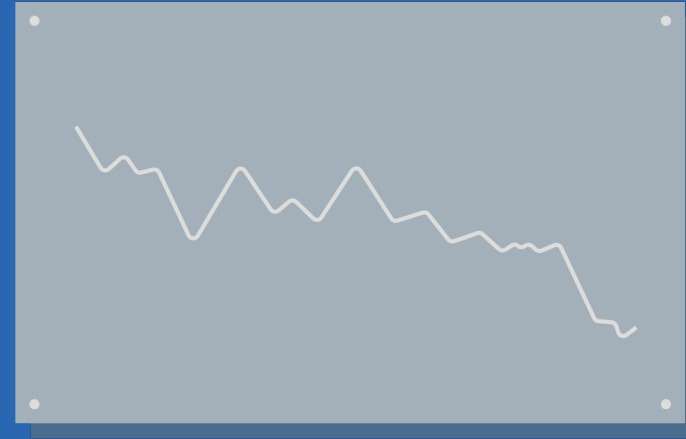


What Lenders Look For



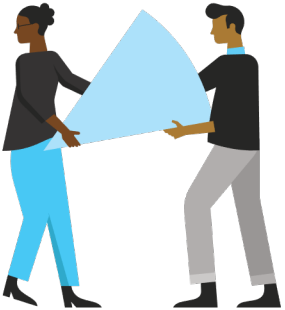
Lenders Look for Financial Indicators

Financial Indicators	Why this is important – what does it say about your nonprofit?
Consistent yearly surpluses	You have the money to pay back to loan + interest on a yearly basis
Reliable & diverse revenue sources	If you lose one funder or one source of funding decreases, you'll still be able to pay back the loan using other sources.
Repayment	You have revenue committed and confirmed to repay the loan
Cash flow for debt AND operations	You have enough cash coming in to cover monthly/quarterly operating costs AND the regular debt payments (interest + principal)
Available net assets	You have more assets than liabilities, or more financial resources than obligations, with little to no existing debt. If you have little, no, or negative net assets, you already have a lot of financial obligations and it's unlikely taking on more debt will be good for the organization.
Cash on hand	You have money in the bank. If you have negative cash balances, most lenders will not even consider your request.



Lenders Look for Management & Governance Indicators

Management & Governance	Why this is important – what does it say about your nonprofit?
Strong, stable leaders	Your leadership has the financial expertise and experience to ensure loan payments and continued operations. Tenured leaders will know the organization needs this loan and not something else.
Engaged board	The board is ultimately responsible for repaying the loan and will need to sign off on the loan before it can close. Organizations have run into trouble when not everyone in board & leadership knows and understands about the loan.
Stable & Robust Infrastructure	You have systems, policies, and procedures in place to help manage the loan AND ensure other grants and financial reporting required by funders don't fall through the cracks. This reduces your risk of mismanagement and financial entanglements. The ED or Board Treasurer alone can't do all the financial due diligence that a healthy nonprofit needs!

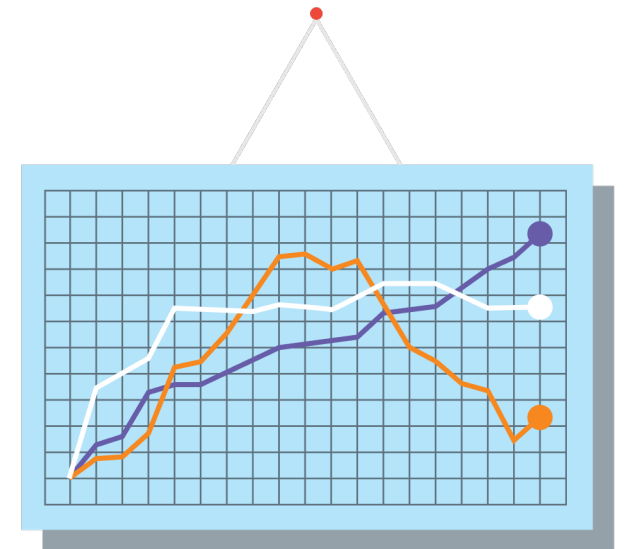


Lenders Need Solid Financial Reporting

Lenders need evidence that your finance team can accurately assess your financial situation & needs and predict your ability to repay the loan. If you can see trends and deviations from trends, you can see problems before they arise, and take preventative action. **You must be able to make real-time, data-informed decisions.**

Evidence you can do this, which lenders will want to see, includes:

- Timely, accurate financial reports
- Consistent accounting practices
- Strategic & financial plans that include analyses of program and financial strategies, multi-year projections, and adjustments as needed



General Documents and Information Lenders Will Require

Financial Information

- Audited financial statements
- Budget
- Year-to-date financial statements (with budget-to-actuals)
- Existing debt and borrowing history
- Fundraising plan and/or capital campaign pledges, if applicable
- Financial projections covering the expected loan term, if repayment is reliant upon operating surpluses

Organizational Information

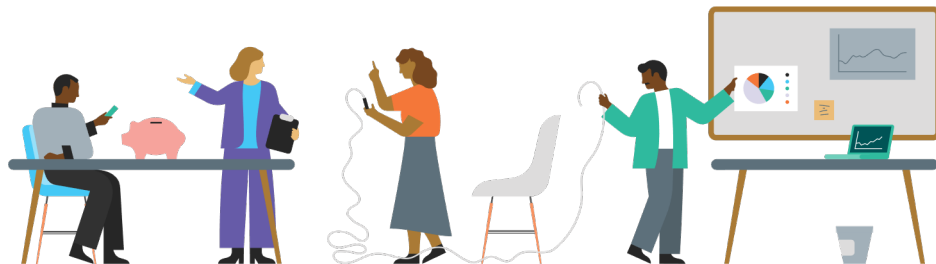
- Description of mission, programs, and community served
- Strategic and/or business plan
- Bios of board members and key staff
- List of major funders
- Legal documents: by-laws, 501(c)3 status, etc.



Loan-Specific Information Lenders Will Require

Operating Support/ Working Capital Loans

- Copies of major executed contracts
- Monthly cash flow analysis
- Accounts receivable schedule or “aging report”



Facilities & Financial Asset Loans

- Project description, scope of work, timeline, and budget
- Operating proforma (multi-year projections)
- Copies of lease, contract of sale, construction and architect’s agreements



More Questions? Check out the other videos in this series:

Taking on Debt: The Basics

1. What Is Debt?
2. When Is Debt Right For My Nonprofit?
- 3. What Lenders Look For**
4. Types of Lenders
5. The Lending Process

You just
watched this

Important Steps in the Lending Process

6. Initial Intake Call
7. Understanding the Term Sheet
8. Underwriting
9. Closing & post-closing