

# Becoming Loan-Ready:

## A Checklist

Our vision: a well-financed and sustainable charitable and nonprofit sector

Our mission: To advance a sustainable charitable and nonprofit sector by providing access to loans and financial coaching tools that organizations need to help them assess their current financial picture and implement plans for their future

### CHECKLIST:

- I. Financial strength
- II. Management and governance
- III. Planning and reporting
- IV. Business plan
- V. Repayment sources

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Financing for charities and nonprofits

## What does it take to become ready for a loan as a nonprofit or charity?

With varied business models, unique operating environments, and changes in the current funding environment, nonprofits and charities need a financing partner that can appreciate their particular financial situation and provide solutions to meet their needs. As a nonprofit organization, the Community Forward Fund (CFF) considers loans to individual clients based on their unique financial story, plans and capacity. If you are considering a loan and want to learn more about becoming loan-ready, please review the information below to help you in your decision-making processes.

## What do lenders look for?

### I. Financial strength

- A range of reliable, on-going revenue sources
- Positive trends in revenue and net assets
- Cash flow sufficient to support operations and service debt
- Positive cash balance from year to year
- Maintenance plan for infrastructure renewal
- Plan for unanticipated events and maintenance of assets

### II. Management and Governance

- Strong, stable management team with program and financial experience
- An engaged board of directors, with backgrounds that supplement staff expertise, which is independent from management and performs fiscal oversight (some form of financial review or committee)
- Well-developed infrastructure to support operations including staff, policies, and checks and balances that include Board oversight

### III. Planning and reporting

- Accurate reporting and analysis of financial results by management and board
- Financial and (if available) audited statements
- Accounting practice which allows the organization to generate financial statements on a timely basis

### IV. Business plan – for new or larger projects

- Clear, concise, detailed business plan that aims for long term sustainability and that allows for a detailed evaluation of plans and financial projections
- Clear indication that staff and board are on the same page
- Project scope, size, and goals are reasonable and measurable and funding sources are identified

### V. Repayment sources

- Repayment sources that are committed, confirmed, proven, and/or agreed to by funders
- Contingency plans in case of change or loss of revenue sources

### What if you don't have all those?

- Each loan is based on the merits of a business case and the biarticular risks identified with the loan. If you do not meet all criteria but have credible plans to address outstanding risks, you may be loan eligible
- What is your first step?: Be clear on the purpose of the loan and have the appropriate plans or information available. (working capital, growth, asset acquisition)
- Create a business plan if your loan is for growth or a new line of services
- What about collateral? It's not always a must and, in some cases, the loan can be secured against coming grants or fees

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