

CASE STUDY

FilmNorth

| St. Paul |

CREDIT: DEACON WARNER

Fueling the impact and effectiveness of nonprofits with guidance, expertise, and capital.

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LESSON

Find an agent-of-change within the organization to truly listen, internalize, and take leadership. Challenge or crisis can provide opportunity.

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CREDIT: REILLY TILLMAN

The nonprofit FilmNorth’s (formerly Independent Filmmaker Project Minnesota) core mission is advancing independent film and media artists through education, fostering community and networking, and providing resources and venues. It serves the state of Minnesota’s arts community in a way that is undeniably vital, and has continued to be crucially relevant even as the state of film itself has transitioned through advances in technology and changing times.

In 2012, FilmNorth found itself in a deep organizational crisis. Its structural finances were at a breaking point, in part because of inadequate accounting but largely because of a crippling lease in its unsuitable home facility. Trust in the organization had waned—both from funders as well as the artists served by its mission. Finally, mounting conflict led to a split between the board and FilmNorth Executive Director, who had served for more than a quarter century.

FilmNorth’s relationship with Propel Nonprofits had also frayed, to the point at which Propel Nonprofits lost confidence in the organization’s financial reporting and audits.

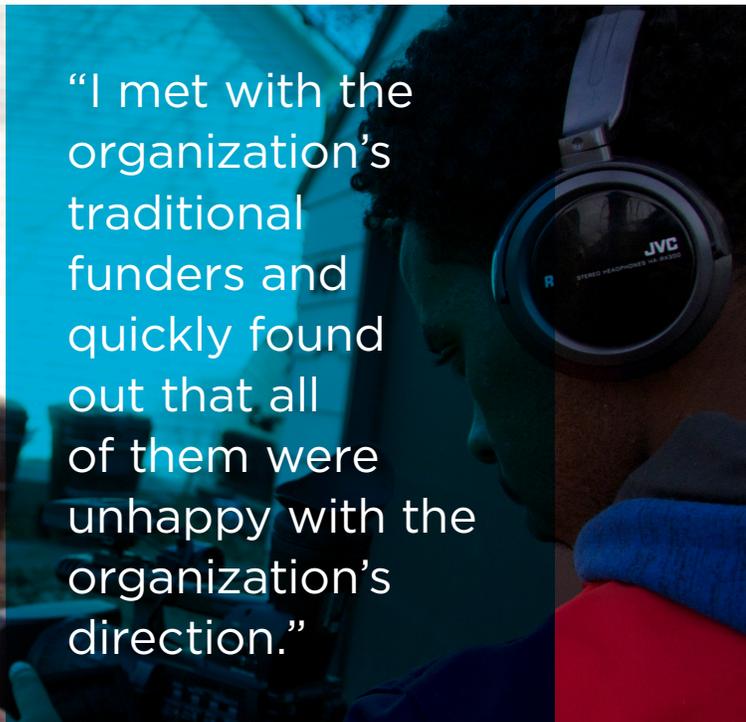
BUDGETS AND CHANGE

“The organization was in crisis when I came on board,” says Andrew Peterson, who joined FilmNorth, then IFP Minnesota, as Executive Director on an interim basis in 2012 and took the position full time the next year. “And the first thing that stood out was the rent.”

At that time, the organization had a budget of roughly \$700,000 and was paying \$135,000 in rent. Its lease on the space was financially disadvantageous, and there was more than a decade remaining on it. There had been three consecutive years of staff pay cuts, and one program with local universities was losing \$20,000 a year.



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“I met with the organization’s traditional funders and quickly found out that all of them were unhappy with the organization’s direction,” Peterson says. “I believed strongly in the organization, but a new vision and a sustainable financing structure were needed.”

Even worse, FilmNorth was housed in a space that not only was overpriced, but dark, oppressive, and stifling. It was a space that was literally dragging down an organization that was also seeing decreased membership rolls and a general feeling of stagnation.

PARTNERING FOR SUCCESS

If there's such a thing as being due for a break, FilmNorth certainly qualified, and one presented itself: Working with a lawyer, FilmNorth was able to negotiate its way out of its lease early in 2014 for the end of that year. And when a new space presented itself—one that was far better suited to support the organization in terms of finance, art, and future development, if unfinished in terms of construction—it was fortuitously not ready for move-in until the end of 2014.

While Peterson says FilmNorth was prepared to take the risk of effectively paying double rent through 2014 in order to be better situated for the future, that measure proved unnecessary.

Propel Nonprofits, which had a relationship with FilmNorth dating back to the early 1990s, concurred—this was a solid and sustainable way forward. There wasn't time for FilmNorth to mount a proper capital campaign to fund the move, so Propel Nonprofits stepped in with a loan of \$150,000 toward a build-out of the new space, and structured the loan to help the organization put aside a portion of savings from its decreased rent obligations and free up short-term working capital toward building a better cash base before the long-term effect of the loan is fully felt.

At the same time, Propel Nonprofits worked closely with FilmNorth in order to tighten its accounting and reporting structures. This was an essential factor in restoring the faith that had wavered in FilmNorth's funders, and a period that had moments of unsteadiness amid a steady climb back to vitality.



CREDIT: IFP MINNESOTA

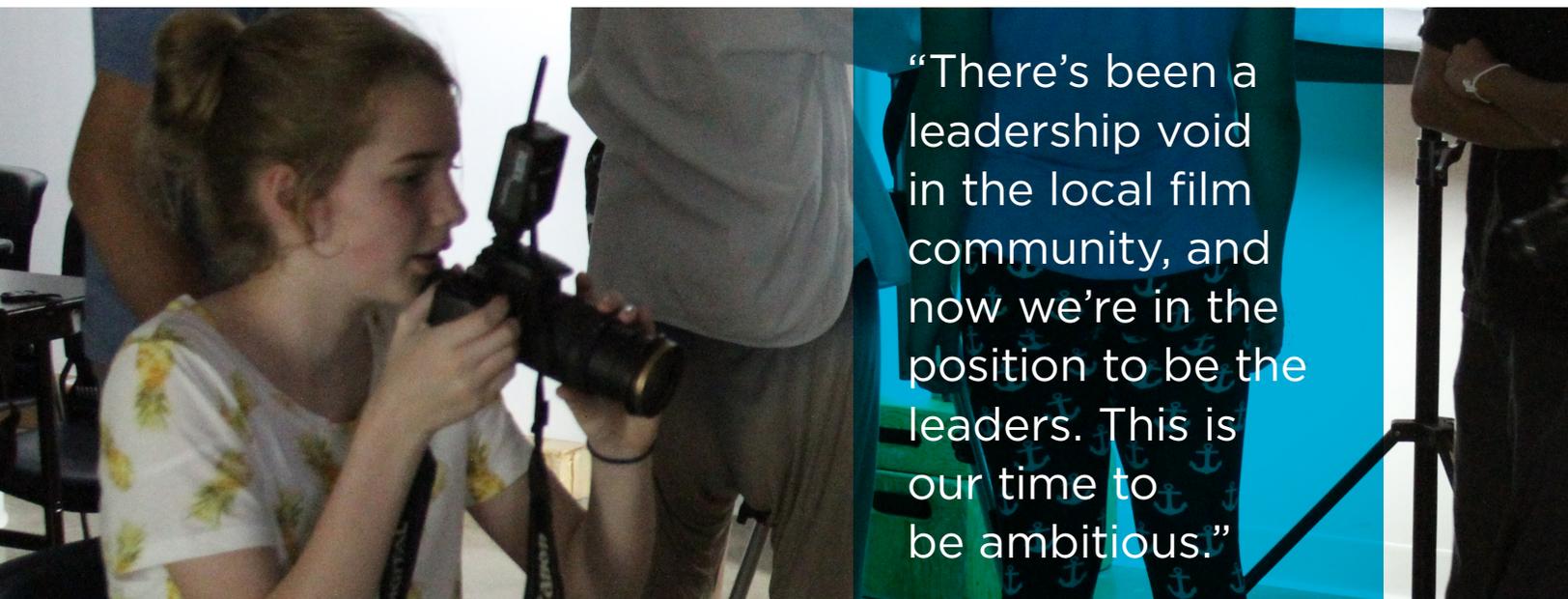
CREATIVE PLACEMAKING

FilmNorth also worked diligently to make the money for constructing the new space stretch as far as possible, using found materials and a partnership with a local college's design department to craft a stylish yet strongly utilitarian space on a strict budget. The home of FilmNorth today is a revelation—brightly lit, with communal spaces for informal meetings and networking, three classrooms with projection and sound that can double as screening rooms, a dedicated youth center for after-school and summer-camp programming, space that can be used or rented for events, and an increased digital editing capacity that it continues to grow. The facility quickly enabled FilmNorth to align itself more truly to its vision, and this has quickly led to a much-needed upswing in the organization's reputation.

Additionally, the new space has enabled FilmNorth to play a central role in placemaking by virtue of the large, multi-story formerly industrial St. Paul building in which it now resides, along with a brew pub, an upcoming coffee shop, and close access to the Twin Cities' popular and expanding light rail system.

Crucial to Propel Nonprofits' ability to help shepherd the project into greater stability and focus on the future was an understanding that it's an organization with a complex history and factors both financial and cultural that needed to be understood as a whole before offering strategic consultation and funding. The arrival of Peterson was also one in a series of fortuitous events along the way.

"Propel Nonprofits has been crucial in its advocacy to communicate with our board, with the community, with national and local foundations, and with funders and supporters that we're necessary to the Twin Cities arts community," Peterson says. "There's been a leadership void in the local film community, and now we're in the position to be the leaders. This is our time to be ambitious."



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LOAN INFORMATION

Relationship Since	1992
Loan Purpose	Long-term working capital, leasehold improvements and moving expenses
Structure	\$150,000 term loan
Collateral	\$388,000 grants and contributions receivable
Underwriting Considerations	Balance sheet capitalization, growing earned revenue from new business lines
Risk Mitigation	Shorter term, client to make monthly deposits into a savings account
Technical Assistance	Monthly meetings with monthly cash flow projections and internal financials

ORGANIZATION INFORMATION

Budget	\$720,000
Number of employees	6.5
Impact	Fellowships, exhibitions, screenings and workshops for experienced and those just starting out; new location in same building as other artistic organizations

Propel Nonprofits' mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital.

Propel Nonprofits was created from the merger of Nonprofits Assistance Fund and MAP for Nonprofits. It serves nonprofit organizations in Minnesota and the adjacent states of Wisconsin, Iowa, North Dakota, and South Dakota.



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