

Evaluation Report

Full Report

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INTRODUCTION

“It’s not just technical assistance, they are fostering financial resilience in the nonprofit sector.” – Community Innovations

The Nonprofits Assistance Fund’s mission is to strengthen the community by investing capital and expertise in nonprofits. The Nonprofit Assistance Fund (NAF) believes that the foundation of their effectiveness is their ability to establish and build relationships with nonprofit leaders so as to be regarded as a trusted advisor and ally – an enthusiastic friend who is a truth-teller and an experienced mentor. To this end, NAF provides loans bundled with services that they have called “technical assistance.”

Technical assistance is described as the “transfer of new knowledge along with new technology to others who do not know about it” (Choudhury, 2001). It is recognized as a key component of capacity building and has become ubiquitous in fields that do capacity building (Raynor et al, 2014). While NAF clients do receive assistance in technical matters from loan officers (such as learning how to create a cash flow projection or diagnosing weakness in their financial health), we found that the term “technical assistance” does not describe the full scope of service that clients experience.

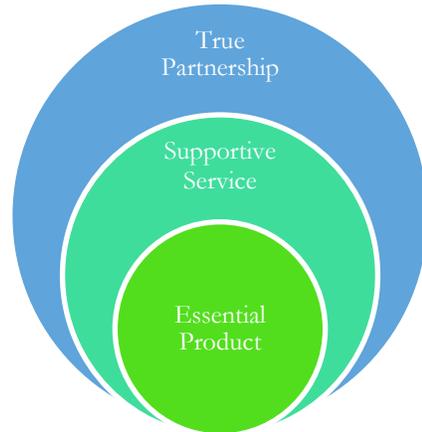
In the day-to-day servicing of a loan, technical assistance is just one part of a collection of practices, values, and qualities that NAF loan officers use to build relationships and strengthen the recipient nonprofit. Because of NAF’s mission, their service is different than the service offered by other lenders. Throughout this report we use the term “supportive service” to describe the service NAF provides. Broadly speaking, supportive service is the combination of help and support that loan officers give nonprofits while servicing the loan.

The relational components of any service delivery can seem mushy and intangible. We often call them soft skills for this reason. However, we found that supportive service has tangible qualities and impacts. Loan officers practicing supportive service are flexible, frank, approachable, and rigorous. They aren’t afraid to be tough on clients while also being supportive and committed. In the short term, supportive service helps nonprofits achieve success with their loan. In the long term, we found that supportive service can help improve a nonprofit’s overall financial health. This report describes the tangible qualities and impacts of supportive service.

The role of supportive service for clients is best understood in relation to two other qualities of NAF that we defined through the evaluation – qualities we call “true partnership” and “essential product.” In addition to supportive service, it is important to keep these two additional qualities in mind throughout the report.

NAF provides loans to clients that they need and that they could not secure elsewhere. In this way, NAF provides an essential product to nonprofits. Businesses everywhere want to provide or produce an essential product. In the best cases, these businesses are innovators. In the worst cases, they are exploitive. In NAF’s case, the combination of an essential product with supportive service contributes to real impacts in the sector and a relationship that we call true partnership.

True partnership occurs in a financial relationship when each party gives as much as they get. Much of this report describes what NAF “gives” to clients. The foundation of this reciprocal relationship is NAF’s commitment to the nonprofit sector and to the missions of their clients. As a nonprofit, this commitment is present in NAF’s mission statement. We found that it is experienced by clients and leads to real impacts in their organizations.



These three overarching qualities are an interpretation that we developed through close analysis and synthesis of all the evaluation findings. Like much of the rest of this report, these qualities are present but not explicit in NAF’s organizational documents. Why do we develop our own interpretation rather than just test ideas already developed by NAF in their organizational documents? NAF hopes to learn about their services as a result of this evaluation. Therefore, insights rather than judgments are valuable. By providing insights from an outsider perspective, we hope to increase the potential for learning from this evaluation.

Throughout this report we use stories and quotes from the clients we interviewed. We have given them pseudonyms (in italics) to protect their identity.

EVALUATION DETAILS

The purpose of this evaluation is to examine the impact and critical qualities of NAF's model of lending bundled with supportive service. Our role as external evaluators is to serve as a bridge between NAF and their clients. In this report, we describe NAF's qualities and impacts from the perspective of their clients. We provide interpretations of the findings that are informed by the data, relevant literature, our conversations with NAF, and our experience in nonprofit evaluation and organizational development.

This evaluation will be used by NAF to test their assumptions about the effectiveness of their services and make improvements.

In order to examine the impacts and qualities of the bundled loan and services model, we used a grounded survey method and invited all NAF clients who had a loan between 2009 and 2015, the past six years, to participate (200 total). A grounded survey method combines the benefits of both interview and survey data collection to answer complex questions. First, we use in-depth interviews with a small number of clients to identify important themes. Then, we test those themes with all clients through a survey. Client participation was very good. Three quarters of the clients (75%) completed the survey. We found the respondents to be representative of the whole group. See Appendix A for a description of how we selected participants.

What do the numbers mean?

People reading survey results often ask, "Is this a good number or a bad number?" When considering the survey results in this report, it is critical to keep the context of the question in mind. A bigger number does *not* necessarily mean it is a better number. We can't assign a grading scale to the results.

Because of the method we used, the survey tests the representativeness of the themes we identified through the interviews with all clients. Interviewees identified some qualities and impacts that are a part of NAF's service and we hope that these qualities and impacts are well represented in the survey results. For example, NAF intends to support clients to help them meet the terms of their loan. Three quarters (77%) of clients said that NAF was "very supportive." This is a strong finding.

Interviewees also identified qualities and impacts that are *not* a part of NAF's service. For example, NAF does not do leadership training with organizations. However, 20% of clients said their own leadership is "much stronger" because of their work with NAF. Even though this number is much smaller than the 77% of clients who said NAF is "very supportive," in the context of this question,

we believe it is a strong number. Throughout this report, please consider what the survey results mean in the context of NAF’s services.

Evaluation questions

1. To what extent and in what ways was the financial health of nonprofits improved or otherwise changed, due to the services received from NAF?
2. Do changes in financial health vary by sector, budget size, or length of time working with NAF?
3. Which aspects of the bundled loan and services model were particularly helpful for nonprofits’ financial health, and how?
4. What impact has the relationship with NAF had on aspects of the nonprofit other than finance, such as leadership, strategy, or governance?

Exploring: Phase one interviews

We first conducted in-depth interviews with six clients selected to represent a diverse sample of NAF’s clients. In a grounded survey method, the goal of phase one interviews is to explore all the different types of responses to a question. It does not matter whether only one or all of the clients give that response in the interviews. For this evaluation we wanted to hear from clients about all of the important impacts they saw in their organization and the qualities of NAF that contributed to those impacts.

Confirming: Phase two survey

The interviews helped us identify the NAF qualities and impacts that might be important to clients, but we didn’t know how representative those ideas were. In order to test the ideas that came from these interviews with all of NAF’s recent clients, we designed a survey from the interview responses and administered it to all NAF clients from the past six years. The survey is called a “grounded survey” because it is grounded in the actual experiences of NAF clients rather than external ideas about what their experience should be.

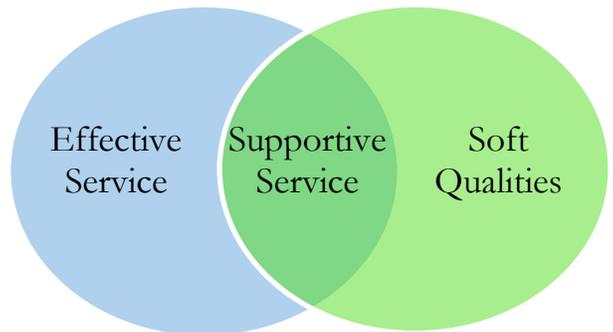
QUALITIES

“They don’t just loan the money to you. They make sure you are educated or knowledgeable in managing the finances of your organization.” – Youth Arts

Our in-depth interviews uncovered many qualities that describe how NAF works with clients. These qualities were then tested in the survey. Nearly unanimously, survey respondents agreed that NAF demonstrated the qualities identified in the interviews.

We organized the qualities identified by clients into two categories: effective service and soft qualities. Effective service includes the qualities that could be described as strong customer service: flexibility, rigor, availability, and adaptability. Soft qualities help to solidify a strong and lasting relationship between NAF and the client. The loan officer’s soft qualities demonstrate that there is trust, respect and a strong commitment between NAF and the client. Together, the combination of soft qualities and effective service create the supportive service that is a cornerstone to NAF’s approach and success with clients.

When we think about the impacts that NAF clients experience, it is important to consider the purpose of supportive service. Supportive service is not just a nice way to do business, it is essential to improving impacts. The idea of supportive service represents a kind of balancing act. Soft qualities and effective service counter balance each other. For example, a certain level of rigor is needed in order for a client to be successful with their loan. Some clients are able to provide the rigor needed with little or no help, but NAF also approves loans for clients who do not yet have the necessary level of rigor. Demanding rigor from clients who do not yet have it will be more effective if they also receive soft qualities like confidence and encouragement. Many clients said that NAF provided a “tough love” that was very helpful to them. Likewise, if NAF only provided soft qualities without the effective service to back them up, clients would have a cheerleader instead of a loan officer.



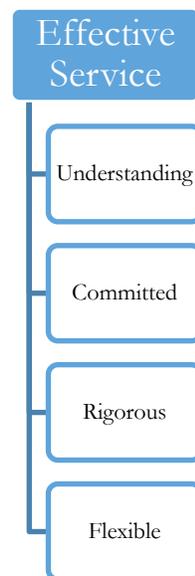
In this section of the report, we describe the components of NAF’s service delivery that clients identified as important for helping them improve their financial health.

Effective Service

NAF is committed to the success of the nonprofits they lend to and demonstrates this by getting to know clients, being rigorous in their lending practices, and being flexible when situations change.

Community Innovations was starting and growing new and innovative programming. Conventional lending institutions didn't understand how to work with them. But NAF took the time to get to know them. The loan officer visited the organization in Greater Minnesota, meeting with the staff and the board, and touring the site of a new project being proposed. With the loan came education, technical assistance, and support that gave the organization confidence in their financial situation and the ability to lead and manage. The loan and supportive service allowed *Community Innovations* to develop and grow new ventures while maintaining organizational stability. NAF's commitment as a partner helped them negotiate and navigate complex contracts and financial situations. NAF was able to provide expertise and play partnership roles that lent stability to shifting situations when otherwise deals might have fallen through. NAF's commitment to the organization included knowing about and understanding how nonprofit management intersects with manufacturing, intellectual property rights, and social enterprise. This understanding allowed NAF to listen deeply and ask tough questions that helped the organization plan and prepare at each step.

Community Innovations is a founder-led organization started fifteen years ago and based in greater Minnesota. Their budget is between \$1-3 million. *Community Innovations'* most recent loan from NAF is a real estate loan used to acquire a parcel of land; growing the nonprofit and its social enterprise endeavors.



The types of important service qualities that clients reported fell into four categories. Clients thought that NAF understood them, was committed, flexible, and rigorous. Clients had a number of examples that illustrated these qualities, which we call effective service.

“NAF was welcoming, accommodating, and easy to work with. The process was transparent ...smooth and very responsive. You’d think that’s par for the course, but it isn’t.” – Community Innovations

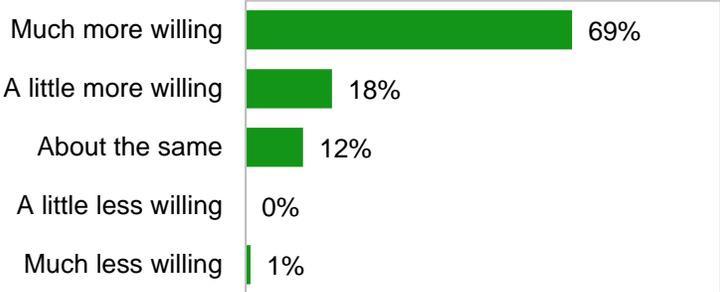
NAF understands their clients

“We were first in the nation, doing new stuff, so the lender really needs to understand you in a way bankers aren’t interested in.... There were at least four instances of [us] being in a jam. [Our loan officer] knew us, our history, how we operate, enough to instantly solve it.” – Health for All

On their website, NAF states, “Our lending team understands nonprofits and their business models.” Certainly NAF’s success comes in part from a detailed understanding of the nonprofit sector. Only with this deep knowledge is NAF able provide an essential product by selecting and serving loan clients in ways that take nuances of their organization and the nonprofit sector into account.

In addition to understanding the field, we found that NAF is very active in understanding each particular client. Over two thirds (69%) of clients said that NAF was “much more willing” to get to know their needs than other lenders they have worked with. This knowledge allows NAF to adapt, be creative, problem solve, and offer services at the right scale for their clients.

Compared to other lenders you have worked with, did NAF seem more or less willing to get to know you and your organization's needs?



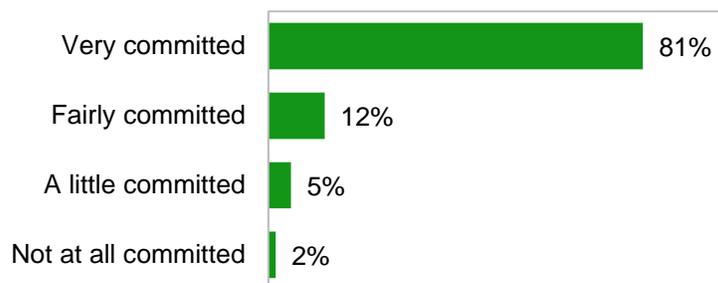
NAF is committed to clients

“[Our loan officer] was the architect and the support system. Things kept falling apart and [our loan officer] would help us troubleshoot.” – Health for All

When *Health for All* was purchasing a major piece of real estate, complications and hurdles kept arising. Their loan officer answered questions, acted as a sounding board and connected with other partners to gather input as needed. Every time *Health for All* got in a jam their loan officer was there to help them, in the end finally modifying the whole loan to better fit their needs.

Overall, clients found NAF to be very committed. Four fifths (81%) of clients said that NAF was “very committed” to helping them work through challenging or new situations during their loan.

When a challenging or new situation arose, how committed, if at all, was NAF in helping you work through it?



One important aspect of NAF’s commitment was the high availability of the loan officers. Of the clients who had experience with other lenders (about three quarters of them), three fifths (61%) said that their NAF loan officer was “much more available” than other lenders. No one said that their loan officer was less available than other lenders they have worked with.

NAF is flexible with their service and products

“There was a great opportunity and we couldn’t get a bond. NAF used a product frequently used in the arts community. It was out of the box but they used it for us and we were able to bid on the project.” – Community Innovations.

Clients see that NAF is willing to be flexible in the ultimate role they play as long as there is financial rigor to the process and a focus on mission. When other partners change their minds, their role, or their requirements, NAF can remain a nimble partner – helping to secure a deal or find the right product for a situation.

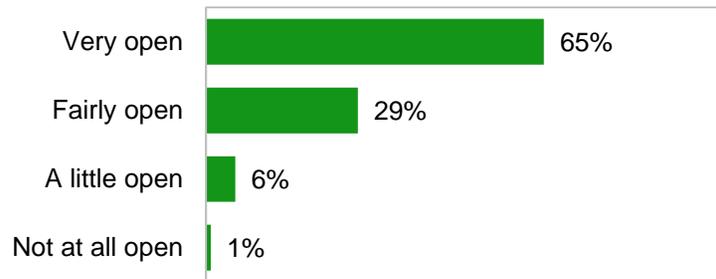
For example, *Community Innovations’* work is often so cutting edge that potential partners don’t know how to work with them. NAF is committed and willing to learn and remain flexible to find what works best for them and all their clients.

This flexibility showed up in a number of ways. We found four important aspects of NAF’s flexibility.

- Individualization
- Creativity
- Openness to change
- Adaptability over time

NAF provides services that are individualized to each client’s needs. Half (50%) of the clients said that NAF’s services were “very individualized” to their particular needs. In addition, a similar percent (43%) found that NAF was “very creative” in providing solutions or plans to ensure their goals were met.

How open, if at all, was NAF to changing the product or service you originally agreed upon in order to ensure your goals were met?



Performing Arts Theater found that NAF was willing to be flexible when circumstances changed. In their case, NAF was able to provide a bridge loan when a bank pulled out of a deal.

Like *Performing Arts Theater*, two thirds of clients (65%) found that NAF was “very open” to changing the product and services that they agreed upon in order to ensure that the client’s goals were met. A similar percent (60%) said that NAF adapted its products and services “all of the time” as the organization’s needs changed over time.

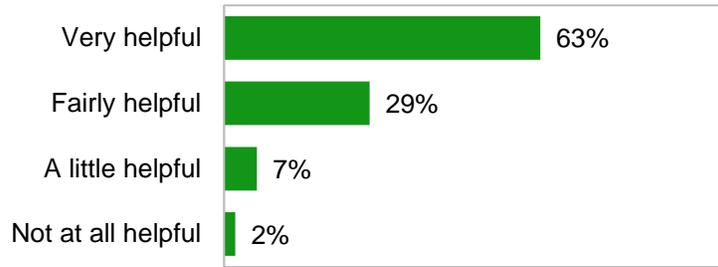
NAF’s rigor helps clients

“NAF was very rigorous. They put our financials under a microscope; there is no difference there [from a bank]. But they understand the nuanced financial landscape of the sector better than anyone.” – Community Innovations

At *Community Innovations*, NAF required new financial practices that were very rigorous for the organization. But the organization could trust NAF’s directions because NAF had taken the time to get to know them. When they met, NAF listened carefully and asked questions that helped better diagnose a situation. This “human touch,” as *Community Innovations* put it, made NAF and their processes more credible.

It is hard to overemphasize the role that rigor plays in NAF’s services. All of the clients we interviewed talked about the rigor that NAF used and demanded. We also know that most clients became more rigorous because of their work with NAF and will discuss this later in the report. There is no question that NAF is and has to be rigorous to make successful loans, but the usefulness of this rigor is not one sided. Clients reported that while sometimes less than enjoyable, the rigor had a positive impact on their organization. This finding was reflected in the survey results. Two thirds (63%) of clients said that the rigor NAF demanded was “very helpful” for their organization.

Was the level of financial rigor that NAF required of you helpful to your organization or not?



Rigor plays a unique role in the category of effective service. While flexibility is primarily about meeting the client’s needs, rigor is a requirement that NAF demands. While we know that rigor helps clients improve their own organization in the end, it can be a tough pill to swallow initially and clients told stories about balking. Because of this, the need to support organizations in developing rigor may be the primary reason for the development and effectiveness of the soft qualities that we discuss next.

Soft Qualities

NAF's soft qualities show their strong commitment to and passion for the nonprofit sector. NAF inspires trust from clients and motivates them to do their best work.

Performing Arts Theater received their first loan from NAF as a relatively young organization. NAF's loan was a boost of confidence for the organization. *Performing Arts Theater* knew that getting their first loan from NAF was important and it made them want to deliver. The organization worked to make sure they had the right people and practices in place to successfully meet the terms of the loan. NAF was there supporting them the entire way. Over the years NAF has become an important partner to the organization. *Performing Arts Theater* knows they can turn to NAF for advice, training, and educational resources. At times NAF isn't the right financial partner but *Performing Arts Theater* trusts that NAF will help them on their way. The loan officer provides valuable insights and opinions on trends and changes in the sector. After three decades, *Performing Arts Theater* is as committed to NAF and their mission as NAF is to them, believing that NAF plays a unique and important role in the sector.

Performing Arts Theater is a founder-led organization. It is based in the Twin Cities metropolitan area and serves several communities across the country. Their budget is between \$1-3 million. *Performing Arts Theater* received their first loan from NAF three decades ago and have considered them an important partner ever since.



The impact of NAF's soft qualities on their clients is significant. For clients, NAF is a trusted advisor, a committed partner, and a rigorous lender. We came to think of the relationship between NAF and the client as a true partnership. Clients know that NAF is a lender with a mission that is about more than just financial return. It's about their commitment to the missions of their client nonprofit organizations.

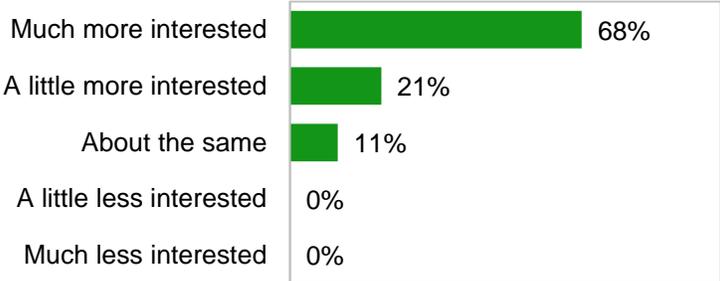
"NAF has a genuine human component. They are motivated by our missions. They do what they do so we can do what we do. They put us through rigor so that we can do what we do." – *Community Innovations*

NAF believes in their clients

“They believe in the missions of the nonprofits they serve. You don’t get that in the commercial world.” – Performing Arts Theater

Clients perceived that NAF believes in their mission and organization. This important quality contributed to the client’s sense that NAF was a true partner in the financial relationship. Two thirds of clients (68%) reported that NAF was “much more interested” in their nonprofit’s mission than other lenders they have worked with.

Compared to other lenders you have worked with, did your NAF loan officer seem more or less genuinely interested in your organization's mission?



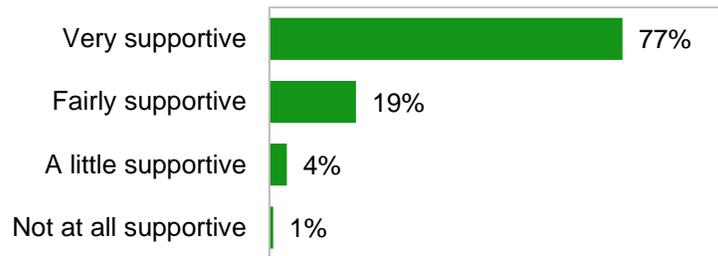
NAF provides tough love

“It’s like tough love. They want us to do our work but they’re going to make us prove that we’re worthy. And after the fact we’re grateful for it.” – Community Innovations

NAF pairs a demand for rigor with support and encouragement. Clients come to feel that their loan officers truly care about them and talked of their loan officer and the relationship using terms like “friend,” “grandmotherly kindness,” “parent,” “teacher,” and “tough love.”

Three quarters (77%) of clients said that NAF was “very supportive” in helping them meet the terms of their loan. A similar percentage (74%) said that NAF was “very encouraging” in helping them improve their organization’s financial health.

Once you received your loan, how supportive, if at all, was NAF in helping you meet the terms?



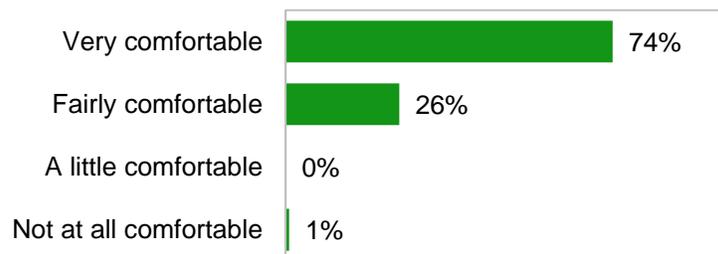
NAF is frank and approachable

“They had concerns at times. We are under-resourced and trying to do a heavy lift. They were frank about our vulnerability and their concerns. It was great feedback.” – Community Innovations

Clients felt that NAF was being frank with them. A little under three quarters (71%) of clients felt that their loan officer was “always” saying what he or she really thought about their organization and its needs.

NAF is frank but also empathetic. Clients felt comfortable going to their loan officers with embarrassing questions or mistakes. Almost every client (99%) said that they felt “very” or “fairly” comfortable going to NAF with embarrassing questions. A similar percentage (95%) felt “very” or “fairly” comfortable going to NAF with mistakes.

How comfortable, if at all, did you feel going to your loan officer with questions that might be embarrassing to you?



These results are exciting. Recipients of loans may judge it unwise to display their ignorance or mistakes to a powerful lender, yet these are the precisely the greatest opportunities for learning and development. NAF clients are able to go to their lender during critical moments and receive honest feedback. This is in part because clients trust that NAF cares deeply about their mission.

“You don’t feel like you did something wrong if you miss a payment or if you need more time. As long as you are honest and clear and the numbers are there – they get it.” – Performing Arts Theater

Part of NAF’s approachability is that clients trust them. They trust that NAF is there in an emergency and that they will be a source of good information. At *Youth Arts*, that emergency thankfully hasn’t come up yet, which they attribute to NAF, but they know their loan officer and NAF are there if they need them.

Center for the Environment had been through sleepless nights before they started working with NAF. Making payroll wasn’t a guarantee. The fact that their loan officer was there with them was like an “extra blanket.” The loan officer not only helped them solve organizational issues, but was calm and available throughout.

NAF is a true partner

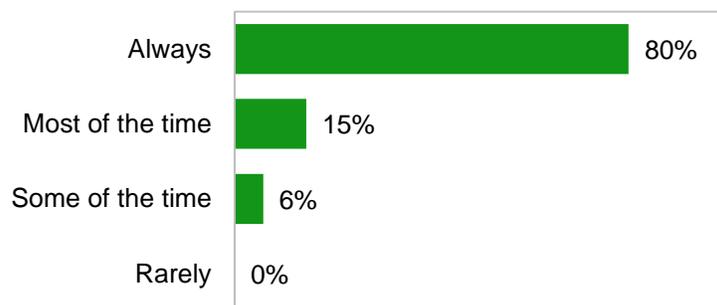
“They’re going to do whatever they can to help you succeed.” – Youth Arts

Because of many of the soft qualities above, we describe NAF’s relationship with their clients as a true partnership.

A lending partnership is necessarily one of power. A lender accepts or rejects a loan application and defines the terms. While partnerships built on power are often one-sided, a true partnership is reciprocal. NAF’s true partnership transcends the boundaries of a conventional financial relationship with the bottom line being the mission impact of the client rather than financial return for the lender. This quality affects how the client experiences their financial relationship with NAF. We found some clients that were as committed to NAF’s mission as NAF is committed to them.

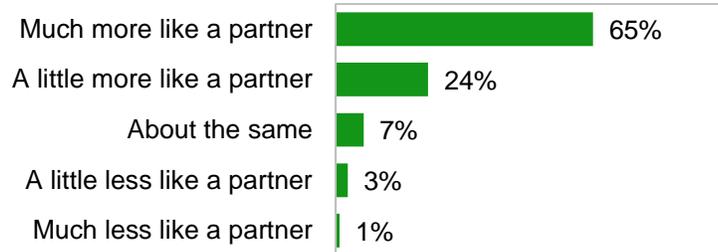
In the survey, four fifths (80%) of clients said they “always” trusted that their loan officer was keeping their organization’s best interest at heart.

How often did you trust that your loan officer was keeping your organization’s best interests at heart?



While the term “partner” is often used in the marketing language of financial institutions, it has the potential to be merely window dressing for a routine or impersonal financial agreement. As we see in this report, the descriptions that clients gave of their relationship with NAF was anything but routine and impersonal. NAF understands and believes in their clients, is committed and flexible during tough times, pairs rigor with support, and is frank and approachable. Two thirds of clients (65%) said that NAF is “much more like a partner” than other lenders they have worked with.

Compared to other lenders you have worked with, did your NAF loan officer seem more



or less like a partner?

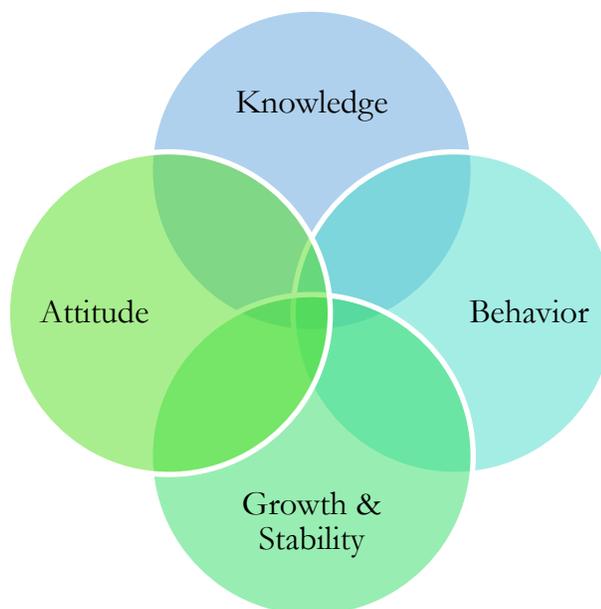
IMPACTS

“It used to be that we were saving paperclips and collecting shoe boxes. Now [the staff] are seeing growth and there is more optimism. The doors aren’t going to shut. They know they are going to get raises. I don’t know how we could have gotten there without NAF.” – Center for the Environment

NAF asked us to not use the typical financial ratios as a way to determine the financial or organizational health of their clients (NAF, 2014). While useful, these ratios only describe one particular aspect of financial health. Instead, our challenge was to uncover impacts resulting from the supportive service that NAF provides. Because of this, we used in-depth interviews to understand the clients’ perceptions of what impacts occurred and asked them to give examples of personal or organizational changes in three areas: knowledge, behavior, and attitude. We also asked for examples of growth or improved stability.

The six interviewees reported a range of important impacts that we analyzed and turned into survey questions for all recent clients to respond to. This section of the report presents the different types of impacts that clients reported and the extent to which all recent clients experienced those impacts.

We report the impacts using the following organizing sections: knowledge, behavior, attitude, growth and stability.



Knowledge

Because of NAF’s deep knowledge of the nonprofit sector and their supportive service, clients learn not only about effectively managing their loan, but also gain a better understanding of their own financial situation and important fundamental business concepts.

Youth Arts is led by the founding artistic director who had a strong artistic background but little to no experience in nonprofit or business management. As the organization grew, managing their cash flow became an increasingly difficult task. The organization sought their first loan from a bank, but was perceived as too risky. Their loan was denied and the lender recommended they talk to NAF. The organization didn’t know that connecting with NAF for a loan would open the door to so many other resources, education and connections. The organization didn’t always understand the purpose or importance of some of the required financial practices but trusted and respected NAF. Over time, *Youth Arts* started to see the positive impact of the financial management techniques taught by NAF. These impacts were practical as well as emotional. *Youth Arts* is able to keep more financial management in-house and can more effectively plan, react, adapt and predict. The organization also rests easy knowing that they have a strong grasp of their finances and an unwavering partner in their corner. Over the course of multiple working capital loans a strong bond has formed between the staff of *Youth Arts* and their loan officer who is seen as an educator, advisor, financial partner, and friend.

Youth Arts has been serving young audiences and artists for more than thirty years. This founder-led organization has a budget under \$500,000 and is located in the Twin Cities metropolitan area. NAF showed trust in and a commitment to the organization when other lenders found them too risky.

Knowledge

Educator

Fundamental concepts

Financial reality

Like *Youth Arts*, many of NAF’s clients are receiving a loan for the very first time. Clients who are new to lending will learn a lot about the process, whether they borrow from NAF or another lender. However, NAF’s supportive service provides opportunities for learning that go beyond just how to meet the terms of the loan. We found that clients thought of their loan officer as an educator, learned fundamental business concepts, and better understood the financial reality of the organization after working with NAF.

“From NAF, I learned about banking and running a nonprofit.” – Health for All

NAF is an educator and connector

“The education [we received from NAF] has been critical. Learning how to operate with a cash flow budget really changed how we operated. It’s a life long skill. It’s like trying to teach your kid skills before college so they can survive. That’s what NAF does. As a younger organization, they were willing to teach us life skills that we needed to survive.” – Youth Arts

The clients we interviewed told us that they learned from their loan officers both formally and informally. For example, some clients were taught a skill by the loan officer, while others learned through their day-to-day interactions. Over four fifths (82%) of the clients said that they either “completely” or “somewhat” thought of their loan officer as an “educator.”

Clients whose staff or board received “training or advice” from NAF were much more likely to think of their loan officer as an educator than those whose staff and board did not receive any training or advice. At *Community Innovations*, accounting staff worked with NAF to learn and improve their practices. Now, when staff members have a question they know they can call NAF for help. Two thirds (66%) of the clients had staff that received training or advice from NAF. Almost all (92%) of the clients whose staff received training or advice said that it “greatly” or “somewhat” improved their ability to work with the organization’s finances.

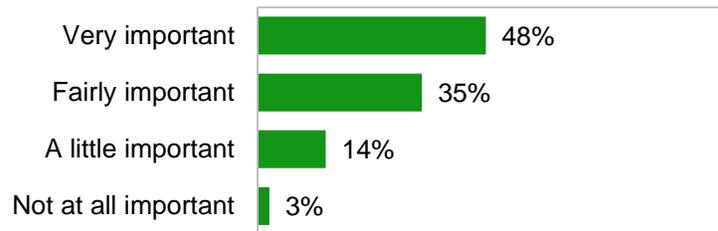
“I trusted that [our loan officer] would have pointed out where we needed more intervention. Had they said ‘you really need to come to this session,’ I would have gone. I felt comfortable that if they thought we needed more [education or training] they would have told us.” – Center for the Environment

Performing Arts Theater turns to NAF as an education resource for their board of directors to help them understand fundamental financial practices and the unique qualities of the nonprofit sector and nonprofit finance. Board members from this organization attend NAF trainings, seek resources on the website and at times NAF is invited to provide training at board meetings. Overall, one third (36%) of the clients had board of directors receive training or advice from NAF.

Another important role of the NAF loan officers is as a sounding board. *Center for the Environment* meets with their loan officer once a year just to talk about the latest trends in the nonprofit sector. Another client, *Kid’s Charter School*, turns to their loan officer to understand and verify information coming from a contracted financial manager. These clients view this more informal educator role as an important aspect of NAF’s partnership with and commitment to them.

Of all the clients that thought of their loan officer as an educator, four fifths (83%) said that the education they received was either “very” or “fairly” important for improving their organization’s financial health.

How important, if at all, was the education you received through your loan officer for improving your organization's financial health?



In addition to being educators, NAF loan officers are connectors. Loan officers connect clients to resources both from NAF and from the community. Three fifths (62%) of clients said that “yes, definitely” NAF connected them to resources that helped them improve their financial health.

Youth Arts, like other clients, was deeply connected in their sector, but through NAF gained contacts related to nonprofit management, business and finance that they could turn to for services, training, and advice.

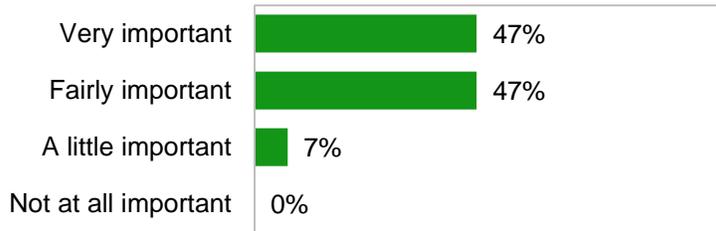
Half (50%) of the clients reported having “a few more” or “many more” connections to community resources outside of NAF after their work with NAF.

Clients learn fundamental business concepts

“We got so many business and nonprofit concepts out of our work with [NAF] that weren’t part of my theater major.” – Youth Arts

NAF’s services help clients learn fundamental financial and business concepts. One quarter (24%) of clients said that they had both a “much better” understanding of nonprofit financial concepts and fundamental concepts about running a business (three quarters, 74%, reported some amount of change). Of the clients that reported some learning, almost all (94%) that said that the concepts they learned were either “very” or “fairly” important for improving their financial health. No matter how much training and education clients received from NAF, most clients value what they learned. For example, over half of the clients who said they gained a “little better understanding” of fundamental concepts about running a business also said that what they learned was “fairly important” for improving their financial health.

How important, if at all, were the business or financial concepts you learned for helping you improve your organization's financial health?



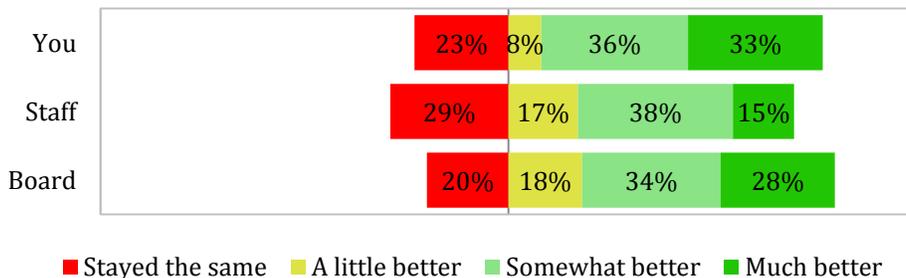
Clients also reported that through their work with NAF, they learned about the broader banking environment. Over half of the clients (54%) said that they had a “much better” or “somewhat better” understanding of how to navigate the banking and financial world to access what they need (74% reported some amount of change). Likewise, almost two thirds of the clients (63%) reported a “much better” or “somewhat better” understanding of the banking and financial options available to nonprofits (77% reported some change).

Clients better understand the financial reality of their organization

“We’re able to really take a long term look ahead so that we can respond to what’s going on.” – Youth Arts

After working with NAF, the respondents, their staff, and their boards better understand the financial situation of their organization. Over two thirds of the survey respondents reported that they personally had a “much” or “somewhat” better understanding of their organization’s financial situation. Not only does NAF impact the person they primarily work with at the organization, they also show an impact on the staff and board’s understanding of the organization’s financial situation.

Because of your work with NAF, do [you, your staff; your board] better understand the overall financial situation of your organization or has that stayed the same?



Providing direct advice or training to staff and the board increases their understanding of the organization’s finances. Clients who reported that members of the staff or board received training or advice from NAF were more likely to report an increase in the staff or board’s understanding than clients who did not receive those services. But, clients whose board or staff did not receive training still reported these impacts. For example, most clients (60%) said that their board did not receive

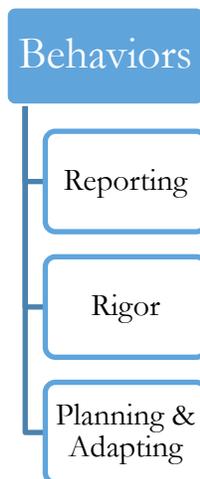
advice or training from NAF. Even without advice or training, one quarter (26%) still said that their board had a much better understanding of their financial situation because of the organization's work with NAF.

Behaviors

After working with NAF, clients improved their financial rigor, improved their financial reporting and gained a better ability to plan and adapt.

Health for All has a strong commitment to innovation and growth to meet the needs of those with barriers to care. NAF has helped the organization refine, revamp, and customize their financial practices along the way. With the encouragement and support of NAF, the organization developed a customized and integrated financial software system that allows them to more accurately track finances in real time. This customized system allows *Health for All* to factor in complex reimbursement rates and timing, giving them a more realistic picture of their financial health. How they pay attention to and use cash flow projections and financial metrics, their reporting to the board, and the role of the finance committee have all shifted through their work with NAF. These strengthened financial practices allow the organization to plan, adapt, grow, and lead with stability while supporting their values of innovation and excellence. In addition to being a lender, NAF has been a committed partner and advisor helping *Health for All* secure contracts and increase their impact through organizational growth.

Health for All has a budget of \$5-10 million and is located in the Twin Cities metropolitan area. This organization has been serving low-income children and families, elders, people with disabilities and hard to reach populations for more than twenty years. The organization has received both working capital and real estate loans from NAF.



As clients improve their knowledge and understanding of financial reporting, they start putting new practices into place. This can include more in-depth monitoring and evaluation, reporting and sharing of information internally, using new software systems, and more fully integrating financial management with planning. All of these behaviors increase the client's financial rigor – a critical step towards better financial health.

“The big thing was instituting our version of cash flow planning. We created [a cash flow] template and it’s gotten more sophisticated moving forward. [Now] it’s completely embedded...everyone is working with the same mindset. It’s the single most effective habit that we developed.”

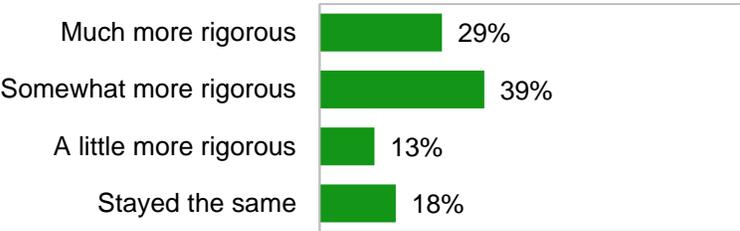
- Performing Arts Theater

Clients improved their financial rigor

“In the past we didn’t review statements as often. We didn’t have a schedule to assess financial documents or needs. Now it’s very rigorous.” – Community Innovations

We have already talked about the important role that NAF plays in promoting financial rigor in the qualities section of this report. Overall, we found that two thirds of clients (68%) become “much more” or “somewhat more” rigorous in their financial practices after working with NAF.

Because of your work with NAF, is your organization more rigorous in its financial practices, or has that stayed the same?



Clients improved their financial reporting

“We are more proficient and regimented in providing [financial] information to our leadership team in a way that’s digestible. Even the people [on our board] that can’t read financials very well still need to be able to read the dashboard because they can give great input and have a voice.” – Community Innovations

The concept and practice of monitoring and projecting cash flow is one of the most common ways that NAF helps clients understand the financial realities of the organization. All of the organizations we interviewed talked about improving the way they monitor or project cash flow in some way.

Youth Arts thought they were monitoring their cash flow adequately but were not seeing any real benefit from it. When their loan officer taught them how to create more rigorous monthly cash flow reports, the practice opened their eyes. They realized it was an important tool for understanding the realities of their finances for the present and into the future.

Community Innovations had done cash flow projections for years. When the terms of a large contract were renegotiated they needed fast financial support from NAF. NAF required a two-year cash flow projection so that the organization could articulate where they’d be at each month. The practice was challenging and rigorous but also strengthening.

The executive director of *Center for the Environment* had an intuitive sense of the organization’s cash flow but appreciated the discipline of learning and reporting it in the way that NAF required. Having a more complete cash flow report allowed the executive director to quantify his intuition and reflect on how the reality matched his sense of it.

Three important behaviors related to financial reporting stood out in the interviews. After working with NAF, clients

- improved the financial documents they use for reporting,
- expanded the number of people who see them, and
- improved the way that they share the documents.

In the survey, most clients (81%) reported some degree of improvement in the financial documents that they use for reporting. Most clients also improved the way that they share financial documents (76%). Fewer clients (61%) expanded the number of people who engage with financial documents.

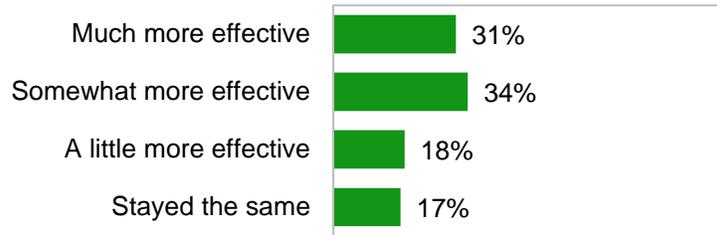


Clients improved their ability to plan and adapt

“NAF helped us set metrics. It gave us the ability as a company to look at things critically so that when we’re strategic planning we can think creatively about financial stability.” – Health for All

The ability to both plan for the future and adapt to changing circumstances is a critical competency for successful organizations. Because clients better understood their own financial reality and were more rigorous, they improved their ability to plan and adapt. Two thirds (65%) of clients reported that the role of finances in their organization’s planning has become “much more” or “somewhat more” effective because of their work with NAF.

Because of your work with NAF, did the role that finances play in your organization's planning become more effective, or has it stayed the same?



From the interviews, we identified three key impacts related to effective planning. After working with NAF, clients reported

- having more tools and practices in place to make quick decisions when necessary,
- being more able to respond to changing situations, and
- being more able to accurately predict how decisions in the present will impact their organization's finances in the future.

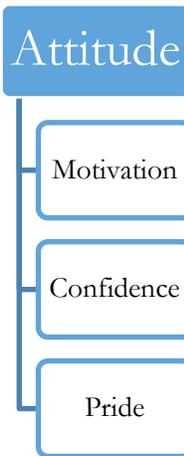
In the survey, most clients reported impacts in all three areas. Clients reported that they have more tools and practices in place to make quick decisions when necessary (75%), are more able to respond to changing situations (86%), and are more accurately able to predict how decisions in the present will impact their organization's finances in the future (74%).

Attitude

For some organizations, working with NAF means a positive shift in the way they think about finance or the finances of their organization.

Center for the Environment turned to NAF to help with cash flow issues. Poor financial management practices prior to the current executive director had exacerbated yearly cash flow issues leading to a culture of scarcity. With finances so tenuous, the board was focused on the day-to-day management of the organization. Staff members worried about getting paid or having the supplies and materials they needed to do their jobs. The executive director turned to NAF as a potential resource and partner. A working capital loan from NAF provided just the stability the organization needed. With a loan in place to access during times of low cash flow, the board is able to focus on vision, strategy and long-range planning. Staff members know that paychecks will come on time and are willing to ask for the resources they really need to do their jobs well. The organization's confidence is boosted. The executive director feels a lessening of the pressure and burnout that can come with running a cash-strapped organization. With the frank assurance and support of NAF, the organization is assured that they are on the right track and can focus on what is needed to strengthen the organization in the long run.

Center for the Environment provides programming and services to protect and raise awareness about the natural environment. It has a budget of \$1-3 million and is located in the Twin Cities metropolitan area. *Center for the Environment* has had several working capital loans from NAF going back many years.



Attitudinal or cultural changes can be some of the hardest but most important changes in an organization. NAF's supportive service is well suited to helping organizations feel motivated, confident, and proud.

Getting that loan – we took it very seriously...The loan reflected on us, [NAF] acknowledged us, and we wanted to deliver for them. – Performing Arts Theater

Clients feel motivated and confident

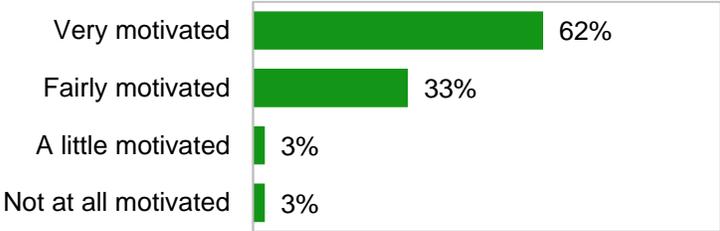
“They coach you and empower you to prove yourself.” – Community Innovations

The clients we interviewed said that working with NAF motivated them to improve their financial practices and gave them the confidence that they could succeed. Interviewees were motivated to improve their financial documents, train their staff, or to build up reserves to the point where another loan is not needed.

For some clients the fact that they knew NAF had taken a risk with them and believed in them was a strong motivator. They didn’t want to let NAF down. One client, as a founding executive director, felt that NAF was willing to look beyond numbers. NAF trusted them as a person of character and that the organization had an important mission. NAF’s willingness to take a chance on the organization formed the basis of a strong partnership and the organization was committed to fulfilling their end of the bargain.

Three fifths (62%) of clients said they felt “very motivated” to improve their financial practices after working with NAF.

Because of your work with NAF, did you feel positively motivated to improve your financial practices or not?



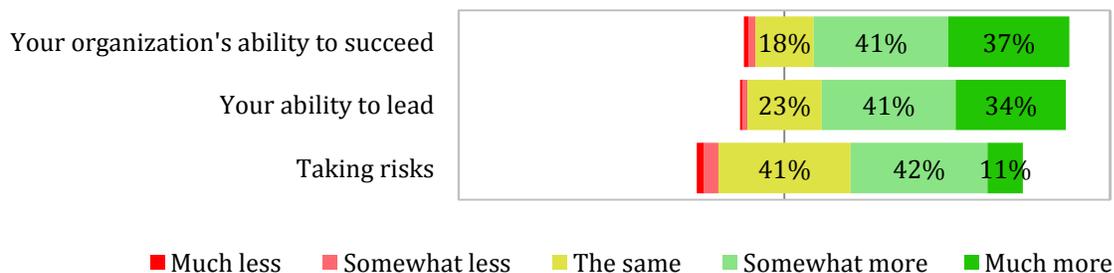
NAF has an important role to play in reducing the stigma of financial struggles for nonprofits. One client said that they felt less isolated after working with NAF. Through NAF, they felt part of a community of nonprofits that were all dealing with similar or more severe financial issues – yet NAF believed in them. This increased their confidence in their own work. In the survey, we asked clients if their particular financial situation seemed more commonplace or more unique after working with NAF. Over half (55%) of survey respondents thought that their particular financial situation seemed “somewhat” or “much” more commonplace. One quarter (26%) said it stayed the same.

We also asked a number of questions about increases in client confidence. Clients reported that they felt more confident in

- their organization’s ability to succeed,
- their own ability to lead, and
- their willingness to take risks.

Very few clients reported feeling less confident in these areas after working with NAF. This is striking. Because of the rigor that NAF requires, many of these organizations may be seeing their financial situation more clearly than they ever have before – a view that has the potential to be concerning. Despite this possibility, clients feel ready to take on the future.

Because of your work with NAF, do you feel more or less confident in [your organization's ability to succeed; your ability to lead in your organization; taking risks]?



Clients feel proud to receive a loan from NAF

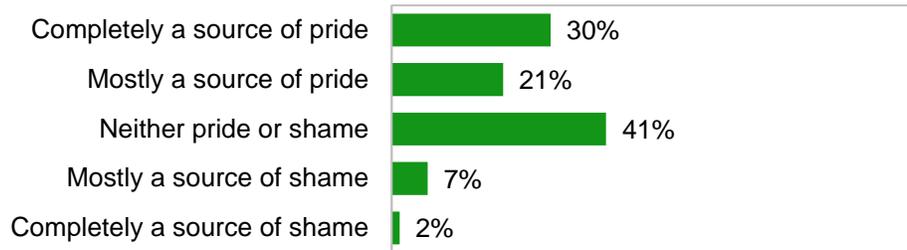
“NAF is well respected, not only here in our region, but nationwide. They are a really unique entity doing remarkably good work....We feel humbled and proud to be a partner with NAF because of the fact they are so well respected. That’s a benefit of some sort, but that’s not why we are proud [of our organization]. Interviewer: You are proud because of the work you do and NAF recognizes that? Client: Exactly. – Community Innovations

Clients reported feeling proud of their relationship with NAF, but the emotion was complicated. As the previous quote illustrates, clients feel proud that they have a respected and important partner, but more specifically, clients feel proud of their own organization for being in a place where they could get a loan. Getting a loan from NAF is, in a sense, a vote of confidence from a nonprofit financial expert that not only thinks you can make it financially, but believes in the importance of your work.

Importantly, taking on debt is not always perceived to be a sign of strength for nonprofits. However, half of NAF’s clients said that their first loan from NAF was “completely” or “mostly” a source of pride for their organization. For clients who have had more than one NAF loan, we asked the same question about their most recent loan and the results were very similar.

“Approaching [NAF] for a loan was initially a source of shame. But they really helped us understand how it was another tool in our toolbox to help us in that particular place we were at in the lifecycle of our organization.” – Survey Respondent

Was your first loan from NAF a source of pride or shame (or neither) for your organization?

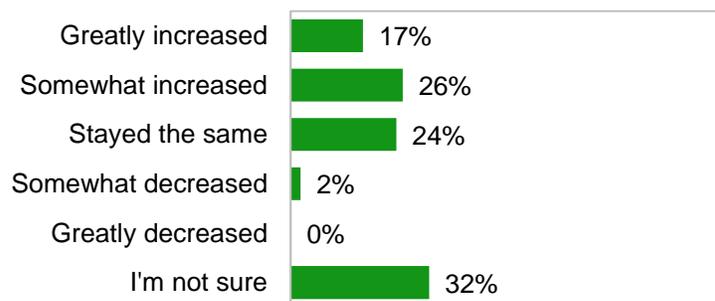


Clients also reported that they thought their organization’s reputation improved because of their partnership with NAF. This impact is certainly an unintended one, but nevertheless important. It supports the idea that even though the nonprofits that NAF loans to may be experiencing financial strains, a loan from NAF is a sign of strength, not weakness.

“In the funding world, people like to know that you work with NAF...they know you are with a good partner and that [the loan] is not going to sink you. Corporate and funding partners are aware that some nonprofits don’t make good financial decisions, but getting a loan with NAF...it’s a sound financial decision.” – Performing Arts Theater

Very few (2%) clients said that their external partners opinion of their organization decreased when they saw the organization working with NAF. Two thirds (67%) of clients knew that their external partners’ opinions increased, while one third (32%) just were not sure.

When external partners saw you were working with NAF, do you think their opinion of your organization increased or decreased?

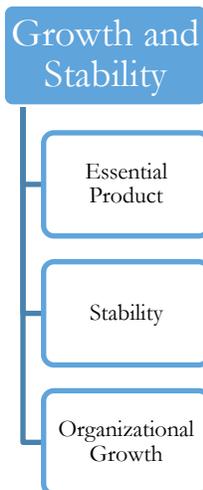


Growth and Stability

Receiving supportive service from NAF provides valuable stability and supports meaningful growth in nonprofit organizations like *Kid's Charter School*.

Kid's Charter School is a tuition-free school located in the Twin Cities. With a new director in place, *Kid's Charter School* worked with NAF to secure a loan for a permanent school location using a bonding process. As construction of the school site got underway the process hit a snag. Some unforeseen problems with the building site were discovered and with them came associated costs that the school had not budgeted for. *Kid's Charter School* turned to NAF, as their primary financial partner, and was able to secure the additional funds needed to keep the project on track. Being able to work with NAF, rather than trying to come up with less favorable ways of securing the necessary money, allowed the school to maintain its financial health, putting them in a secure place when the new site was complete. NAF has been a strong partner, helping them navigate the process and answering questions as they arose. *Kid's Charter School* describes their loan officer as being accommodating, timely, and friendly.

Kid's Charter School is ten years old and has a budget between \$3-5 million. This charter school is located in the Twin Cities metropolitan area, serving hundreds of kids each school year. *Kid's Charter School* received a real estate loan from NAF, which they used to purchase a permanent location for the school.



Like *Kid's Charter School*, many of the clients we surveyed experienced growth of programs, staff, or budget. Some clients had at one point been in situations where they might have closed without NAF's help. Most clients we interviewed and surveyed experienced increased stability through their partnership with NAF. Throughout, NAF provides an essential product, one they might not be able to get elsewhere.

"All of those strategies [for growth] were informed by understanding our finances extremely well... That level of analysis is what allowed us to be fine at a time when most of [our field] had shrunk." – Health for All

Clients receive an essential product

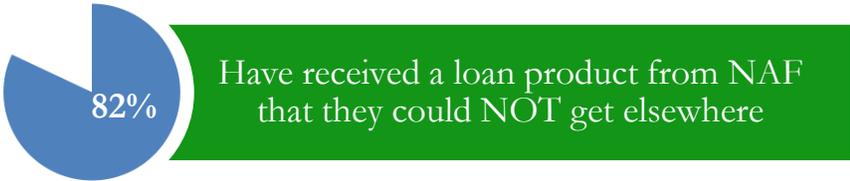
I asked [our bank] for a line of credit [but was denied]. NAF was willing to give us money that we couldn't have gotten from [our bank] or anyone else... After we paid off the loan [to NAF], I went to [our bank] to see if we could get a cash flow loan from them at a lower interest rate and they still felt they had dodged a bullet. They never thought we'd pay [the first loan] off and we did, but they turned us down. – Center for the Environment

Clients said that NAF gave them a loan that other lenders either didn't offer, found too risky, or didn't have the expertise to service. For this reason, we call NAF's loans an essential product in the nonprofit sector. NAF is able to provide an essential product because they are both knowledgeable about the nonprofit sector and focused on the client's mission rather than just financial return. These qualities differentiate NAF from other lenders and financial partners.

"We went to a different bank, but there is nobody that understands. I don't have collateral like a small manufacturing firm would. [The bank] would be taking too much of a leap of faith." – Performing Arts Theater

In the case of *Community Innovations* and *Health for All* a big barrier to traditional lending was the innovative nature of their work. Other lenders didn't understand it. For *Youth Arts*, *Center for the Environment*, and *Performing Arts Theater* they lacked the "bankability," including capital, assets, and collateral, that traditional lenders typically use to determine whether to finance a loan.

Through the survey, we found that many NAF clients needed loans and could not get them elsewhere. Four fifths (82%) of NAF clients said that they could not have received at least one of their NAF loans elsewhere.

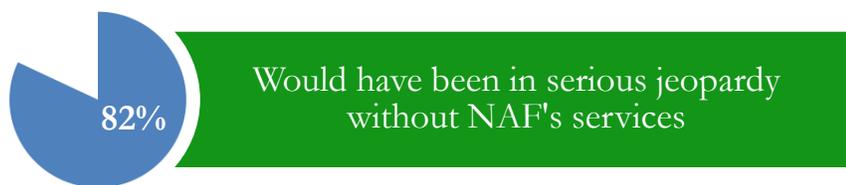


Clients became more stable

"Our doors would not still be open without their assistance because we wouldn't be able to operate without their cash flow loan. That's what has provided stability." – Youth Arts

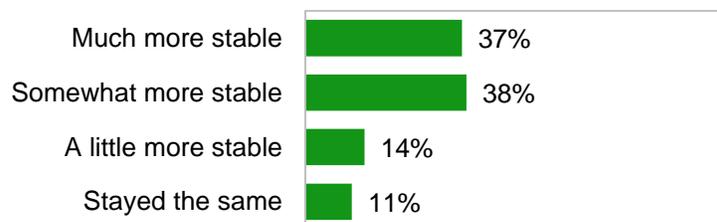
In its most extreme, stability means being able to keep the doors open. This was true for *Youth Arts* and for many other clients. Three fifths (82%) of clients said there was a time where their organization would have been in serious jeopardy without NAF’s services.

Stability is more than just staying open. For clients like *Community Innovations* and *Kid’s Charter School*, a loan from NAF wasn’t about keeping them out of serious jeopardy. Instead, a loan from NAF allowed them to create some stability from which they could pursue growth. NAF’s impact on nonprofit stability is crucial for the field. In the most recent State of the Field Survey by the Nonprofit Finance Fund, “achieving long-term sustainability” was the top challenge that nonprofits reported (2015). Stability is not the same as sustainability, but it is a necessary step towards it.



From the survey, we know that almost all of the clients (89%) said their organization was to some degree more stable because of their work with NAF. Over a third (37%) said that they were “much more stable.”

Is your organization more stable because of your work with NAF, or has that stayed the same?



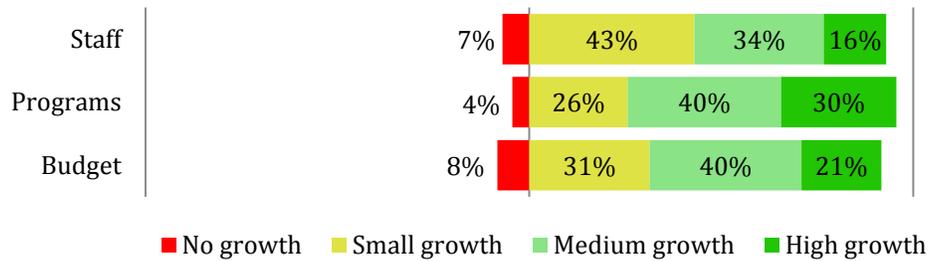
Clients experienced organizational growth

“[After we worked with NAF,] when we had a strategic planning meeting we were talking about vision, not paying the bills.” – Center for the Environment

Health for All has worked with NAF since NAF’s founding. According to their executive director, “We’ve probably used just about everything NAF offers.” These loan products, along with the supportive service, have helped *Health for All* buy buildings, expand to new sites, invest in equipment, hire and train staff, and start new programming endeavors.

Three quarters (74%) of clients said that they were trying to grow their staff, their budget, or their programs during their work with NAF. Roughly the same number of clients were trying to grow in each area. Clients were instructed to rate their growth relative to their own organization. Very few reported that they tried to grow but did not. Clients were most likely to report high growth in programs.

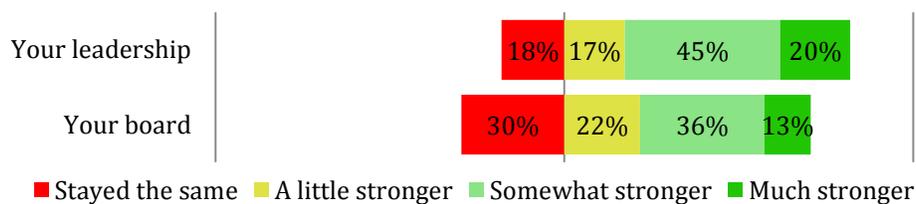
Because of your work with NAF, how much did you grow your [staff; programs; budget]?



Growth was not restricted to financial areas, clients also reported that their own leadership and their board was strengthened because of their work with NAF. Sometimes this strength comes just from having the support of NAF, allowing organizations to focus more strategically rather than dealing with day-to-day crises. This was true at *Center for the Environment*. With a cash flow loan from NAF in place, the board of directors was able to focus on the future and be more strategic and visionary. With increased awareness of the organization’s finances and a supportive partner and resource to turn to, the executive director at *Center for the Environment*, like many of the executive directors we spoke to, is more confident in his own leadership.

Other times the increased strength in leadership on the board of directors comes more directly from training and one-on-one work with the loan officer. At *Community Innovations*, the loan officer met with the board to discuss the loan and answer questions. This helped the board feel more confident in their decision to purchase a property. NAF has also worked with the *Community Innovations*’ board of directors to offer training in nonprofit finance, fundraising and the fiduciary responsibilities of the board.

Because of your work with NAF, has the overall strength of [your leadership; your board] increased or stayed the same?



DISCUSSION

So far we have discussed qualities and impacts separately so that we could highlight the component parts of each. Compartmentalizing qualities and impacts was a necessary, rewarding, and frustrating exercise. It was clear to us from the very first interviews that NAF's qualities and impacts were densely intertwined. We had many discussions about how to pull them apart. In this section of the report we bring qualities and impacts back together in order to talk about the findings in three different ways:

- Differences among clients
- A capacity building model
- NAF's vision

Differences among clients

While almost all clients agreed with the supportive service qualities, there was more variation in the impact results. We looked for differences in the impacts that clients reported based on four variables:

- Sector
- Founder-led organizations
- Budget size
- Length working with NAF

The purpose of our analysis was to determine *which* variables had an effect on the impacts clients experience; not to explain *why* different variables had an effect. The results identify which variables to pay attention to and further explore as NAF considers how they deliver their services. One important variable that we were unable to analyze was the type of loan that clients received. We suspect that clients may experience services and impacts differently whether they receive a working capital loan or a real estate loan. The financial situation of clients who receive one or the other can be very different. That being said, the majority (79%) of loans that NAF made during the six-year timeframe of this evaluation were working capital loans.

We found the variables had different effects on impacts. Sector and Founder-led had effects on many of the impacts. Budget size had effects on a little less than half of the impacts. Years working with NAF had effects on a small number of impacts.

Differences by sector

The sector of the organization makes a difference in the impacts that clients experience. We looked at the three largest sectors: charter schools, arts & humanities, and human services. Together these represent two thirds (66%) of the clients. We found that there were differences between these sectors in almost all of the impacts. Overall, human services tended to have lower amounts of impacts than the other two sectors. In fact, of all the sectors, human services was near the bottom. Because the difference between human services and the other two sectors was so pronounced, we did some additional data collection and analysis. Demographically, human services clients were more likely to have smaller budgets (\$500k-\$1m), not be founder-led, and have more than one loan with NAF, than the other clients in all sectors. While we found some differences in how human services clients rated the qualities section of the survey, it wasn't enough to raise red flags. We called a few human services clients after the survey was completed to follow up and see if we could identify any reasons for the lower impacts. We could not find anything definitive. These clients were generally positive about NAF. In the end, what we learned is that NAF's service does not produce uniform impacts across sectors and NAF should pay attention to this as they consider how to deliver services.

Founder-led differences

Whether the survey respondent was a founder of the organization had an effect on the impacts they experienced. Founders showed greater gains than non-founders in some of the impacts, and lessor gains in others. Founders showed greater gains in the overall strength of their own leadership than non-founders and felt more motivated to improve their financial practices. While founders showed greater gains in their own understanding of the financial situation of their organization, non-founders were more likely to say that their staff and board better understood the financial situation as well. Non-founders were more likely to say that they grew their programs or budget while working with NAF. One quarter (25%) of the respondents were founders. Again, while not as strong as sector differences, whether a client is a founder or not affects the impacts they experience and NAF should consider what might contribute to these differences.

Differences by budget size

We compared organizations of less than one million annual budget to organizations over one million. Roughly half of the clients fell on either side. Overall, budget had less of an effect on impacts than sector, but it did have an effect. Organizations less than \$1m showed greater gains in confidence, and organizations greater than \$1m showed greater gains in stability.

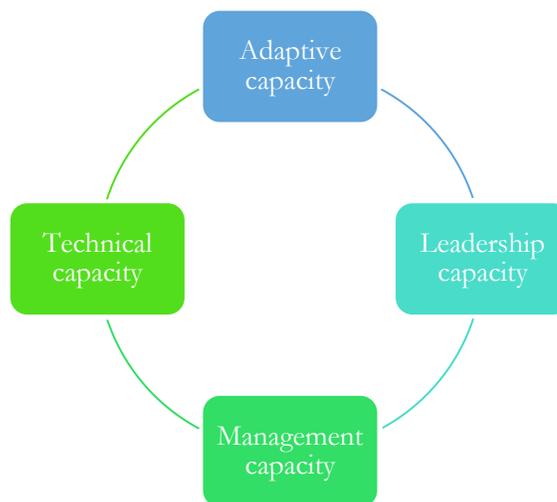
Differences by length of time working with NAF

The length of time working with NAF had a very small effect on impact. While we might expect clients who have worked with NAF longer to show greater impacts, this was largely not the case. It is encouraging that even clients who have just started working with NAF believe they are experiencing important impacts. In itself, this finding does not preclude greater growth over time. New clients don't know what they don't know yet and may continue to experience improved impacts with NAF in the future.

Capacity Building Model

Many of the impacts clients reported gain another dimension when examined through the lens of an organizational core capacity model. TCC Group developed a model that identifies four core organizational capacities: adaptive, leadership, management, and technical capacities (Connolly and York, 2003; Raynor et al, 2014).

In their model, adaptive and leadership capacities are first among equals yet Connolly and York say that capacity builders and nonprofits do not address them enough: “Nonprofits tend to focus their capacity building efforts on strengthening their technical and management capacities, even though the need for adaptive and leadership capacity building is greater” (2003, p. 4).



Adaptive capacity is “the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes” (Connolly and York, 2003, p. 4). NAF clients reported impacts in these areas. They better understand their own financial situation and are better able to see their own organization within a network of nonprofits, resources, and banking services. Clients are better able to plan and adapt in general, and specifically they

- have more tools and practices in place to make quick decisions when necessary,
- are more able to respond to changing situations, and
- are more able to accurately predict how decisions in the present will impact their organization’s finances in the future.

All of these impacts help nonprofits develop adaptive capacity. NAF clients also experience leadership impacts. Many clients reported that the strength of their own leadership and their boards improved because of their work with NAF.

In 2003, Connolly and York define “promising practices” for capacity builders, and in 2014 Raynor et al built on their work. While we did not set out to test these ideas, some jump out in the context of this evaluation. NAF is clearly displaying many of the practices of effective capacity builders – practices such as

- transferring technical expertise to the client,
- understanding the level of service that best addresses the nonprofit’s needs, and
- requiring a commitment to engage in capacity building – in this case the loan agreement.

There is one area included in this literature that we believe NAF has the ability and opportunity to excel in – increasing the number of people involved in capacity building. Raynor et al describes the evolution of capacity builders from targeting individuals, to targeting teams, to targeting systems.

NAF already works in all three of these areas. They work with the individuals that represent the client organizations, they provide training to boards and staff when necessary, and they have acted as organizers for partnerships involving multiple nonprofit and financial entities. Where it can, NAF should be proactive in maximizing these opportunities in order to have a wider impact. This could involve formal or informal partnerships with other capacity builders or financiers.

NAF's Values

While we conducted this evaluation and wrote the report from the clients' point of view, it is inevitable that we examine the findings from NAF's point of view. By looking for matches between what clients and NAF say, we can see where NAF is being successful in their own intended qualities and impacts. For this, we look at the values that NAF has defined for their services.

Organizations use values to show how they work. NAF defines five values for their organization. Simply put, we found an abundance of evidence in the evaluation for each one.

- **Partnership.** We seek relationships that are built on shared goals, respect, and mutual accountability.
- **Excellence.** We strive to meet the highest standards for quality, service, and results.
- **Expertise and insight.** We are continuous learners, developing and sharing our knowledge and understanding.
- **Responsiveness.** We are adaptive and nimble in order to stay relevant and valuable during times of change in communities and organizations.
- **Trust.** We are committed to being honest and reliable in our relationships, and acting with integrity in the conduct of our business.

NAF's clients clearly valued and benefited from the **partnership** that NAF provides. We call this true partnership in the evaluation. NAF's **expertise** in the nonprofit and financial sectors and their **responsiveness** to client needs contributed to **excellent** service. We call this supportive service.

In this list, **trust** stands out. Clients feel very comfortable giving NAF their trust; this is an important sign of strength and accomplishment for NAF. But, NAF also plays an important role by giving trust to nonprofits. When clients receive the trust of NAF, they feel motivated and confident that they can overcome obstacles.

While accurate and appropriate, the values defined by NAF are, in a sense, routine. We can easily imagine any number of service organizations or industries using similar values – and they should! However, there are many cases of these types of values being aspirational rather than actual. Comcast, which received the lowest customer service ratings of any national company for many years running, promises “superior customer service” on their website. FIFA, currently being investigated for fraud at the highest levels, lists “integrity.” Sadly, the ubiquity of these terms can diminish their meaning. This is not the case for NAF. As shown throughout the evaluation, we found that NAF delivers on these values. These values reflect and are integral to a unique service that has important impacts in the nonprofit sector.

CONCLUSION

We are confident that this evaluation has identified important qualities that lead to important impacts. Early in the evaluation, NAF told us that their combination of qualities was a “special sauce.” Since then, we have shown that this sauce is made up of definable ingredients. But, it is the combination of these ingredients that leads to important client impacts. Any one of the qualities that we defined may not lead to any one of the impacts that clients experienced, but the combination of qualities that NAF embodies certainly improves client impacts. While we do not claim to prove causality in an experimental sense, the correlation between NAF’s qualities and impacts is strong and sensible.

RECOMMENDATIONS

We humbly provide the following recommendations based on this evaluation. NAF is a successful service provider and these recommendations are meant to build on the strength of their program. The recommendations do not take into account work NAF may have already started in each area.

Examine categorical similarities and differences

Every client will be similar and different to others in unique ways. NAF excels at individualizing services for each client they work with. However, categorical similarities and differences are important to consider. For example, the differences in impacts for human services nonprofits compared to other sectors was pronounced, but the clients we talked to in this sector were not able to articulate anything that might account for their lower impacts. Likewise, charter schools often reported high impacts, but many contract out their finances. Therefore, they require different services than other sectors.

In addition to sector, there may be other differences that are important to consider when determining the effectiveness of NAF's services. Certainly the type of loan affects the services clients need. By examining these differences, NAF has the opportunity to improve their own service and provide valuable resources to the sector.

Define types of service

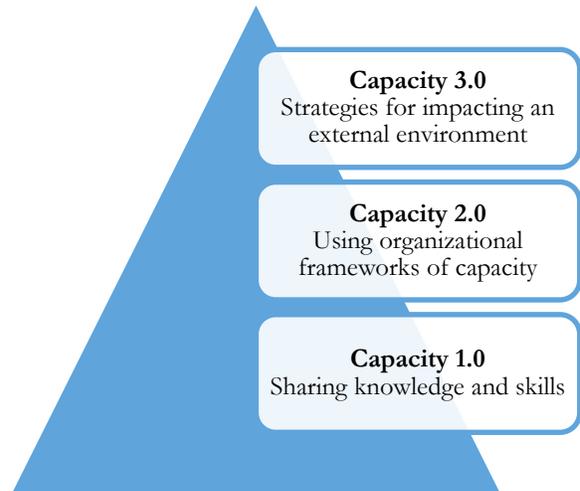
In addition to better understanding different categories of clients, NAF may wish to better define their services. Clients were happily surprised with the amount of service they received, but some did not clearly understand it beforehand. Defining the types of services available may be helpful even if NAF does not communicate it to clients. The process of doing so can help NAF loan officers better understand their own practice and create organizational norms for service delivery. NAF has already defined the values that they use to deliver service. Consider the findings of this evaluation and how they reinforce, change, or complicate what those values look like in practice.

Define NAF's role and scope as a capacity builder

NAF's mission balances investments of capital with investments of expertise. In this way, NAF is a capacity builder. NAF should define when and the extent to which they do capacity building with clients. Part of this is deciding whether to formalize the role of loan officer as educator. Clients already see their loan officer as an educator and NAF may find it helpful to start from that place. Multiple clients told us that they needed to explain to their board why taking on a debt to NAF is a good idea; making the educational component explicit strengthens that argument. However, every client does not need the same amount of education or supportive service. Some of the clients we

talked with needed little or no capacity building services from NAF, just the loan. These clients are not contrary to NAF’s mission, but it is important to consider how they fit in if NAF defines their loan officers as educators.

Raynor et al found that there are three evolutionary steps in the capacity building field, which they call Capacity 1.0, Capacity 2.0, and Capacity 3.0. The sharing of skills and expertise is fundamental, but only the first step in this evolution (Capacity 1.0). Capacity 2.0 involves using organizational frameworks for capacity to improve impacts. Capacity 3.0 (the latest and greatest) involves strategies for building an organization’s capacity to have an impact on the external environment – in other words, fulfilling their missions. If NAF wishes to increase its effectiveness or scope as a capacity builder, consider whether moving up the ladder, so to speak, is appropriate. Concretely, we suggest a few steps in this direction. NAF can consider how it can increase its impact by effectively involving more people from an organization. NAF can also consider what barriers might be preventing organizations from experiencing impacts and think how they might address those barriers themselves, or partner with others to do so.



Partner with other financial institutions

NAF wishes to strengthen nonprofits and often enters into partnership with nonprofits that need to improve their financial health. Often, this is the first time the nonprofit has had a lender. Because of this, NAF improves the ability of the nonprofit to participate in a financial partnership with lenders. This is a key activity for NAF, one that it is uniquely positioned to provide, and is impactful for clients. However, it is not clear if NAF is having an impact on the ability of traditional lenders to participate in a financial partnership with healthy nonprofits. This is an area to explore, especially since NAF is well known, respected, and networked within the financial sector. Financiers often refer rejected loan applicants to NAF, an action that shows that to some extent these financiers believe that the applicant could be successful with a loan.

Expand visibility

We asked clients to suggest improvements that NAF could make to their services. Most said that they had none to offer. The only repeated comment that we received or heard was that NAF should improve their visibility. Only a few clients said this, but in the scope of all the positive feedback we received, it stood out as the only consistent recommendation from clients. These clients commented that they might have come to NAF earlier if they knew who they were or what they offered.

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APPENDIX A: PARTICIPANT SELECTION

We used purposeful sampling to select six clients for the initial interviews. Purposeful sampling is not random. Instead, it prioritizes “information rich” participants and is often used in mixed-methods studies such as this one. We worked with NAF to identify important differences between clients, such as the type of loan, size of budget, sector, and length of relationship with NAF. Because we wanted to maximize the amount of information we got from the interviews, we identified clients that represented a diverse mixture of the variables. In short, with NAF, we purposefully selected interviewees that were different from each other in order to cover the range of NAF’s clients.

We chose to not select interviewees whom we knew had little experience or a bad experience with NAF. This is in line with our method. The purpose of the interviews was to identify important qualities and impacts of NAF, which we would test using the survey. Clients who had little experience or a bad experience would not be “information rich” for the interviews. They were, however, included in the survey.

Because of scheduling, we were only able to interview five clients before the survey. We interviewed the sixth client after the survey was completed.

Selecting the clients for the survey was relatively simple, we simply invited everyone who had a loan in the past six years. This included clients who received their first loan in the past six years and clients who had a long history with NAF.

Survey response rate

144 out of 191 clients completed surveys (75%). Surveys were sent to 200 clients from the past six years; 7 were excluded because their emails bounced; 2 were excluded for identifying themselves as the wrong person to fill out the survey.

Survey completion rate

152 clients started the survey. 94% (144) finished it. In other words, 6% (8) of clients who started the survey did not finish it. This is an excellent completion rate.

APPENDIX B: COMPLETE SURVEY RESULTS

This appendix contains the complete survey results. The results are organized by the report sections they appear in. They are not presented in the order that they appeared in on the survey – though the survey number for each question is included. Each question included a “not applicable to me” option. Throughout the report and appendix, clients selecting “not applicable” have been excluded from the results.

Effective Service

NAF understands their clients

22. Compared to other lenders you have worked with, did NAF seem more or less willing to get to know you and your organization's needs?

Value	Percent	Count
Much more willing	69%	68
A little more willing	18%	18
About the same	12%	12
A little less willing	0%	0
Much less willing	1%	1

26. [If no other lenders] Was NAF willing to get to know you and your organization's needs or not?

Value	Percent	Count
Very willing	78%	32
Somewhat willing	15%	6
A little willing	5%	2
Not at all willing	2%	1

NAF is committed to clients

19. Compared to other lenders you have worked with, was your NAF loan officer more or less available?

Value	Percent	Count
Much more available	61%	58
A little more available	16%	15
About the same	23%	22
A little less available	0%	0
Much less available	0%	0

23. [If no other lenders] How available, if at all, was your loan officer?

Value	Percent	Count
Very available	70%	28
Fairly available	30%	12
A little available	0%	0
Not at all available	0%	0

10. When a challenging or new situation arose, how committed, if at all, was NAF in helping you work through it?

Value	Percent	Count
Very committed	81%	100
Fairly committed	12%	15
A little committed	5%	6
Not at all committed	2%	2

NAF is flexible with their service and products

7. Did NAF provide loan services and assistance that were more one-size-fits all or more individualized to your particular needs?

Value	Percent	Count
Very individualized	50%	70
Fairly individualized	40%	56
Fairly one-size-fits-all	6%	9
Very one-size-fits-all	1%	1
I'm not sure	4%	5

8. How creative, if at all, was NAF in providing a solution or plan in order ensure your goals were met?

Value	Percent	Count
Very creative	43%	55
Fairly creative	41%	52
A little creative	14%	18
Not at all creative	2%	2

9. How open, if at all, was NAF to changing the product or service you originally agreed upon in order to ensure your goals were met?

Value	Percent	Count
Very open	65%	69
Fairly open	29%	31
A little open	6%	6
Not at all open	1%	1

11. How often did NAF adapt its products and services as your organizational needs changed over time?

Value	Percent	Count
All of the time	60%	58
Some of the time	33%	32
Rarely	7%	7

NAF's rigor helps clients

12. Was the level of financial rigor that NAF required of you helpful to your organization or not?

Value	Percent	Count
Very helpful	63%	87
Fairly helpful	29%	40
A little helpful	7%	9
Not at all helpful	2%	3

Soft Qualities

NAF believes in their clients

20. Compared to other lenders you have worked with, did your NAF loan officer seem more or less genuinely interested in your organization's mission?

Value	Percent	Count
Much more interested	68%	67
A little more interested	21%	21
About the same	11%	11
A little less interested	0%	0
Much less interested	0%	0

24. [If no other lenders] Did your loan officer seem genuinely interested in your organization's mission or not?

Value	Percent	Count
Very interested	87%	34
Fairly interested	5%	2
A little interested	5%	2
Not at all interested	3%	1

NAF provides tough love

13. Once you received your loan, how supportive, if at all, was NAF in helping you meet the terms?

Value	Percent	Count
Very supportive	77%	102
Fairly supportive	19%	25
A little supportive	4%	5
Not at all supportive	1%	1

14. How encouraging, if at all, was NAF in helping you improve your financial health?

Value	Percent	Count
Very encouraging	74%	98
Fairly encouraging	22%	29
A little encouraging	2%	2
Not at all encouraging	3%	4

NAF is frank and approachable

17. How often did you feel that your loan officer was saying what he or she really thought about your situation or needs?

Value	Percent	Count
Always	71%	95
Most of the time	25%	33
Some of the time	4%	5
Rarely	1%	1

15. How comfortable, if at all, did you feel going to your loan officer with questions that might be embarrassing to you?

Value	Percent	Count
Very comfortable	74%	92
Fairly comfortable	26%	32
A little comfortable	0%	0
Not at all comfortable	1%	1

16. How comfortable, if at all, did you feel going to your loan officer with mistakes that might be embarrassing to you?

Value	Percent	Count
Very comfortable	55%	51
Fairly comfortable	39%	36
A little comfortable	4%	4
Not at all comfortable	1%	1

NAF is a true partner

18. How often did you trust that your loan officer was keeping your organization's best interests at heart?

Value	Percent	Count
Always	80%	110
Most of the time	15%	20
Some of the time	6%	8
Rarely	0%	0

21. Compared to other lenders you have worked with, did your NAF loan officer seem more or less like a partner?

Value	Percent	Count
Much more like a partner	65%	64
A little more like a partner	24%	23
About the same	7%	7
A little less like a partner	3%	3
Much less like a partner	1%	1

25. [If no other lenders] Did your loan officer seem like a partner to you or not?

Value	Percent	Count
Completely like a partner	80%	32
Somewhat like a partner	10%	4
A little like a partner	8%	3
Not at all like a partner	3%	1

Knowledge

NAF is an educator and connector

29. Do you think of your loan officer as an educator?

	Percent	Count
Completely	41%	57
Somewhat	41%	56
A little	9%	13
Not at all	9%	12

30. How important, if at all, was the education you received through your loan officer for improving your organization's financial health?

	Percent	Count
Very important	48%	57
Fairly important	35%	41
A little important	14%	17
Not at all important	3%	3

31. Did any of your staff who work primarily with finances receive advice or training from NAF directly?

	Percent	Count
Yes	58%	74
No	30%	38
I'm not sure	12%	15

32. [If yes] Did the advice or training your staff received from NAF improve their ability to work with the organization's finances or did that stay the same?

	Percent	Count
Greatly improved	42%	30
Somewhat improved	50%	36
Improved a little	3%	2
Stayed the same	6%	4

33. Did any of your board members receive advice or training from NAF directly?

	Percent	Count
Yes	32%	43
No	56%	75
I'm not sure	13%	17

27. Did NAF connect you to resources that helped you improve your organization's financial health?

	Percent	Count
Yes, definitely	62%	74
Somewhat	24%	29
Not really	14%	16

28. Because of your work with NAF, do you have more connections to community resources outside of NAF or has it stayed the same?

	Percent	Count
Many more connections	9%	12
A few more connections	41%	53
Stayed the same	50%	66

Clients learn fundamental business concepts

43. Because of your work with NAF, do you better understand fundamental concepts about running a business, or has that stayed the same?

Value	Percent	Count
Much better understanding	24%	34
Somewhat better understanding	40%	56
A little better understanding	9%	13
Stayed the same	26%	37

44. Because of your work with NAF, do you better understand fundamental nonprofit financial concepts, or has that stayed the same?

Value	Percent	Count
Much better understanding	24%	33
Somewhat better understanding	43%	59
A little better understanding	8%	11
Stayed the same	26%	36

45. How important, if at all, were the business or financial concepts you learned for helping you improve your organization's financial health?

Value	Percent	Count
Very important	47%	48
Fairly important	47%	48
A little important	7%	7
Not at all important	0%	0

46. Because of your work with NAF, do you better understand how to navigate the banking and financial world to access what you need or has that stayed the same?

Value	Percent	Count
Much better understanding	16%	21
Somewhat better understanding	38%	51
A little better understanding	20%	26
Stayed the same	26%	35

47. Because of your work with NAF, do you better understand the banking and financial options available to nonprofits or has that stayed the same?

Value	Percent	Count
Much better understanding	18%	24
Somewhat better understanding	45%	59
A little better understanding	14%	18
Stayed the same	24%	31

Clients better understand the financial reality of their organization

48. Because of your work with NAF, do you better understand the overall financial situation of your organization or has that stayed the same?

Value	Percent	Count
Much better understanding	33%	46
Somewhat better understanding	36%	49
A little better understanding	8%	11
Stayed the same	23%	32

42. Because of your work with NAF, do staff better understand the overall financial situation of your organization or has that stayed the same?

Value	Percent	Count
Much better understanding	15%	21
Somewhat better understanding	38%	52
A little better understanding	17%	23
Stayed the same	29%	40

49. Because of your work with NAF, does the board better understand the overall financial situation of your organization or has that stayed the same?

Value	Percent	Count
Much better understanding	28%	37
Somewhat better understanding	34%	45
A little better understanding	18%	24
Stayed the same	20%	27

Behaviors

Clients improved their financial rigor

52. Because of your work with NAF, is your organization more rigorous in its financial practices, or has that stayed the same?

Value	Percent	Count
Much more rigorous	29%	40
Somewhat more rigorous	39%	54
A little more rigorous	13%	18
Stayed the same	18%	25

Clients improved their financial reporting

55. Because of your work with NAF, how much, if at all, did your organization improve the financial documents you use for reporting?

Value	Percent	Count
Greatly improved	29%	35
Somewhat improved	34%	41
Improved a little	19%	23
Did not improve	19%	23

56. Because of your work with NAF, how much, if at all, did your organization expand the number of people who engage with financial documents or reporting?

Value	Percent	Count
Greatly expanded	14%	18
Somewhat expanded	26%	33
Expanded a little	21%	27
Did not expand	39%	49

57. Because of your work with NAF, how much, if at all, did your organization improve the way you share your financial documents or reporting?

Value	Percent	Count
Greatly improved	20%	24
Somewhat improved	35%	41
Improved a little	21%	25
Did not improve	24%	28

Clients improved their ability to plan and adapt

50. Because of your work with NAF, are you more able to respond to changing situations, or has it stayed the same?

Value	Percent	Count
Much more able respond	25%	34
Somewhat more able to respond	40%	54
A little more able	21%	28
Stayed the same	14%	19

51. Because of your work with NAF, are you more accurately able to predict how decisions in the present will impact your organization's finances in the future, or has it stayed the same?

Value	Percent	Count
Much more accurately	25%	35
Somewhat more accurately	36%	50
A little more accurately	12%	17
Stayed the same	26%	36

53. Because of your work with NAF, do you have more tools and practices in place to make quick decisions when necessary, or has it stayed the same?

Value	Percent	Count
Many more tools or practices	21%	29
A few more tools	54%	73
Stayed the same	25%	34

54. Because of your work with NAF, did the role that finances play in your organization's planning become more effective, or has it stayed the same?

Value	Percent	Count
Much more effective	31%	43
Somewhat more effective	34%	47
A little more effective	18%	25
Stayed the same	17%	24

Attitude

Clients feel motivated and confident

37. After you worked with NAF, did your particular financial situation seem more commonplace or more unique compared to other nonprofits?

Value	Percent	Count
Much more commonplace	16%	22
Somewhat more commonplace	39%	54
Stayed the same	26%	36
Somewhat more unique	12%	17
Much more unique	6%	8

38. Because of your work with NAF, did you feel positively motivated to improve your financial practices or not?

Value	Percent	Count
Very motivated	62%	75
Fairly motivated	33%	40
A little motivated	3%	3
Not at all motivated	3%	3

39. Because of your work with NAF, do you feel more or less confident in your organization's ability to succeed?

Value	Percent	Count
Much more confident	37%	52
Somewhat more confident	41%	58
The same confidence	18%	25
Somewhat less confident	2%	3
Much less confident	1%	2

40. Because of your work with NAF, do you feel more or less confident in your ability to lead in your organization?

Value	Percent	Count
Much more confident	34%	46
Somewhat more confident	41%	56
The same confidence	23%	31
Somewhat less confident	2%	2
Much less confident	1%	1

41. Because of your work with NAF, do you feel more or less confident taking risks?

Value	Percent	Count
Much more confident	11%	15
Somewhat more confident	42%	58
The same confidence	41%	56
Somewhat less confident	4%	6
Much less confident	2%	3

Clients feel proud to receive a loan from NAF

34. Was your first loan from NAF a source of pride or shame (or neither) for your organization?

Value	Percent	Count
Completely a source of pride	30%	40
Mostly a source of pride	21%	28
Neither pride or shame	41%	54
Mostly a source of shame	7%	9
Completely a source of shame	2%	2

35. [If more than one loan] Was your most recent loan from NAF a source of pride or shame (or neither) for your organization?

Value	Percent	Count
Completely a source of pride	32%	26
Mostly a source of pride	20%	16
Neither pride or shame	41%	33
Mostly a source of shame	6%	5
Completely a source of shame	1%	1

36. When external partners saw you were working with NAF, do you think their opinion of your organization increased or decreased?

Value	Percent	Count
Greatly increased	17%	22
Somewhat increased	26%	34
Stayed the same	24%	32
Somewhat decreased	2%	3
Greatly decreased	0%	0
I'm not sure	32%	42

Growth and Stability

Clients receive an essential product

4. Have you received a loan product from NAF that you could NOT get elsewhere?

Value	Percent	Count
I could NOT have gotten one or more of my NAF loan products elsewhere	82%	84
I could have gotten ALL of my NAF loan products elsewhere	18%	18

Clients became more stable

58. Is your organization more stable because of your work with NAF, or has that stayed the same?

Value	Percent	Count
Much more stable	37%	51
Somewhat more stable	38%	53
A little more stable	14%	20
Stayed the same	11%	15

59. Was there ever a time when without NAF's services your organization would have been in serious jeopardy?

Value	Percent	Count
Probably yes	82%	109
Not really	18%	24

Clients experienced organizational growth

60. During your work with NAF, were you trying to grow either your staff, programs, or budget?

Value	Percent	Count
Yes	74%	101
No	26%	35

For questions 61, 62, and 63, participants had the option of selecting “We were not trying to grow in this area.” We treated this response as “not applicable” and excluded them from the analysis.

61. [If yes] Because of your work with NAF, how much did you grow your staff?

Value	Percent	Count
High growth	16%	14
Medium growth	34%	29
Small growth	43%	37
No growth	7%	6

62. [If yes] Because of your work with NAF, how much did you grow your programs?

Value	Percent	Count
High growth	30%	27
Medium growth	40%	36
Small growth	26%	23
No growth	4%	4

63. [If yes] Because of your work with NAF, how much did you grow your budget?

Value	Percent	Count
High growth	21%	20
Medium growth	40%	38
Small growth	31%	30
No growth	8%	8

64. Because of your work with NAF, has the overall strength of your board increased or stayed the same?

Value	Percent	Count
Much stronger	13%	17
Somewhat stronger	36%	46
A little stronger	22%	28
Stayed the same	30%	38

65. Because of your work with NAF, has the overall strength of your leadership increased or stayed the same?

Value	Percent	Count
Much stronger	20%	28
Somewhat stronger	45%	62
A little stronger	17%	24
Stayed the same	18%	25

Other Demographics and Variables

1. How many years have you been in your current role at your organization?

Value	Percent	Count
>4	59%	85
<4	41%	59

2. How many years ago did you start working with NAF?

Value	Percent	Count
>4	47%	68
<4	53%	76

3. Are you a founder of your organization?

Value	Percent	Count
Yes	25%	36
No	75%	108

5. Have you worked with other lenders besides NAF?

Value	Percent	Count
Yes	72%	103
No	29%	41

6. Have you had more than one loan with NAF?

Value	Percent	Count
Yes	58%	83
No	42%	61

We matched the survey respondents to NAF's records and produced the following additional demographic data.

Loan Officer

Value	Percent	Count
Allison Wagstrom	19%	28
Janet Ogden-Brackett	22%	31
Kate Barr	11%	16
Lu Hang	6%	9
Phil Hatlie	42%	60

Budget

Value	Percent	Count
# N/A	2%	2
A < \$100,000	1%	1
B \$100,000 - \$199,999	2%	3
C \$200,000 - \$499,999	9%	13
D \$500,000 - \$999,999	25%	35
E \$1,000,000- \$2,999,999	42%	58
F \$3,000,000 - \$4,999,999	9%	12
G \$5,000,000 - \$9,999,999	4%	6
H \$10,000,000 - \$19,999,999	4%	5
I \$20,000,000 - \$49,999,999	2%	3

Sector

Value	Percent	Count
# N/A	1%	2
Affordable Housing	6%	9
Arts & Humanities	19%	28
Community Development	4%	5
Education Charter School	30%	43
Education Other	3%	4
Health Care	10%	15
Human Service	17%	25
Other	8%	11
Youth Services	1%	2