

# Impact Investing

## Community Forward Fund information sheet

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

## Overview

The Community Forward Fund is a registered investment fund that provides loans and arranges financing for Canadian nonprofits and charities. CFF is designed to address a gap in access to patient, working capital and bridge loans for the sector for small- and medium-sized organizations. Another important part of our management role is to provide financial advisory services and assessment tools and to improve financial skills within the borrower-organizations.

Our research and experience to-date demonstrate there is a market for short-term bridge loans, and one to three year secured and unsecured loans. The Fund provides loans ranging from \$25,000 to \$500,000. We will also consider larger loans. The Fund works in partnership with other lenders to meet the particular needs of an organization. Loan interest is set based on the type of loan and the risks associated with the loan.

JP Morgan and the Global Impact Investing Network researched and co-authored *Impact Investments: An emerging asset class* in which they estimate that there is "an investment opportunity of between \$400 billion and \$1 trillion and profit opportunity of between \$183 billion and \$667 billion over the next decade in five sectors – housing, water, health, education, and financial services – serving global populations earning less than \$3,000 annually." CFF is the first registered loan fund to work in this space in Canada.

## Fund participants

Community and Private Foundations across Canada have a proud tradition of providing grants to social service organizations in their communities. We are currently working in partnership with Foundations who have invested in the Fund in several Canadian cities, combining our fiscal knowledge with their understanding of local needs to provide loans to organizations that meet our stringent criteria and that have the vision and entrepreneurial spirit to do well while doing good.

CFF is attracting investors from across Canada from community and private foundations and from individual accredited investors. With proven positive impact for nonprofits and charitable organizations, these partners have indicated that our Fund is an ideal way to achieve social impact and an acceptable financial return for their portfolios while satisfying their need for philanthropic contributions. Investors have already contributed close to \$8 million to the Fund and this will grow to \$20 million by 2016.

## Summary of Fund characteristics

Size:	Staged growth to \$20,000,000
Term:	Evergreen, with a minimum 5 year commitment
Registrations:	Investment Fund Manager, Restricted Portfolio Manager and Restricted Dealer
Jurisdictions:	Ontario, Newfoundland, and Quebec, with registrations already underway in other provinces
Format:	Trusteed arrangement
Investors:	Accredited Investors who are Permitted Clients
Manager:	Community Forward Fund Assistance Corporation (CFFAC)

## The Market: Charities and nonprofits

While grants will always be important for charities and nonprofits, there are many gaps that traditional sources of financing for the sector can't fulfill, particularly for growth and working capital. Longer lead times for grants, the requirement to pay for a project prior to receiving government funding, and the lack of funding for core operations, growth and diversification, have led organizations to seek new forms of financing.

In Canada, few traditional lenders feel comfortable evaluating the ability of nonprofits and charities to accept loans. Some lenders are willing to make loans to larger charities; however, even larger organizations have experienced difficulty in accessing the financing they need.

## The model

For over 30 years in the United States and the UK, charities and nonprofits have used loans successfully as part of their financing strategy and have benefitted from the availability of this option. The Nonprofit Finance Fund alone (one of dozens of community development financial institutions in the US) has provided over \$200 million in loans to charities and nonprofits, using private sector and Foundation funds. Of the 161,000 nonprofits in Canada, we conservatively estimate that at least 37,000 organizations would be of a size and scope to be able to use loans as part of their financing strategies.

Since our inception, we have been very attuned to the needs of the nonprofit and charitable sector. With the support of Imagine Canada, we ran a series of workshops on financing issues to discover the financial needs and gaps in the sector. With this knowledge, we built our Fund and our Financial Coaching Services program. Today, we have provided over \$2 million in loans to qualified organizations, and there are over \$10 million in potential loans currently being reviewed. Through workshops, community partners, word of mouth and social media, increasing numbers of organizations are contacting us to seek assistance and investigate their loan options.

## Measuring return

As a pooled fund that makes loans, CFF will set interest rates for each loan and pay for the cost of its operating expenses from loan repayments.

The Fund has established, and will continue to refine, loan-returns, projections and budgets that allow it to establish reasonable goals for its rate of net return to investors. CFF uses a series of evaluations for both the financial and social impact reporting on the fund.

## Management and Board

Our Management and Board are senior, experienced financial and nonprofit management experts, with considerable loan and loan portfolio management experience. Detailed biographies can be found on our website:

[www.communityforwardfund.ca](http://www.communityforwardfund.ca)

For additional information and a copy of our offering memo and fund documents, please contact:

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Financing for charities and nonprofits

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