

# Beyond Grants:

## Alternative financing for your nonprofit or charity



OUR  
PEOPLE

OUR  
FINANCING

OUR REGULATORY  
ENVIRONMENT

# Welcome

- Introduction
- Land Recognition
- Speaker Introductions: Beth Coates & Rebecca Waterhouse

# Agenda

- What is debt financing? How nonprofits and charities can leverage tools
- What is a mortgage, term loan or a line of credit?
- What do conventional lenders look for in a borrower?
- Am I ready?
- Ways to identify your “borrowing profile”
- How and when to get ready to apply for a line of credit
- Join the interactive discussion

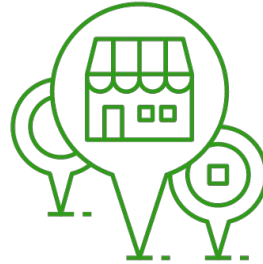
## Who are We?

# The Canadian Alternative Investment Foundation

- We are a registered charity – established with the sole mission to offer low cost flexible financing to help other charities operate more effectively and meet their mission
- Established in 2012 with \$4M in assets
- CAIF builds on 35 years of experience of the Canadian Alternative Investment Cooperative a social lending pioneer
- No one has more experience in lending to this sector

# What is debt financing?

- Mortgages
- Term Loans
- Lines of credit



# What is a Mortgage anyway?

- Loan used to purchase real estate and is secured by that real estate
- Usual upward limit of 60% of appraised value for a commercial mortgage
- Debt service ratio
- 2<sup>nd</sup> & 3<sup>rd</sup> mortgages may be available, usually at a higher rate
- Fixed term
- Fixed amortization
- Community Bonds

# Debt Service Coverage Ratio (DSCR)

*the relationship between operating income and annual debt.*

Excess of revenue over expenses before interest and amortization (ROEBIA)

---

Debt servicing (mortgage payments)

## Example:

Excess of ROEBIA	= \$125,000	<b>= 1.25 DSCR</b>
<hr/> Debt servicing	= \$100,000	

# What is a Term Loan anyway?

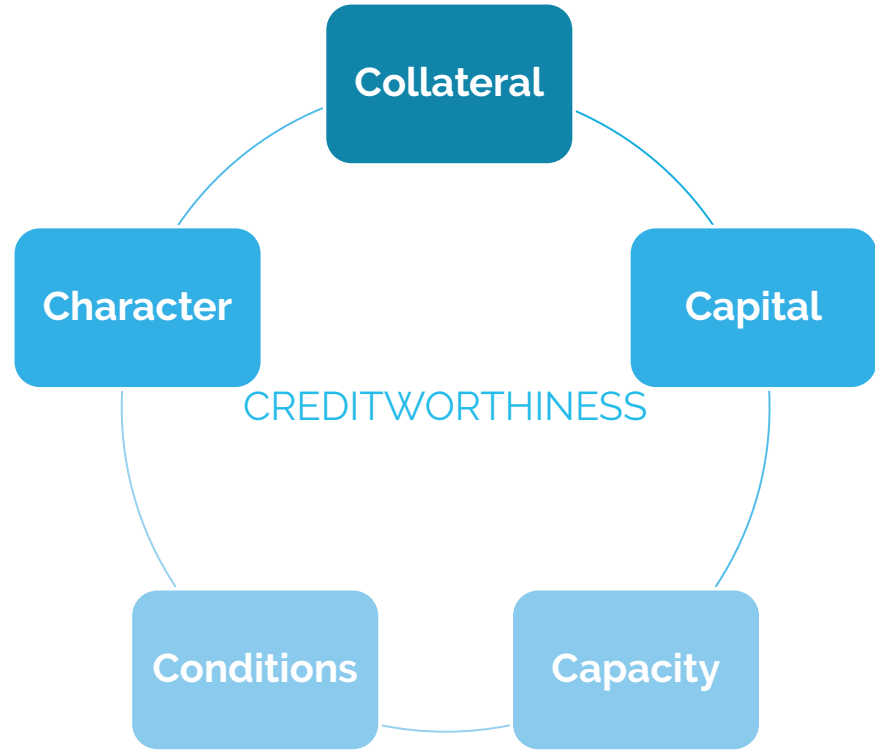
- Smaller value
- Can be secured or unsecured
- Term=Amortization
- Rate will be a function of risk
- Specific purpose
- Metrics / Conditions
- Demand Loan



# What is a Line of Credit anyway?

- A line of credit is a pre-set amount of money that a bank or credit union has agreed to lend you
- A commonly used tool in the for-profit world to manage cash flow crunches
- You can draw from the line of credit when you need it, up to the maximum amount
- You can repay the line at any time
- May require a minimum monthly payment
- You'll pay interest only on the amount you borrow

**What do  
conventional  
lenders look  
for in a  
borrower?**



# Am I Ready?



- **Ask yourself:**

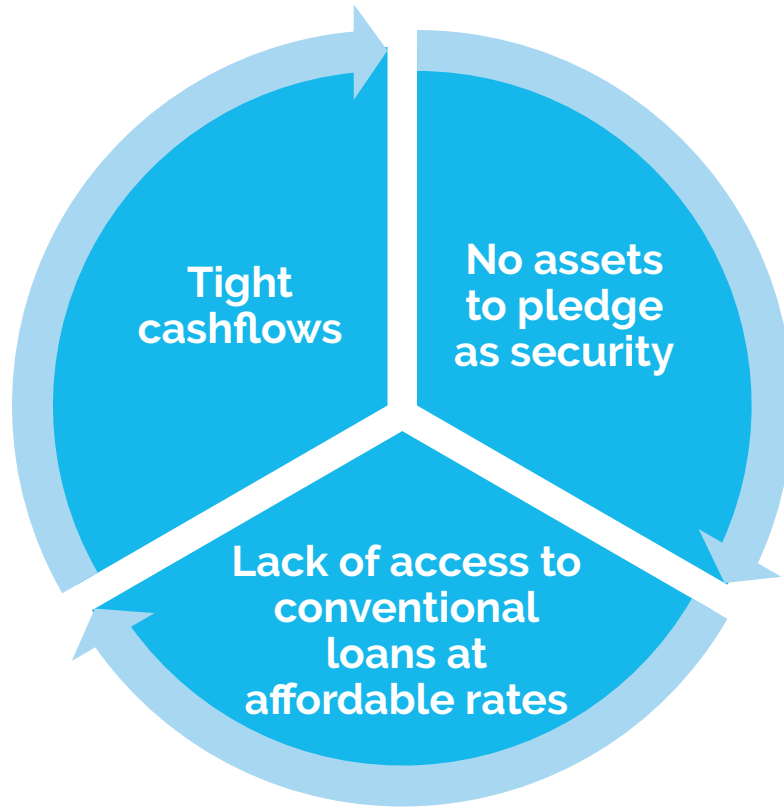
1. Do we understand our business model?
2. Why do we need to borrow?
3. Will debt strengthen our organization?
4. How would we use it to better achieve our goals?
5. Is there full support from all stakeholders (i.e. staff, board, benefactors) for this idea?

# Community Lifelines of Credit

A line of credit program  
designed specifically for the  
needs of small charities.



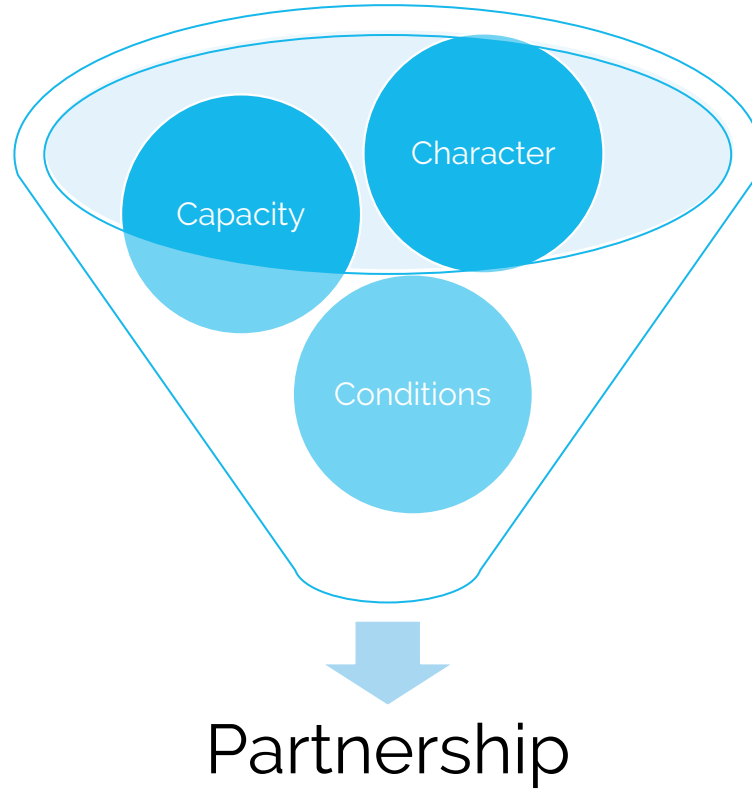
# The Need



## The **Knowledge**

Nonprofits and charities are resilient, well managed and good investments.

**What does  
CAIF look  
for in a  
borrower?**



# The Opportunity

- CAIF wants you and your organization to get the credit you deserve
- \$50,000 Line of Credit
- Partnering with Vancity Community Investment Bank
- CAIF **guarantees the line** – allowing for low interest rates
- CAIF's commitment to participants in the program:
  - Financial mentorship
  - Support
  - Improved financial literacy and capacity



# How Would I Use it?

**To pay for operating expenses when funds are not available.**

## **Sample scenarios:**

1. Payroll is withdrawn on the last Thursday of the month however your municipal transfer does not come in until the 1<sup>st</sup> of the following month.
2. You have received funding for a project. Funding is 50% up front and 50% on completion. You have completed the project, submitted your reporting and received approval for final payment but are running low on cash.
3. You have been given notice that you are eligible for a new stream of financing from the province – however you will need to hire new staff and demonstrate that the program is up and running before the funding will start.
4. A disproportionate amount of your funding arrives in October due to your annual gala. In the months prior you incur the upfront preparation costs and need to run day to day operations with shrinking cash in the bank.

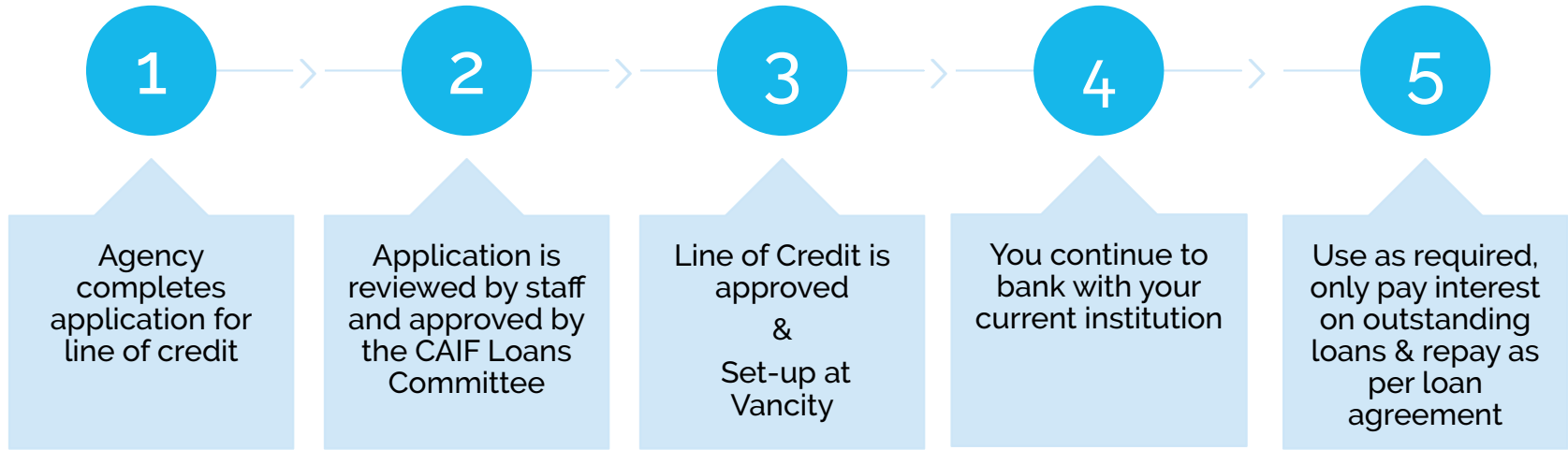
# What are the benefits of a line of credit?

Due to CAIF's guarantee, interest rate is very low for an unsecured line

You know that you have access to money for short term cash shortfalls

You only need to access as much money as you need when you need it

You only pay interest on what is outstanding



The **Process**  
is supported by CAIF with ongoing mentorship

# Resources

- VanCity Community Investment Bank: <https://vancitycommunityinvestmentbank.ca/>
- Alterna Savings: <https://www.alterna.ca/>
- Community Forward Fund: <https://communityforwardfund.ca/>
- Canadian Cooperative Investment Fund: <https://ccif.coop/>
- Tapestry Community Capital: <http://tapestrycapital.ca/>
- DUCA Impact Lab/ Credit Union: <https://ducaimpactlab.com/>
- Toronto Enterprise Fund: <http://www.torontoenterprisefund.ca/>
- Fair Finance Fund: <https://fairfinancefund.org/>
- VERGE Capital: <http://www.vergecapital.ca/>



Speak with us and let's get started!

**Email:** [admin@caifoundation.ca](mailto:admin@caifoundation.ca)

OR

**Call:** 416-467-7797

Supportive Financing. Nurtured Solutions.  
Resilient Canadian Communities.

<https://caifoundation.ca>

# Discussion

# STAY CONNECTED

## News and Updates:

- Subscribe: [theonn.ca/subscribe](https://theonn.ca/subscribe)
- Join the conversation: [Twitter](#), [Facebook](#), [LinkedIn](#)

## Upcoming Events:

- June 19: [Free Webinar, Beyond Grants](#)
- November 27-28: [Nonprofit Driven 2019](#)

OUR  
PEOPLE

OUR  
FINANCING

OUR REGULATORY  
ENVIRONMENT

# JOIN US

**Build your nonprofit muscle.**

**Access resources, networking and ONN's purchasing program.**

**Receive \$50+ discount to Nonprofit Driven.**

[theonn.ca/join/become-a-member/](https://theonn.ca/join/become-a-member/)



@o\_n\_n



Ontario Nonprofit Network



theonn.ca

OUR  
PEOPLE

OUR  
FINANCING

OUR REGULATORY  
ENVIRONMENT



# THANK YOU



ONTARIO NONPROFIT NETWORK



@o\_n\_n



Ontario Nonprofit Network



theonnc.ca

OUR  
PEOPLE

OUR  
FINANCING

OUR REGULATORY  
ENVIRONMENT