Community Foundation
of NORTHERN COLORADO

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NONPROFIT LOAN PROGRAM TERMS
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Investment Criteria
The Nonprofit Loan Program Committee ("the Committee") will consider investment opportunities that have a high likelihood of returning invested capital, a return based on interest rate, and a financial return determined by the Loan Committee, which will depend upon degree of financial risk.

Parameters
- **Impact:** The Program will consist solely of investments that further the Foundation's mission, which is *to inspire and unify the communities we serve*. The Foundation will generally make strategic investments where its capital is key and/or catalytic to success.
- **Duration:** Loans will generally call for payment in full within five years. However, the Committee may extend duration on a case-by-case basis.
- **Allocation:** The Program does not seek to diversify across all asset classes; the allocation is driven by the underlying investment opportunities.
- **Amount:** Preferred loan amounts are between $50,000 and $350,000, and ideally no borrower makes up more than 10% of the program's total pool, unless approved by the Executive Committee.
- **Sources and Uses:** It is typically required that a project has identifiable and approved/pledged source of funds to complete the project prior to the issuance of a loan.

Eligibility
Loans are available to nonprofit organizations located in, and aiding the residents of, Northern Colorado and the Eastern Plains of Colorado. Generally, 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 three years
- No prior loan defaults
- Have, or can obtain, a Certificate of Good Standing

Generally:
- The applicant must be a public charity and have an identifiable source of stable income or asset base for repaying the Foundation's investment.
- The Foundation prefers to invest in entities with a prior history of repaying invested capital and/or entities led by a management team with such experience. Any investment commitment that remains unused or inactive after 6 months from the date of its issuance shall immediately revert to the Community Foundation.

- No organization shall have more than one outstanding loan from the program at any one time.

Collateral
Collateral is required for all loans issued. Collateral does not have to be owned by the borrower but should be assignable/grantable to the Community Foundation by its owner(s). Eligible collateral includes:

- **Real Estate:** The Community Foundation may consider a subordinate position to a traditional bank lender if equity is considered strong and the collateral easily marketable.
- **Assignment of Pledges:** These pledges will typically be discounted to a margined value of no more than 80% of their totals.
- **Assignment of Deposit Accounts and/or Donor Advised Funds:** The Community Foundation would lend up to 100% of the value of these sources.
- **General Equipment:** The Community Foundation will lend up to a maximum of 60% of these assets. General equipment is not a preferred source of collateral and will be considered on a case-by-case basis.

Under-secured or unsecured loans will be considered on a case-by-case basis, based on factors such as:

- Personal guarantees
- Overall financial strength of the nonprofit
- Mitigation factors acceptable to the Executive Committee

Term
Generally, the loans will have a maximum term of five years. The term of the loan will be evaluated based on the loan's source of repayment and use of funds.

Terms longer than five years may be permissible based on many factors, including, but not limited to:

- Strong real estate collateral
- Superior historical performance
- Significant pledges from Donor Advised funds and/or personal guarantees

Underwriting of Sources of Repayment
The Committee will perform an analysis of the nonprofit's sources of repayment for the proposed loan.

- **Primary:** The analysis will start with identifying anticipated funding sources (government contracts, foundation grants, pledges, or another verifiable form of repayment) that will be used to repay the loan.
- **Secondary:** Analysis will focus on historical annual donations, strength of the Board of Directors, and strength of its financial documents.
- **Tertiary:** The Committee will 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 weaknesses are addressed, the loan approval may require additional conditions (personal guarantee, reserve account, etc.).

Preferred Loans

- Capital projects, equipment funding, or other programming needs that have easily identifiable sources and uses of funds are preferred loans.
- Requests for additional staffing and operational expansion will be considered when specific pledges for these expansions are identified and committed to repay the loan.
- Draw down loan for construction projects will be considered. Additional fee/increased interest rate may be required due to increased administrative needs, etc.
- Lines of credit for operation expenses are typically not permitted. It is not the intention of the Program to fund day-to-day operations.

Interest Rates

Loans will typically have an annual minimum interest rate fixed at the time the loan is funded, as determined by the Committee based on the term of the loan, collateral, sources of repayment, and social impact. The rate may be adjusted according to risk if the loan is renegotiated during its term.

Typically, interest is charged and due monthly, and there is no penalty for early repayment of principal.

Fees

Nonprofits will be expected to reimburse the Foundation for legal fees and transaction costs related to the loan.