestones and deliverables) or unrestricted (general purpose gift) that doesn't need to be repaid.
<b>Also Known As:</b>	Donation, Gift, Bequest, Aid
<b>How Common:</b>	Very Common
<b>How Easy To Get:</b>	Mid
<b>Operational Burden:</b>	Mid <ul style="list-style-type: none"><li>• High application process burden</li><li>• Can include strict reporting requirements</li></ul>
<b>Financial Burden:</b>	Don't repay
<b>Best For...</b>	<ul style="list-style-type: none"><li>• High impact work that is shown to work in its mission</li><li>• Business model not (yet) covering business costs</li></ul>

# Grants and crowd-funded donations are two types of philanthropic impact capital



## Philanthropic

	Grant	Crowd-Funded Donations
<b>Description:</b>	Gift of cash that can come restricted (required milestones and deliverables) or unrestricted (general purpose gift) that doesn't need to be repaid.	Raising contributions from a large number of individual people through events, platforms, or outreach
<b>Also Known As:</b>	Donation, Gift, Bequest, Aid	Individual Donations, Individual Gifts
<b>How Common:</b>	Very Common	Very Common
<b>How Easy To Get:</b>	Mid	Easy
<b>Operational Burden:</b>	Mid <ul style="list-style-type: none"> <li>• High application process burden</li> <li>• Can include strict reporting requirements</li> </ul>	Mid <ul style="list-style-type: none"> <li>• Time to raise can vary greatly</li> <li>• Have many people to keep engaged and nurtured</li> </ul>
<b>Financial Burden:</b>	Don't repay	Don't repay
<b>Best For...</b>	<ul style="list-style-type: none"> <li>• High impact work that is shown to work in its mission</li> <li>• Business model not (yet) covering business costs</li> </ul>	<ul style="list-style-type: none"> <li>• Impact that is easily understood by and attractive to the average person</li> <li>• Business model not (yet) covering business costs</li> </ul>

# Myths and misconceptions about debt



## Debt

**Myth:** Debt is always bad

**Myth:** Debt should be paid down as fast as possible

**Myth:** Debt should come from a big reputable bank

**Myth:** Equity is always better than debt



# Some types of debt impact capital include...

## Debt

	Recoverable Grant
<b>Description:</b>	Loan that will either be paid back or written off by a certain date (e.g. PPP Loan)
<b>Also Known As:</b>	Repayable grant; forgivable loan
<b>How Common:</b>	Less Common
<b>How Easy To Get:</b>	Difficult
<b>Operational Burden:</b>	High <ul style="list-style-type: none"><li>• Long process with negotiations and legal hurdles</li><li>• Might have reporting requirements</li></ul>
<b>Financial Burden:</b>	Repay with interest, or write off as grant
<b>Best For...</b>	<ul style="list-style-type: none"><li>• Risky activities that have a route to positive cash flow</li></ul>



# Some types of debt impact capital include...

## Debt

	Recoverable Grant	Bridge Loan
<b>Description:</b>	Loan that will either be paid back or written off by a certain date (e.g. PPP Loan)	A short-term loan to cover a cost while waiting for incoming revenue.
<b>Also Known As:</b>	Repayable grant; forgivable loan	Interim or gap financing
<b>How Common:</b>	Less Common	Common
<b>How Easy To Get:</b>	Difficult	Mid
<b>Operational Burden:</b>	High <ul style="list-style-type: none"><li>• Long process with negotiations and legal hurdles</li><li>• Might have reporting requirements</li></ul>	Mid <ul style="list-style-type: none"><li>• Must show ability to pay cash back</li><li>• Low post-funding burden as long as payments are met</li></ul>
<b>Financial Burden:</b>	Repay with interest, or write off as grant	Repay with interest
<b>Best For...</b>	<ul style="list-style-type: none"><li>• Risky activities that have a route to positive cash flow</li></ul>	<ul style="list-style-type: none"><li>• Immediate need while waiting for guaranteed funding.</li></ul>



# Some types of debt impact capital include...

## Debt

	Recoverable Grant	Bridge Loan	Term Loan
<b>Description:</b>	Loan that will either be paid back or written off by a certain date (e.g. PPP Loan)	A short-term loan to cover a cost while waiting for incoming revenue.	A long-term loan (5+ years) to cover costs and be repaid over a fixed-period.
<b>Also Known As:</b>	Repayable grant; forgivable loan	Interim or gap financing	Fixed-term loan
<b>How Common:</b>	Less Common	Common	Very Common
<b>How Easy To Get:</b>	Difficult	Mid	Mid
<b>Operational Burden:</b>	High <ul style="list-style-type: none"><li>Long process with negotiations and legal hurdles</li><li>Might have reporting requirements</li></ul>	Mid <ul style="list-style-type: none"><li>Must show ability to pay cash back</li><li>Low post-funding burden as long as payments are met</li></ul>	Mid <ul style="list-style-type: none"><li>Must show ability to pay cash back</li><li>Low post-funding burden as long as payments are met</li></ul>
<b>Financial Burden:</b>	Repay with interest, or write off as grant	Repay with interest	Repay with interest
<b>Best For...</b>	<ul style="list-style-type: none"><li>Risky activities that have a route to positive cash flow</li></ul>	<ul style="list-style-type: none"><li>Immediate need while waiting for guaranteed funding.</li></ul>	<ul style="list-style-type: none"><li>Cash flow positive business</li></ul>

# Some types of debt impact capital include...



## Debt

	Recoverable Grant	Bridge Loan	Term Loan	Line of Credit (LOC)
<b>Description:</b>	Loan that will either be paid back or written off by a certain date (e.g. PPP Loan)	A short-term loan to cover a cost while waiting for incoming revenue.	A long-term loan (5+ years) to cover costs and be repaid over a fixed-period.	A flexible loan that allows borrowers to access funds up to a set limit, repay, and reuse as needed.
<b>Also Known As:</b>	Repayable grant; forgivable loan	Interim or gap financing	Fixed-term loan	Credit Line, Revolving Credit
<b>How Common:</b>	Less Common	Common	Very Common	Common
<b>How Easy To Get:</b>	Difficult	Mid	Mid	Mid
<b>Operational Burden:</b>	High <ul style="list-style-type: none"> <li>Long process with negotiations and legal hurdles</li> <li>Might have reporting requirements</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>
<b>Financial Burden:</b>	Repay with interest, or write off as grant	Repay with interest	Repay with interest	Repay with interest
<b>Best For...</b>	<ul style="list-style-type: none"> <li>Risky activities that have a route to positive cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Immediate need while waiting for guaranteed funding.</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow positive business</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow positive business with clients that may take a while to pay.</li> </ul>



# Equity has its own set of pros and cons

## Equity

	Equity
Description:	Capital invested in exchange for ownership shares of the company
Also Known As:	Shares; securities;
How Common:	Common
How Easy To Get:	Difficult
Operational Burden:	High <ul style="list-style-type: none"><li>• Must pass legal hurdles to ensure ownership distribution is clear and agreed upon</li></ul>
Financial Burden:	Investors earn return at an exit event (selling their ownership)  <i>Not applicable to nonprofit organizations</i>
Best For...	Early stages ventures where cash flow is uncertain  Or in later stages when there is significant growth potential for the venture and a financial exit scenario is plausible.

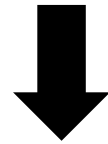
# Putting it all together – Types of Impact Capital *(not exhaustive)*

	Philanthropic		Debt				Equity
	Grant	Crowd-Funded Donations	Recoverable Grant	Bridge Loan	Term Loan	Line of Credit (LOC)	Equity
Description:	Gift of cash that can come restricted (required milestones and deliverables) or unrestricted (general purpose gift) that doesn't need to be repaid.	Raising contributions from a large number of individual people through events, platforms, or outreach	Loan that will either be paid back or written off by a certain date (e.g. PPP Loan)	A short-term loan to cover a cost while waiting for incoming revenue.	A long-term loan (5+ years) to cover costs and be repaid over a fixed-period.	A flexible loan that allows borrowers to access funds up to a set limit, repay, and reuse as needed.	Capital invested in exchange for ownership shares of the company
Also Known As:	Donation, Gift, Bequest, Aid	Individual Donations, Individual Gifts	Repayable grant; forgivable loan	Interim or gap financing	Fixed-term loan	Credit Line, Revolving Credit	Shares; securities;
How Common:	Very Common	Very Common	Less Common	Common	Very Common	Common	Common
How Easy To Get:	Mid	Easy	Difficult	Mid	Mid	Mid	Difficult
Operational Burden:	Mid <ul style="list-style-type: none"> <li>High application process burden</li> <li>Can include strict reporting requirements</li> </ul>	Mid <ul style="list-style-type: none"> <li>Time to raise can vary greatly</li> <li>Have many people to keep engaged and nurtured</li> </ul>	High <ul style="list-style-type: none"> <li>Long process with negotiations and legal hurdles</li> <li>Might have reporting requirements</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>	Mid <ul style="list-style-type: none"> <li>Must show ability to pay cash back</li> <li>Low post-funding burden as long as payments are met</li> </ul>	High <ul style="list-style-type: none"> <li>Must pass legal hurdles to ensure ownership distribution is clear and agreed upon</li> </ul>
Financial Burden:	Don't repay	Don't repay	Repay with interest, or write off as grant	Repay with interest	Repay with interest	Repay with interest	Investors earn return at an exit event (selling their ownership)  <i>Not applicable to nonprofit organizations</i>
Best For...	<ul style="list-style-type: none"> <li>High impact work that is shown to work in its mission</li> <li>Business model not (yet) covering business costs</li> </ul>	<ul style="list-style-type: none"> <li>Impact that is easily understood by and attractive to the average person</li> <li>Business model not (yet) covering business costs</li> </ul>	<ul style="list-style-type: none"> <li>Risky activities that have a route to positive cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Immediate need while waiting for guaranteed funding.</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow positive business</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow positive business with clients that may take awhile to pay.</li> </ul>	<ul style="list-style-type: none"> <li>Early ventures w/ uncertain cashflow</li> <li>Or later stages when there is big growth potential and a possible exit.</li> </ul>

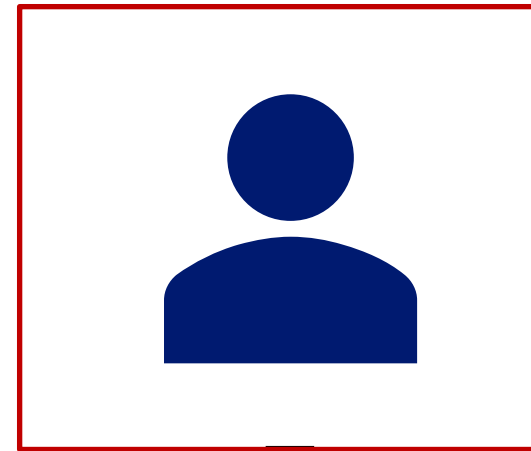


**What different  
types of capital has  
your organization  
used before?**

# You must know the gift type AND know the giver



Type of Impact  
Capital



Person or  
Organization  
That Provides It

# There are many different types of potential funders each with their own goals



Individuals (i.e. Friends of Org)
Major Donors & High Net Worth Individuals
Small & Large Family Offices
Community Foundations
Private Foundations
CDFIs & DFIs
Government Funds
NGOs & Nonprofit Funders
Corporations
Institutional Investors & Banks

# Some questions to consider when comparing funder types

## Finance:

- What are their financial motivations?
- [If Applicable] Are they looking for cash flow positive businesses?
- [If Applicable] How much interest are they looking for? How about loan fees?
- [If Applicable] How flexible are they with timelines and other terms?

## Impact:

- What are their impact motivations?
- Do they fund and align with my impact area(s) or geography?
- What are the reporting requirements?
- How committed are they to their impact area(s)?

## Misc:

- What other constraints does this funder face?



An investment that works.

## Individual Reflection (5 Mins.)

### Section 3: Detailed Impact Capital Plan

**Business Impact Capital Plan:** To cover my business need of \$\_\_\_\_\_ needed for \_\_\_\_\_, I will pursue the following impact capital funding.

Note: You can either choose to focus on your total need (section 1) or your gap (section 2).

<u>What</u> – Capital Type	<u>Who</u> – Funder Type	Amount (\$)	Likelihood (%)	Specific Funders

- **Reflect on which type of impact capital would be the best fit for your business or social needs.**
- **Fill out the first two columns of Section 3 in your worksheet.**

# Breakout Group Discussion

Philanthropic

Debt

Equity

**Join the breakout group that has the type of impact capital you are most interested in.**

## **Discuss:**

- ***Why could this impact capital be a good match for your needs?***
- ***What questions or concerns do you have about this impact capital?***
- ***Any specific funders you have considered in the past?***

# Concluding Thoughts

- Always anchor your impact capital strategy on your projected **costs & needs!**
- Know the **gift type** and know the **giver**.
- Align your specific needs with the **best matching type** of impact capital and funder types.
- Avoid **misconceptions** about philanthropic money and debt.
- Always **reassess** based on how much energy and money you are investing into each impact capital type (*is this worth my time & effort?*).

# Feedback Survey

<https://bit.ly/OptionalWorkshops>





# Thank you!

You can reach me at [rcepeda@redf.org](mailto:rcepeda@redf.org)

[linkedin.com/in/cepedarony](https://www.linkedin.com/in/cepedarony)