

NONPROFIT LOAN FUND OVERVIEW

The Community Foundation of Northern Colorado established the Nonprofit Loan Fund to provide loan financing for nonprofit organizations that are located in, and serving the residents of, Northern Colorado and the Eastern Plains of Colorado. Loan funding is intended primarily to assist the nonprofit with timing issues surrounding pledge receivables, payment of an approved government or foundation contract, or some other verifiable form of repayment.

The goals of the Nonprofit Loan Fund align with the Foundation's mission of building a more engaged, philanthropic, and visionary community.

1. Support nonprofit organizations by offering low interest loans
2. Expand nonprofit access to debt financing
3. Develop nonprofit financial expertise
4. Support new and existing projects in Northern Colorado and the Eastern Plains of Colorado

Eligibility

Loans are available to nonprofit organizations located in, and serving the residents of, Northern Colorado and the Eastern Plains of Colorado. Applicants should be able to meet these criteria before submitting the Letter of Intent and Loan Application:

- A 3-year operating history as a 501(c)3 public charity
- Annual operating budget of at least \$500,000
- Audited financial statements for the last two years
- No prior loan default

Interest Rates and Term

Loans have a maximum term of five years. Generally, no organization shall have more than one outstanding loan from the Nonprofit Loan Fund at any one time. Loans will have an annual minimum interest rate fixed at the time the loan is funded. The given rate, however, may be adjusted according to risk if the loan is renegotiated during its term. Interest is charged and due monthly, and there is no repayment penalty for early repayment of principal.

Amount

\$250,000 to \$2,000,000. No loan, however, may exceed 80% of the stream of the source of repayment of the loan.

Loan approval is subject to the availability of loan funds, a recommendation from the Foundation's Nonprofit Loan Fund Task Force ("the Task Force"), and approval by the Foundation's Executive Committee.

Source of Repayment

The Task Force will perform an analysis of the nonprofit's sources of repayment for the proposed loan. The analysis will start with identifying anticipated funding sources (government contracts, foundation grants, fundraising, etc.) that will be used to repay the loan. The Task Force will also evaluate collateral that may be used to repay the loan in the event of a default. Collateral may include a lien on real estate or assignment of an endowment fund. Based on the

analysis, and after any deficiencies or weaknesses are addressed, the loan approval may require additional support (personal guarantee, reserve account, etc.).

APPLICATION PROCESS

Step 1: Letter of Intent to Apply

Eligible organizations that wish to apply to the Nonprofit Loan Fund must submit a Letter of Intent. This two-page document should include:

- A brief history about your organization that is applicable to the proposed financing
- Financial position of the organization
- Request for loan funding (amount and purpose)
- Source of repayment

After submitting the Letter of Intent, a staff person will contact you to discuss your request in detail. You will be asked to provide documentation to measure the viability of the project and your organization's ability to carry debt. If it is determined that your organization and/or project would be a viable candidate for the Nonprofit Loan Fund, you will be invited to submit a full application. The Letter of Intent can be submitted electronically at any time to ella@NoCoFoundation.org.

Step 2: Full Application

Organizations that are invited to complete a full application will do so online.

The application will require the nonprofit organization to verify the following:

- A source of funds that will be used to repay the loan
- The source of repayment (Examples include a grant award letter from a federal, state, county, or city government or from a private grantor such as a corporation or foundation)
- Projected cash flow statements that show the loan can be repaid
- Audited financial statements for the last two years
- The ability to internally produce quarterly interim financial statements

In addition, organizations will complete the provided Income Breakdown Worksheet provided online. Finally, the organization's Board Chair (or Authorized Officer other than staff) must authorize the loan request by signing the Full Application.

Step 3: Review Process

When the Task Force reviews applications, it will consider the organization's (a) operating and financial history, (b) management practices, (c) cash flow projections, and (d) ability to use the loan to carry out its mission.

The Task Force will make every attempt to make a recommendation or request additional information within 45 days of receiving a full application.

The Task Force submits loan funding recommendations to the Executive Committee.

Step 4: Preliminary Approval or Denial

Upon preliminary approval by the Executive Committee, applicants will be notified and the loan will enter the funding process.

Step 5: Funding Request

Foundation staff will request funding for the loan from Donor Advised funds. Upon discretion of the Executive Committee, and with acceptance of the nonprofit, a loan may be partially funded due to the availability of funds.

Step 6: Final Approval and Loan Notification

Once a loan is approved, and funding has been allocated to a loan fund at the Community Foundation, the organization's Board Chairman and Executive Director / CEO will sign a Note and Security Agreement on behalf of the organization obligating it to repay the loan with interest. Funds are disbursed upon receipt of an executed Note and Security Agreement. Loans are administered by the Foundation's Accounting Department with the support of the Director of Community Initiatives.