



*Non Profit Social Financing*

**What do you need to know?**

## *What is CAIC?*

---

- ▶ A social finance fund providing mortgages, construction financing & loans to groups, organizations & cooperatives with a project of social benefit.
- ▶ Founded in 1984
- ▶ Members (Investors) are registered Canadian charities within the faith community
- ▶ Assets greater than \$7 million
- ▶ Investment portfolio of \$3.5 million



*caic*



# *Three Financing Streams*

---

- ▶ **Mortgages for Community-Based Projects**
  - Mortgages of up to 75% of appraised value of property to non-profit & community-based organizations
- ▶ **Social & Affordable Housing Initiatives**
  - Loans available to groups working to provide social & affordable housing (2<sup>nd</sup> & 3<sup>rd</sup> mortgages)
- ▶ **Social Enterprise Financing**
  - Loans & equity investments to groups, organizations & cooperatives assisting in the economic development of disadvantaged peoples
  - Community loan funds



# *Non-Profit Social Financing*

---

- ▶ In approaching any type of lending institution it is important to make the case that your organization would be a “sound investment”.
- ▶ So what is a lender looking for?



# *Social benefit / financial risk Checklist*

---

## **Social benefit analysis of loans**

- Development of community
- Alternative Economic Structure
- Personal Empowerment
- Advocacy (support projects providing support)
- Barriers to Capital Formation
- Potential Long-Term Change
- Marginalization/Poverty
- Environment
- Dignity (partnership model)

## **Risk Analysis of Loans**

- ▶ Track Record
- ▶ Community Support
- ▶ Financial Skills
- ▶ Business Plan
- ▶ Committed Key Players
- ▶ Debt Structure
- ▶ Multiple Sources of Income
- ▶ Collateral
- ▶ Capitalization
- ▶ Management Skills
- ▶ Economic Opportunity



*caic*



# What is a lender looking for?

---

## ▶ **A GOOD TRACK RECORD**

- ▶ How has your organization handled debt to date (lines of credit etc.)

## ▶ **STRONG COMMUNITY SUPPORT**

- ▶ Volunteer base
- ▶ Networked with local service agencies & businesses
- ▶ *Connected to governments ( all three levels)*

## ▶ **FINANCIAL SKILLS**

- ▶ Regular Financial reporting (audit/review if possible)
- ▶ Detailed forward thinking financial planning/budgeting
- ▶ Robust internal controls
- ▶ Demonstrated understanding of the organizations operating model

## ▶ **ROBUST BUSINESS PLAN**

- ▶ User Friendly (Easy to understand)
- ▶ Verifiable Assumptions



*CAIC*



# *What is a Lender looking for? (continued)*

---

## ▶ ***STRONGLY COMMITTED KEY PLAYERS***

- ▶ Dynamic Executive Director and Management team
- ▶ Involved Board of Directors with key skill set

## ▶ ***DEBT STRUCTURE***

- ▶ What current debts does your organization have
- ▶ Demonstrate that you have the cash flows to support the new debt

## ▶ ***MULTIPLE SOURCES OF INCOME***

- ▶ Donations
- ▶ Government Contracts
- ▶ Proven Fundraising Capacity
- ▶ Capacity to increase revenue to support new debt



***CAIC***



# What is a Lender looking for? (continued)

---

## ▶ **COLLATERAL**

- ▶ Value of the property being considered (verified by an independent qualified third party)
- ▶ Environmental considerations
- ▶ Cost does not equal value
- ▶ Alternative uses for the property

## ▶ **CAPITALIZATION**

- ▶ Organizational resources to put towards the purchase
- ▶ Contingencies
- ▶ Renovation Budget

## ▶ **MANAGEMENT SKILLS**

- ▶ Capacity to manage new larger facility & operations
- ▶ Adaptable to new circumstances

## ▶ **ECONOMIC OPPORTUNITY**

- ▶ Social enterprise
- ▶ Leveraging new asset to build the organization



*CAIC*



# *What is a Lender looking for? (continued)*

---

## COLLATERAL

- ▶ Appraisal
- ▶ Phase I Environmental Assessment
- ▶ Zoning



*CAIC*



# *CAIC – a different kind of lender*

---

- ▶ Lend to 75% if appraised value
- ▶ Debt Coverage Ratio 1.1
- ▶ Residential Mortgage Rates
- ▶ Flexibility on term and amortization (15 years is the norm)
- ▶ Open Mortgages
- ▶ 2<sup>nd</sup> /3<sup>rd</sup> Mortgages



*Making a Difference!*



# Case Study

---

## ▶ Shelter and Community Kitchen in Toronto



caic



## Case Study (continued)

---

### ▶ Loan Parameters:

- ▶ Building Selling Price - \$315k
- ▶ Local Credit Union 1<sup>st</sup> mortgage - \$189k (60%) of price
- ▶ CAIC 2<sup>nd</sup> mortgage - \$95k
- ▶ Organization had \$31k to put to purchase price

### ▶ Why Buy?

- ▶ Opportunity
- ▶ Longer term goals for the organization (i.e. what will the space be used for? Are there additional income opportunities)
- ▶ Operating Impact - Increased Occupancy Costs by \$11k ( from \$42k to \$53k)

## *Case Study (continued)*

---

### ▶ Meeting the Lender's requirements:

- ▶ Hired a consultant to help with the application as there was limited expertise within the organization
- ▶ Solid Management
- ▶ Long Term Vision and Goals
- ▶ Appraised Value of \$310k
- ▶ “Clean” Phase I Environmental Assessment
- ▶ Multiple Sources of Revenue
  - ▶ Donations/Fundraising
  - ▶ City Contract
  - ▶ United Way
- ▶ Strong Community Support (Volunteers & In Kind Donations)



## Case Study (continued)

---

- ▶ Meeting the Lender's requirements:
  - ▶ Demonstrated Budgeting and Financial Control
  - ▶ Plan "B" – to rent out excess space if funding fell through
  - ▶ Demonstrated they would source additional revenue from a new contract with the City to provide a Men's Shelter
  - ▶ Strong board (finance/legal/fundraising) and succession plan for ED
- ▶ CAIC extended both the first and second mortgages as the Credit Union "backed out".



# Social Enterprise Lending

---

## ▶ Who do we lend to?

- ▶ Community Loan Funds
- ▶ Non-Profit sponsored Social Enterprises
- ▶ Worker Cooperatives
- ▶ Cooperatives with social justice mandate



## ▶ What we are looking for?

- ▶ Same elements of success as social mortgages
- ▶ To be a partner



# *Social Enterprise Lending (continued)*

---

## ▶ Basic Parameters of Lending

### ▶ Size of the Loan

- Maximum Loan amount \$50,000 (up to 50% guarantee may be required)

### ▶ Loan Term

- No set minimum term
- Maximum term is 5 years
- Renewals will be considered

### ▶ Rates

- Variable and will depend on risk and prevailing market rates. Generally higher than prime.

### ▶ Fees

- All CAIC's legal fees will be borne by the borrower (\$500 - \$1,000)

### ▶ Security

- Fixed assets, personal guarantees or other as negotiated



*CAIC*



# *CAIC – a different kind of lender*

---

At CAIC we are looking for demonstrated capacity:

- ▶ Strong committed leadership
- ▶ Viable business case
- ▶ Strong likelihood of success
- ▶ Capacity and Vision to Grow

✓ CAIC wants to be your financial partner. We want you to succeed. We want you to fulfill your mission.



*caic*





For more information check out - [www.caic.ca](http://www.caic.ca)

