



Agenda

Overview of Alternative Financing

- The new reality
- Revenue trends
- · What are revenue sources
- · What does the sector need

Exercise: What alternative financing options might work for us?



Break

About Loans and Lending

- · How can loans be used
- Case Study examples
- · What Lenders look for
- What you should look for in a Lender
- Becoming loan ready

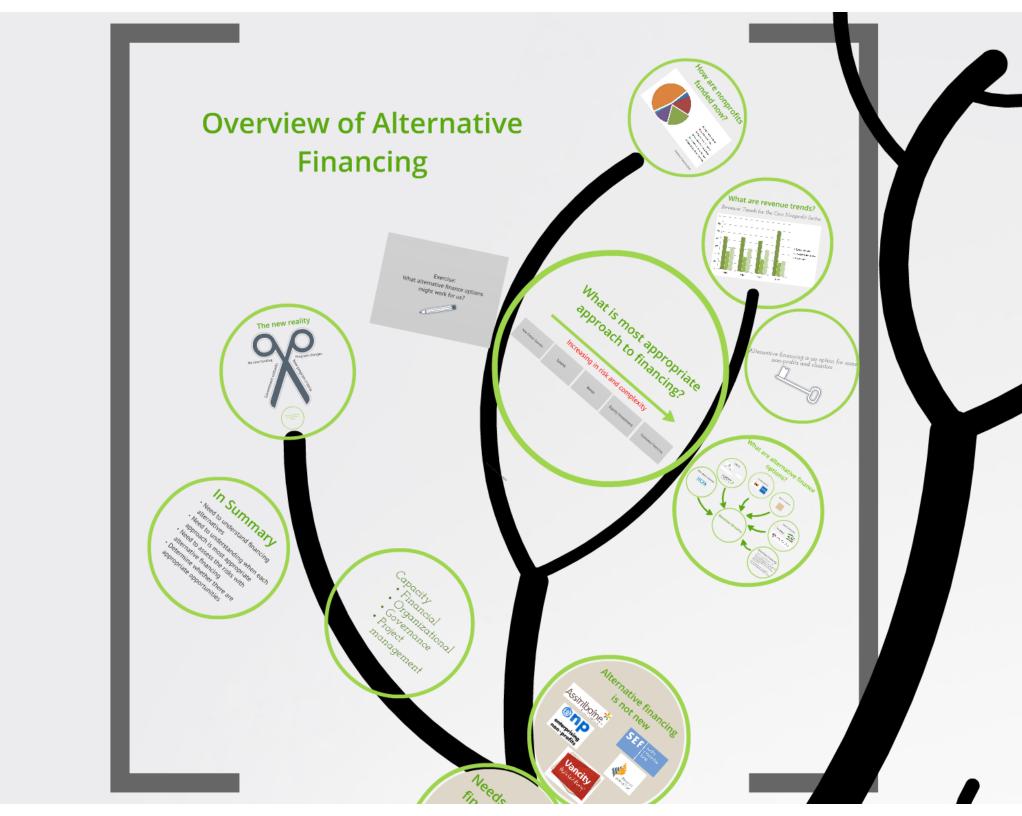
Exercise: Putting it all together

About the Community Forward Fund

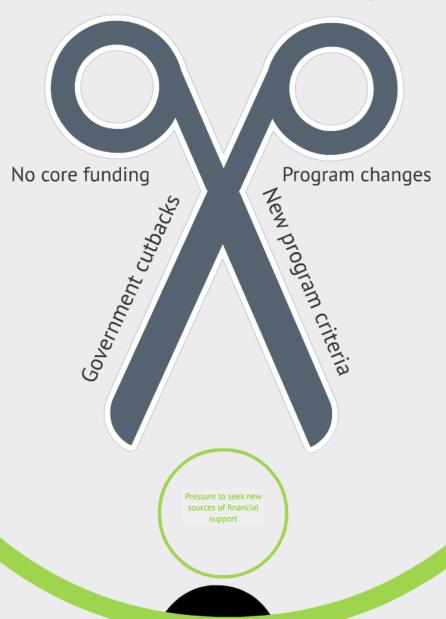
- · Who we are
- Our services
- Our Impact

Reflections and Conclusions



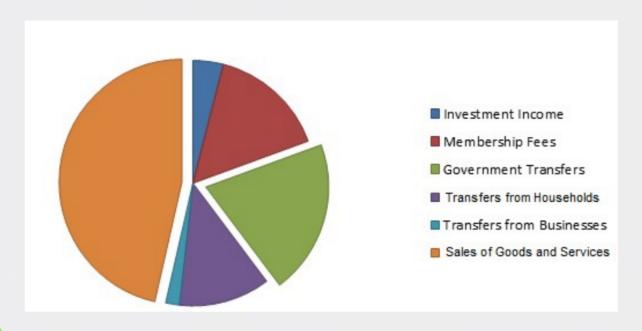


The new reality



Pressure to seek new sources of financial support

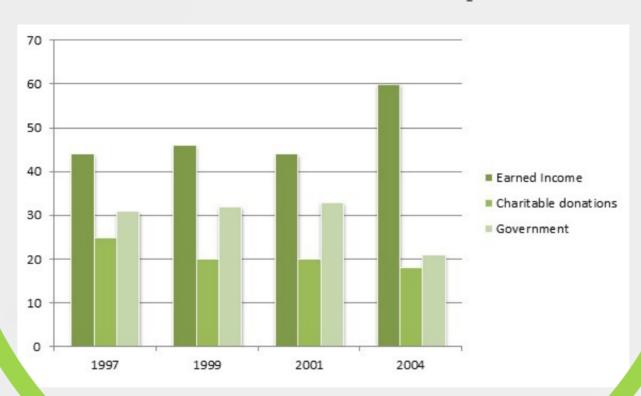
How are nonprofits funded now?



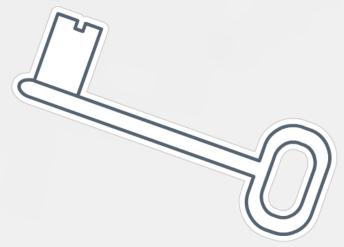
Statistics Canada 2009

What are revenue trends?

Revenue Trends for the Core Nonprofit Sector



Alternative financing is an option for some non-profits and charities



What are alternative finance options?



Community Bonds



New donor sources





Social Enterprise





Revenue Streams

Outcomes Financing

Social Impact Bonds (SIBS)

- Governments and other Funders are exploring ways to 'pay for outcomes' (reduction in unemployment rates, re-incarceration rates, homelessness)
- Social Impact Bond are one approach (outcomes contract PLUS Bridge financing)

New donor sources



Loans



Vancity

IslandSavings

COMMUNITY FORWARD FUND

Community Bonds





Equity Investment



Social Enterprise







Outcomes Financing

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Alternative in Pro

What is most appropriate approach to financing?

Increasing in risk and complexity

New Donor Sources

Loans

Bonds

Equity Investment

Outcomes Financing

Wha



New donor sources



Alternative financing is not new











Needs determine financing choice

Assess needs

Assess risk

Assess options

Assess capacity

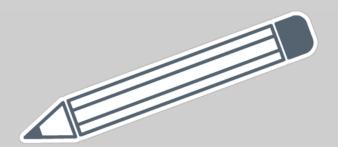


- Organizational
- Governance
- Project management

In Summary

- Need to understand financing alternatives
- Need to understanding when each approach is most appropriate
- Need to assess the risks with alternative financing
- Determine whether there are appropriate opportunities

Exercise: What alternative finance options might work for us?



About Loans and Lending



Types of loans

1

Xample mmunity

To manage cash flor



Revolving line of credit

- Pre-approved loan limit
- defined purpose
- fund short-term revenue and expense gaps
- often secured by General Security Agreement
- used to manage cash flow
- used and repaid as required)

Loan Example

25One Community



The Organization

A collaborative workspace bringing together diverse Charitable and Nonprofit organizations in Ottawa

The Challenge

25One Community needed a line of credit to pay for construction work.

The organization was responsible for 30% of the total renovation costs and needed significant investment to support the renovation and marketing of the space

The Solution

A loan from CFF allowed 25One Community to complete retrofitting and renovation of a building and allowed for promotional marketing of the space



To manage cash flow

Temporarily smooth cash flow to meet day-to-day operating cash needs



Short term (bridge loans)

- similar to line of credit
- tied to a specific purpose
- specific repayment source
- repayments cannot be borrowed again
- usually secured by General Security Agreement

Loan Example OCISO Nonprofit Housing Corp.

The Organization

- Nonprofit housing corporation for newcomers to Canada
- Part of the Ottawa Community Immigrant Services
 Organization which serves over 25,000 immigrants and refugees every year



The Challenge

- wanted to build a new 74 unit affordable housing project
- needed money to cover soft costs associated with construction (permits, architectural renderings etc.)
- had grant and other commitments once project approved

The Solution

- a loan from CFF enabled the organization to cover building soft costs
- loan was repaid when construction lending was in place
- Construction is now well on it's way

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To manage timing of receivables

Manage timing of receivables from government grants or capital campaigns



Term loans

- for a specific need
- usually drawn at once
- regular monthly payment (principle and interest)
- can be tailored to specific situations

Loan Example

One Change Foundation

The organization

- environmental social enterprise
 trans volunteers and delivers
 programs for public entities
 light bulb change programs
 environmental awareness
 home energy retrofits

The challenge

- low cash reserves
- has developed new • health promotion

 - energy conservation
- requires investment to purchase supplies; pay for staff prior to new revenues

The solution

- 60 month term loan
- · interest only payment for 6 months
- opportunity for pre-payment of a portion of loan at 24 months

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To cover capital or program costs

- based on a business or project plan
- planned revenues to make payments
 • tailored to cash flows

Capital loans

- for purchase of hard assets
- lender can take security on these and other assets
- for example purchase of facilities construction of new buildings, renovation of premises (owned or leased)

Loans Example

The Theatre Centre

The Organization

- Live arts incubator in Toronto, Ontario supporting experimental artists
- Provides practice and preforming space alongside mentorship opportunities



The Challenge

- The Theatre Centre wanted to expand its operations and needed a larger space
- Saw potential in the revitalization of the historic Carnegie Library building
- Needed capital to complete renovation of heritage space to suit organizational needs



The Solution

- Renovations to the new building were completed in January 2014
- CFF funded a bridge loan to the Theatre Centre to 'ramp up' operations and to bridge the collection of committed funding

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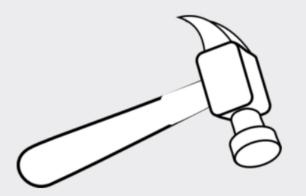
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Secured Capital (mortgage)

Purchase, build or renovate a facility, including leasehold improvements



What might a Lender ask for?

Organizational Information

- Strategy and business plan
- Annual report and brochure
- List and bios of Board of Directors and key staff
- List of major Funders

Financial Information

- Audited financial statements
- Current year budget
- Financial statements
- Existing debt and borrowing history
- Details on revenues and expenses
- Monthly Cash flow
- Current Contracts

Loan purpose

- Description of the project
- Budget and sources of financing
- Description of the asset
- Construction budget
- Copies of lease, contracts, construction and architect's agreements

What do Lenders look for?



Financial Strength

- revenue sources
- positive trends
- sufficient cash flow
- positive cash balances
- maintenance plans
- reserves for unanticipated events
- track record in managing finances

Management and Governance capacity

- Strong management team
- Engaged Board
- Well-developed infrastructure to support operations
- Demonstrated community support

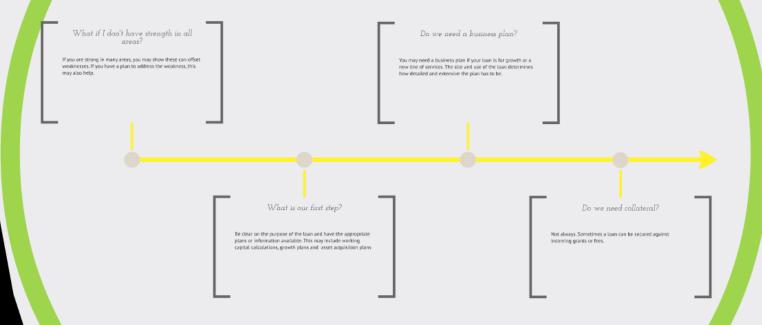
Planning and reporting systems

- accurate reporting
- financial/audited statements
- good accounting practices
- clear business plan
- planning for growth
- plans are reasonable and measurable

Repayment Sources

- committed and confirmed repayment sources
- available and budgeted
- contingency plans in case of revenue change or funder cutbacks

What if our organization doesn't have all of these?



What if I don't have strength in all areas?

If you are strong in many areas, you may show these can offset weaknesses. If you have a plan to address the weakness, this may also help.

What is our first step?

Be clear on the purpose of the loan and have the appropriate plans or information available. This may include working capital calculations, growth plans and asset acquisition plans

Do we need a business plan?

You may need a business plan if your loan is for growth or a new line of services. The size and use of the loan determines how detailed and extensive the plan has to be.

Do we need collateral?

Not always. Sometimes a loan can be secured against incoming grants or fees.

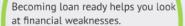
What should your organization look for in a Lender?

- Knowledge of business and community
- Interest in achieving mission and giving support
- Simplicity of approach

Is every organization loan ready?

No, but it is worth considering.

Becoming loan ready helps organizations to look at their whole financial picture. Preparing for a loan (even if your organization does not apply for one) can help strengthen financial knowledge and identify where work is needed.





The process itself can help things improve.

No, but it is worth considering.

Becoming loan ready helps you look at financial weaknesses.

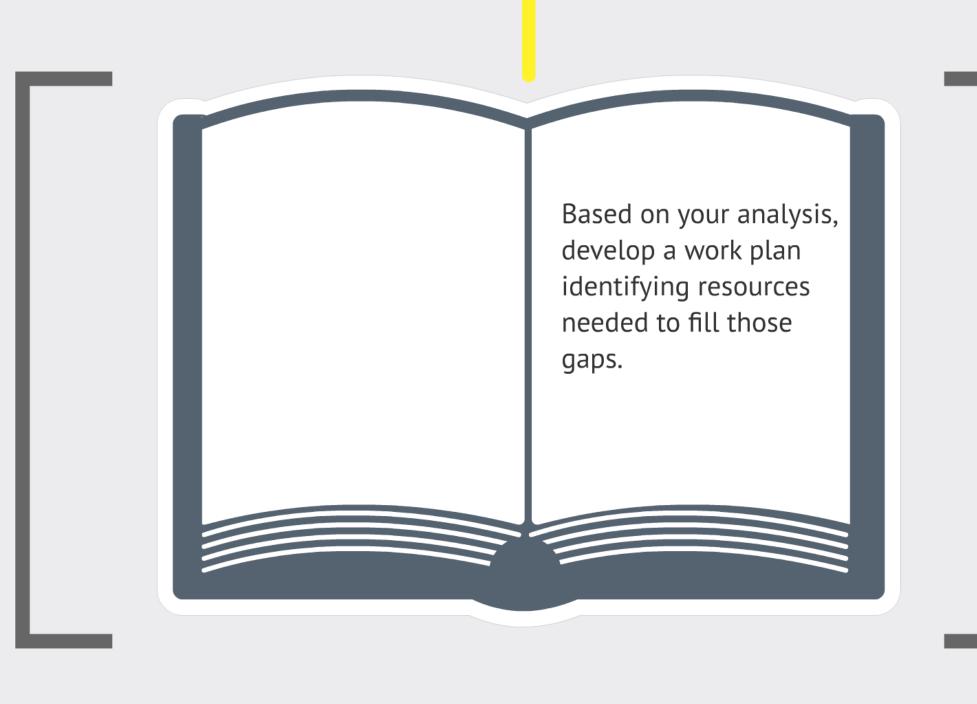
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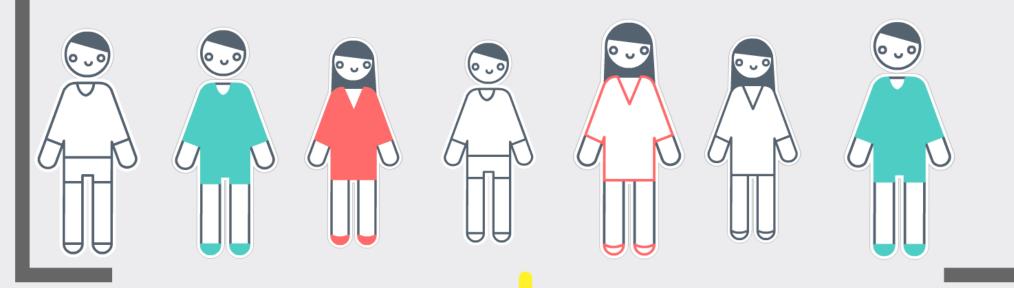


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Complete a thorough internal assessment: what are your vulnerabilities and areas that need improvement?



Engage your staff and Board



Talk to your funders about potential resources or external expertise.

Talk to your peers to share challenges and develop solutions.

Perform thorough financial analysis, implement controls, budget reporting, evaluate programs, profitability etc.

Get financial coaching and analysis assistance



Exercise: Putting it all together

How could your organization use borrowing to reach your goal?

What business challenges may your organization face?

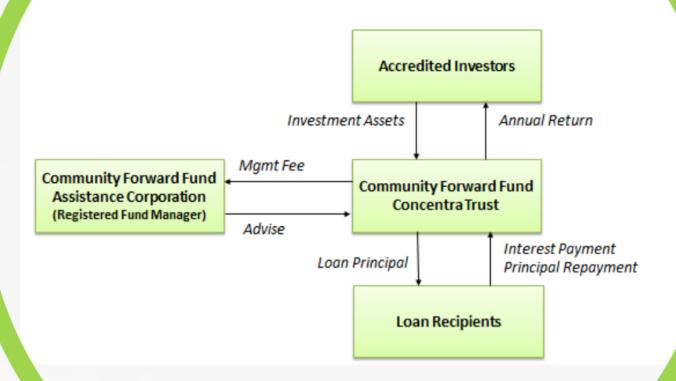
Is your organization equipped to make a decision about borrowing? What barriers could you face?



What is the Community Forward Fund?

- · Loan fund
- National in scope
- Exclusively For nonprofits and charities

CFF Organizational Structure



Our Community Partners

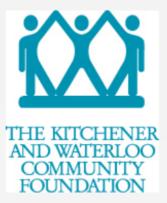


















Financial Coaching Services

Short assessments and workshops

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Financial Capacity Building

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About

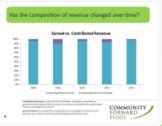
- · Money, Mission and Strategy: Mapping Your Financial Future is a site-delivered clinic for advanced financial analysis and capacity building.
- · Aimed at nonprofit organizations that have a budget between \$250,000 and
- · Pre-session work, 2 day clinic, post clinic follow up
- Generously funded by the Ontario Trillium Foundation and TD Bank

Structure

- 2 day clinic with 8-10 organizations
 input and review of financial information prior to clinic
- · participant "homework" between sessions
- · participant coaching and organization specific feedback
- · assessment of outcomes and financial trend information
- · one-on-one consultations



Sample Output





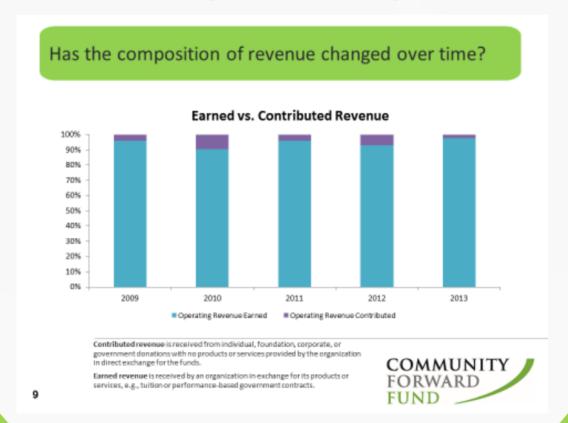
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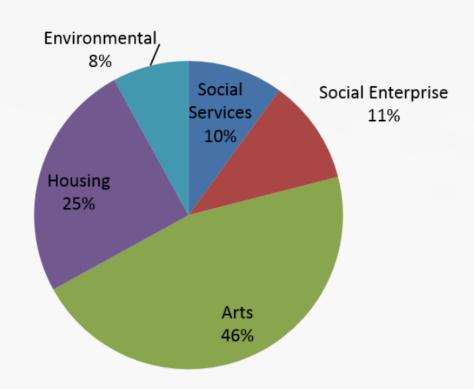
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Sample Output



Who does CFF lend to?



Join us online!



COMMUNITY FORWARD FUND

Financing for charities and nonprofits