



By Holly Givens

Finding Funding to Match Your Mission

Most businesses need financing and capital through every stage from start-up to success. Where the money comes from and who provides it can have a profound effect on how the business operates and how happy an entrepreneur, especially a mission-driven entrepreneur, will be with the result. If finding the best financial partners can make or break a business and its mission, how can the savvy entrepreneur best approach the process?

These days, finding funding at all can be a challenge. According to a 2008 poll conducted for the National Federation of Independent Businesses, just 41 percent of small businesses that applied for various forms of credit obtained all the credit they wanted. While 8 percent received most of what they wanted, 14 percent obtained only some of the credit they asked for—and 34 percent obtained none of it. These approval rates were found to be substantially lower than the previous year meaning that more and more business owners have no way to obtain credit. Seeking equity financing is even more challenging. About 98 percent of the requests for venture capital are not funded, says Cody Nystrom, senior associate at SJF Ventures, a venture capital partnership that provides equity financing to companies seeking expansion capital in the cleantech, technology-enhanced services and premium consumer products sectors.

Weighing the Types of Financing Available

Both debt and equity financing offer opportunities to support your mission. Which type of financing to pursue depends on the particulars of each business, and the goals of the business owner. Both types may be necessary for a business at different times, and en-

trepreneurs need to understand the advantages and disadvantages of each type of money. (See the chart, “Funding to Match Your Business and Mission” on page 16.)

“People think money is neutral, but it’s not,” says Bill Wolf, president of the organic business strategy firm Wolf, DiMatteo + Associates and a founding organizer of the New Resource Bank, a commercial bank in San Francisco focused on the financial needs of organic and green businesses. “When we discuss business goals with clients, financing is an important part of the plan. We advise our clients to choose funding sources and strategies with care to support their business mission and succession plans. Money often comes with strings.”

Equity financing, including investments from angel investors, private equity funds and venture capital firms, will pass some of the ownership—and therefore the control—of the business to others, but there is no requirement to pay back the money. Instead, equity investors may expect a return on their investment in a particular time frame, often through the sale of the business. While debt financing has a repayment schedule that must be met within a specific time frame, on the other hand, it does not come with new owners who might pressure the business to compromise its mission in some way.

The Importance of Having Shared Vision

Aligning financing with the vision of your business is crucial, especially when working with investors, says Gary Sprague, communications manager of RSF Social Finance in San Francisco, a nonprofit that provides investing, lending and giving services to individuals and enterprises committed to improving society and the environment. “If an investor doesn’t have the same vision, then when you reach a

point where you face a decision between, say, profit margin and the environment, you have a conflict. If you don't have the same vision, then you'll have a problem executing your vision."

Nicole Dawes, cofounder and CEO of Late July Organic Snacks agrees. "I think it's very important when you are looking at a new part-

“P“People think money is neutral, but it's not... we advise our clients to choose funding sources and strategies with care to support their business mission and succession plans.”

ner to make sure all the parties have the same goals and time frame.” If that is not the case, she warns, “You could be forced to sell your business when you don't want to or make decisions about your product line that you don't want to.”

Dawes' business has used both loans and investments from friends and family to help the business start and grow, and she has used her financial partners for more than financial support in achieving her vision of the company. “Running a business is a constantly evolving

process,” she says. “You need a partner who isn't going to pressure you to do things in the short term that will save money, but that will damage your brand in the long term.” Avoiding disappointment later is one of the reasons she's taken great care from the start with these decisions. “I always want to be proud of this brand. I truly believe that when you manufacture food for other people's children, there is no greater responsibility. I put my name on the box. I want to maintain that sense of pride,” she remarks. “These decisions are critically important.”

Sprague gives an example of an RSF client—a clothing company—that ran into problems. “If we weren't a values aligned vendor, we could have called in the loan and liquidated the inventory,” he says. Instead, RSF restructured the company's finances so that they could move forward. In

Not just off the shelf...



this case, the client company's survival hinged on having the money match the mission because restructuring the loan required RSF to temporarily put aside its financial interest. If lenders don't have that social mission behind them they won't be as likely to take that risk, Sprague adds.

Finding the right partners, though, can be like most parts of the organic system—it will take time, care, and plenty of due diligence. Nystrom observes that mission-driven financing is gaining ground in the financial world, but still only a very small percentage of venture capital firms—maybe five percent—are focused on mission, and even fewer sources of debt financing are mission-focused.

That fits Ahmed Rahim's experience. The CEO and cofounder of Numi Tea, one of the largest importers of organic and fair trade premium teas to the United States, met

with dozens of different investors and institutions to find the right financial partners for his business. "In general, mission-driven money isn't out there that much," he says.

But if you look hard enough and have patience, you can find those who support your mission. Rahim has used debt financing, angel investments, private equity and venture capital, and has found mission-driven money in all those areas. Like Dawes, finding the right partners to support his mission was paramount for Rahim. "You've got to surround yourself with the type of people you want to be with, as well as the type of money you'd like to be with. The most important thing is getting to know the investors and spending time with them. If you find yourself with like-minded people, both the team and the mission get more powerful."

Both Rahim and Dawes emphasized that getting outside opinions from others—board members, colleagues, industry friends, and other people the financial partner has invested with—is crucial in finding financial partners to match your mission.

Mission-Driven Debt Financing

One source of mission-based debt financing is the New Resource Bank, located in San Francisco. New Resource Bank provides all the banking services a business or individual would expect, but specializes in working with clean technology, green building, community development and sustainable companies, including organic farming and

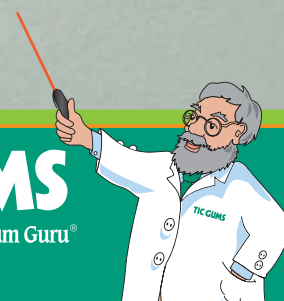
with you at the bench.



At TIC Gums, we understand the hurdles you face when formulating organic applications. Whether you're creating new products or looking for solutions, rely on our Gum Gurus® to help you select the proper systems for your product success. You can count on TICorganic® Certified Organic gums to improve thickening, suspension, freeze/thaw stability, emulsion stability and mouthfeel properties of many popular organic products.

Need your own Gum Guru?
Tech Support Hotline: (800) 899-3953
Chat with a Gum Guru: [ticgums.com/chat](https://www.ticgums.com/chat)

TIC GUMS
We're your Gum Guru®



consumer products.

According to Peter Liu, initial founder and vice-chair of New Resource Bank, having a focus on sustainable businesses allows the bank to be more knowledgeable about this sector of the market and therefore evaluate risk more efficiently for each unique business.

Vincent Siciliano, president and CEO, adds, “A banker is your partner in ways that are more than financial. If you pick a bank that has values that align with yours and has expertise in your industry, your relationship will be far more fruitful. Also, when you bank with us, you’re working with people who are laboring to bring sustainability to the world. In other words, your money is walking your walk, too.”

One example of how the bank promotes sustainability is the solar certificates of deposit it offers. The bank uses the money deposited for loans to fund solar energy projects and pays the depositors a competitive rate of interest.

Liu adds that having a deep knowledge of the community of sustainable businesses enables the bank to connect members with each other. For example, introductions from the bank helped organic milk producers Straus Family Creamery find sustainable packaging maker Ecologic—helping each business move forward in their missions.

Other potential sources of debt financing with a more mission-based approach include Community Development Financial Institutions (CDFI)—private, specialized financial institutions that are targeted to borrowers who cannot meet the credit standards of traditional financial institutions because of perceived credit risk. Some CDFIs, such as the Natural Capital Investment Fund (NCIF), serve economically distressed communities in a particular state or region. NCIF is unique because it was founded by The Conservation Fund, a national nonprofit organization with a dual mission of both land and water conservation and economic development. NCIF was created to provide financing specifically for natural-resource-based business and

states on its website that “sectors of particular interest include: heritage and recreation-based tourism, value-added and sustainable agriculture, water/wastewater treatment, sustainable forestry and forest products, integrated waste management, and recycling.”

“We’re not a collateral-based lender,” says Marten Jenkins, president of Natural Capital Investment Fund. “That’s important for new businesses and farm-based businesses that may run into trouble and then face losing the house or the land. We’ve taken the time to understand the organic sector. These days, if something is not traditional and really straightforward, most banks are not going to fund it.” He gives an example of a farmer who wanted to raise game birds. Because NCIF has developed programs for farm-based businesses, it could evaluate the risks and assist the farmer.

Wolf compares growing a mission-driven business to managing a successful organic farm, where most of the nutrients for healthy crops are generated from within nature’s systems, not from external inputs. “With the right

FUNDING TO MATCH YOUR BUSINESS AND MISSION*

	TYPE OF FINANCING											
	DEBT				EQUITY						Self	Grants
	Bank Loan	Co-Op Loan	SBA Loan	Convertible Debenture	Angel	Venture Fund	Private Stock Offering	Public Stock Offering	ESOP	Stock Options		
BUSINESS PLAN PRIORITIES												
Profit	5		5	5	3	5	5	5	5	5	5	
Create New Model	2	3	2	2	5	1	2	2			5	4
Rapid Expansion	3	4	1	3	4	5					5	
Growth by Acquisition	3			3	1	4	4	5		4	4	
Social Responsibility	3	3		2	3	1	2	3	4		3	5
Environmental / Sustainable	2	3		2	5	2	2	3	3		3	5
OTHER FACTORS												
Provides Support to Mgmt.	3		1	1	2	4	2	1	4			
Funder Shares Values	1				4	2					5	5
Flexibility to Modify Plan	1	2	1	3	3	1	2	1			5	
Maintain Control of the Business	4	4	3	3	4	1					5	
Lowest Cost of Funds	5	4	4	1	4	2						
Future Depth of Funding	4	3	3	4	2	3	4	5			1	

5 = Most Compatible • 1 = Least Compatible

*Abridged version reprinted with permission from Wolf, DiMatteo + Associates, ©2010. For complete chart, email info@organicspecialists.com

product, positioning, and people, the ideal strategy is to finance from within as much as possible, limiting your need for external capital, except perhaps a good line of credit,” he says. “I’ve always liked what Warren Buffett says: ‘There is a huge difference between the business that grows and requires lots of capital to do so and the business that grows and doesn’t require capital.’ ”

Wolf emphasizes that keeping to your mission means taking a close look at the financing options. Being clear about your mission will help you choose the correct financing options. In some cases, it may mean growing more slowly so that the source of funding does not overwhelm the mission.

Tips for Success

Check Your Goals and Financial Needs. Questions that mission-driven businesses have to ask are not much different from some of the questions that all entrepreneurs have to ask, says Caren Wilcox, the past executive director of the Organic Trade Association, where she worked with many of the over 1600 businesses it represented. Some of the questions she suggests include:

- How big do I want to get, and how large must I get in order to build a healthy and sustainable business?
- Do I want to try to control this business and its mission for my working life?
- Do I have family members who want to run this business when I cannot do so?
- How much profit can I make and plow back into my business so I, or my cooperative or partners, retain control of the business?
- If the answer to the “how big” question is “big,” then where can I get capital, beyond reinvesting all my profit back into the business, to expand?
- How much control do I have to

give up to get more capital?

- Who are people who share my values and who may be interested in investing in my business, while leaving me substantial control?

Assess Your Communication with Potential Partners. Nystrom points out that communication difficulties could be a red flag that this is not the right partner for you. Whatever type of financing you are pursuing, being able to establish the right kind of relationship early on is important, she says.

“Be honest and transparent, especially when it comes to financial

(continued on page 49)

*Can you tell the difference
between a bean that’s best for soymilk
versus a bean that’s best for miso?*



We can.

*We are fastidiously
selective about our beans.*

Which one is best for its protein (soymilk). Its oil levels (snacks). Its sugar profiles (miso). But we are just as meticulous about the growing, harvesting, processing and packaging of those beans—what we call seed-to-table traceability.

And that’s why we’re the nation’s leading organic soy product processor, including whole soybeans, soymilk, soy flours, edamame, soy oils and much more.

Call 1-800-297-5997, ext. 116 or visit sunopta.com to find out more.



1.800.297.5997.Ext.116 507.451.6030.Ext.116 foodinfo@sunopta.com

(continued from page 17)

partners,” suggests Rahim. “Be proactive when it comes to challenges. People are there to help you solve the problem.”

Have a Clear, Realistic Business Plan. John Swann, a partner in Greenlife Grocery in Asheville, NC, and a business consultant with the local business incubator, said the plan needs to be rock solid. “Make sure the numbers work,” he advises. “Banks like to see a fully painted picture with profit and loss, cash flow, etc. Be sure to double check the figures and make sure the plan is well documented.” Once, he had a banker call to say his balance sheet didn’t balance. Research into the market and the products and knowing your unique advantage all help.

Nystrom points out that with equity financing you need to focus on the future and how the business will grow and the underlying cash flow that will support that growth. Debt financing, on the other hand, is very much focused on audited financials and having a clear historical perspective on the business.

Run the Numbers. “That’s really the biggest tip—run the numbers to make sure that what you’re planning to do makes sense from a cash-flow perspective. Am I going to generate enough cash to service this debt? That’s the big mistake we tend to see,” observes Jenkins.

“People tend to be too optimistic. You’ve got to be willing to be self-critical, so that you have no doubt that it’s going to work,” adds Swann.

Take Your Time. Rahim stresses that finding the right partners can take time. Getting to know potential funders by spending time with them is not something to put off until your back is against the wall,” he says.

Dawes suggests talking to other entrepreneurs who have worked with the partners. “A lot of people can say they have worked with a triple bottom

line, but it’s good to talk to people who have actually worked with them,” she says. “Particularly in this industry, we’re really all in this together.” □

Holly Givens is a freelance writer and communications consultant with over 15 years in the organic community. Formerly the communications director at the Organic Trade Association, she now works with businesses and non-profits on projects such as newsletters, public relations campaigns, grant proposals and more. Contact her at HollyGivens29@gmail.com, or follow her on Twitter: @HollyGivens.



Let Eatem lighten your workload.

- Differentiate flavor
- Clean up labels
- Streamline processes
- Maximize cost
- ... add value



Vineland Industrial Park
 1829 Gallagher Dr.
 Vineland, NJ 08360
 Phone: 800-683-2836
 Fax: 856-692-8148
www.eatemfoods.com

