



BEST PRACTICES: FUNDING CAPACITY BUILDING FOR NONPROFITS

CDFA has supported nonprofit capacity building since the inception of the tax credit program through awards that support a nonprofits ability to further its mission. More specifically, CDFA's focused efforts on capacity building include the Housing Futures Fund, Regional Development Corporations Capacity Building and, most recently, the L5 Capacity Building Program. Capacity building is an intentional focus of the tax credit program as outlined in CDFA's authorizing legislation, [RSA 162 L:5](#). These various capacity-building investments have informed CDFA's practice over time and the development the following best practices.

Nonprofits need support to engage successfully in strategic planning. While strategic planning is an important capacity building activity that is part of ensuring the development and sustainability of an organization, it is naïve to think nonprofits can accomplish these processes without outside resources and support. Undertaking this work within an organization bootstrapped for staff and operational resources, and likely the expertise to pursue strategic planning thoughtfully, is no small task. It is critical for funders to recognize this and dedicate resources beyond project- and program-based capital towards organizational capacity building.

The results are two-fold. Nonprofits become stronger partners with a sustainable path forward to carry out the work critical to their mission and the people they serve; and funders can have increased confidence in the organization to leverage their capital to further that mission.

Evaluate internal expertise and engage consultants intentionally. When determining when and how to engage consultants for capacity building activities, it is important to first evaluate how internal skill sets map back to process goals. For example, if an organizations leadership is adept at strategic planning with strong stakeholder relationships that will result in candid feedback to guide the process, focus external resources on filling gaps in expertise or bandwidth elsewhere. Leverage capital efficiently and effectively by taking the time to consider how to engage outside expertise where it will deliver the most value to the organization.

Capacity building can transform organizational mindset from reactive to proactive. Limited bandwidth and resources in the nonprofit sector creates an environment where organizations are more often than not reactively addressing challenges instead of proactively planning how to address, avoid or mitigate these challenges. Due to the cyclical nature of this environment, being reactive can become an organizational mindset that is detrimental to its ability to grow and ultimately, succeed long-term. Capacity building can help shift this mindset by putting significant resources towards fostering the growth of an organizations internal knowledge and skills, operations and the ability to contribute to the larger social ecosystem. When these key elements feed into a long-term, holistic strategy, it creates the ability for individual staff and the organization as a whole to adopt a proactive mindset.

Ongoing operational support is critical to building a nonprofits capacity. Capacity building can take many forms, one of which is through ongoing operational support. This is a critical aspect to creating a stable, successful nonprofit. When providing this type of capital, it is important to allow its flexibility to meet the needs of the nonprofit where they are in development.

One-time capacity building investments create new opportunities. Providing a one-time infusion of capital at a pivotal point in a nonprofits development is critical their growth and ability to pursue new opportunities. Capacity building activities, like strategic planning, enable nonprofits the opportunity to step back from their daily work and dedicate staff and other resources towards these pursuits. Without these types of supports within the nonprofit sector, short-term goals drive the organization to function within its comfort zone with less focus on the long-term sustainability of its operations. When given the chance to pursue, nonprofits find capacity building activities result in outcomes beyond initial expectations and create new, sustainable pathways forward not previously considered.

Developing public-private partnerships is a valuable tool in long-term sustainability. To maintain long-term viability, nonprofits need a diverse funding stream that supports the organization through an increasingly unreliable landscape of available capital. The Community Development Finance Authority's L5 Capacity Building Program provides the opportunity for nonprofits to cultivate strategic, long-term relationships with local businesses invested in their mission, which strengthens the nonprofits network and ability to leverage private-sector partnerships to achieve community-based goals.