



Loan Readiness: Self-Assessment

CAIF's mission is to invest in organizations that provide clear social benefit. We do however need to invest in organizations that are likely to succeed. CAIF's loan readiness assessment criteria are based on the history and experience that its predecessor CAIC developed over 35 years of impact investing.

This organizational self-assessment is based on 3 of the 5 C's of Credit (Capacity, Character & Conditions) which are explained in some detail below. It is designed to assist potential borrowers assess their current state of credit readiness and identify gaps that need to be addressed before considering an application.

Capacity

Committed Management

- Strongly engaged key players
- Commitment to making the operation a success

Entrepreneurial Skills

- Demonstrated capacity to anticipate and adapt to changing operating environments & develop strategies to make the organization successful.

Financial Skills¹

- Access to accounting, data management and other financial management skills that will promote effective operation. This is demonstrated through:
- **Financial Planning-** short and long-term financial planning structures, reporting and control procedures.
- **Organizational Resources-** financial management capacity to oversee operations.

Financial Operating Systems- that ensure effective control over the organization's financial activities such as:

- A budget and budgeting system
- A set of accounts which are kept on a timely basis
- A reporting system which includes a regular review of results and comparisons to budget
- An annual review of results preferably by an independent auditor

¹ **the applicant must provide the following:**

Most recent internal operating statement & balance sheet (within two months), budget & cash flow projections for the current and upcoming year, and financial statements (audited or reviewed) for the last two years.

- **Financial Soundness** - strong operating track record and secure economic prospects.

Credit History

- Applicant's current debt load
- History with debt
 - Other lenders approached

Manageable Loans

- Current and projected operations generate sufficient cash flow to cover loan payments.

Character

Strong Community Support

- Strong volunteer & broad community support (i.e. financially and politically).
- Board of director's skill set to effectively oversee operations.

Recommended & Supported

- Endorsement from CAIF members or collaborators.

A Good Track Record

- Routinely updated organizational Mission, Vision & Values/ Operating Principles.
- Experience in this sector and demonstrated ability to deal with difficulties and solve problems creatively.

Conditions

Multiple Sources of Income

- Multiple stable sources of income, (i.e. not reliant on one or two primary funders).

Social Enterprise Income

- Established Fee for Service Contracts

Opportunities for Additional Revenues

- Leveraging current operations to seek new revenues



Social Finance Self-Assessment Tool

The following social finance self-assessment tool is a slight adaptation to that originally created by [Innoweave](#). Designed with the purpose to aid charitable organizations determine their readiness for a CAIF Line of Credit. Organizations are encouraged to respond to each question to the best of their ability by selecting the answer that best reflects your current operational context.

Legend

✔ = Good Fit ⌚ = Not Ready, Yet ✘ = Bad Fit

1. Determined Need: What is your primary reason for a Line of Credit?

- 🌐 To replace grant funding and/or a reduction in earned revenue that is coming to an end soon? ✘
- 🌐 To cover cashflow shortfalls during the operating cycle ✔
- 🌐 To provide upfront cash flow for contractual obligations (i.e. project must be completed before payment is received) ✔
- 🌐 To allow us to pursue a revenue generating project/ activity that we couldn't otherwise complete that have high probability of success and ✔

2. Plan: How would you use a Line of Credit from CAIF?

- 🌐 The Line of Credit would be used to cover operational costs due to timing gaps in general revenue stream ✔
- 🌐 We would likely use the Line of Credit to fund a project, but we're not sure which one or if it will generate additional revenue ✘

3. Repayment: How might you repay CAIF?

- 🌐 We currently have no revenue source that could be used to pay back CAIF ❌
- 🌐 We would need to fundraise or use other revenue sources (most likely grants) that are yet to be identified ❌
- 🌐 We have a clear source of revenue and operating surpluses that could be used for repayment ✅

4. Board Support: Are your Directors supportive of seeking social finance investment?

- 🌐 Our Board is not yet comfortable with pursuing a social finance investment ❌
- 🌐 Our Board is neutral on this topic 🕒
- 🌐 Our Board is not aware that this is something we are considering 🕒
- 🌐 Our Board is strongly supportive of seeking social finance tools ✅

5. Staff & Board Capacity: Do you have the financial skills among your staff and directors to manage a social finance investment?

- 🌐 We have a sound track record of managing financial operations, financial reporting and internal control activities ✅
- 🌐 We have limited financial skills internally, as our experience is limited to grant and donation funding 🕒
- 🌐 We have some expertise in loan management among our staff and Board ✅
- 🌐 We have a high level of financial skill internally, and have been accessing loan funding for some time ✅