



# Update

Canadian Alternative Investment Cooperative

Volume 12, Issue 2

## This and that.....

**Greetings!** And welcome to the second issue of Update for 2007. Fall marks the return of CAIC's board after a well deserved summer break. Beth has been hard at work preparing for CAIC's year-end (Sept. 30) with our auditor. And I have been busy making plans for this year's AGM and coordinating a new outreach campaign (see pg. 2 & 3).

We have kicked off the fall session by reviewing two new loan application requests. Look for details in our next issue!

### Project Updates— Western, Central, Eastern Regions:

**L'Arche North Bay** (North Bay, ON) ~ CAIC provided a loan to this organization to enable them to purchase a "home" for their day programs & administration. Funds were advanced in June 2007.

**LifeSpin** (London, ON) ~

provides programs, support & housing for ex-psychiatric women and low income individuals & families. CAIC provided an additional advance on September 1, 2007.

**Centre for Social Innovation** (Toronto, ON) ~ This innovative, leading edge organization approached CAIC for a loan to support the expansion of their "community office space" model. Funds were advanced in July 2007.

**Planet Bean** (Guelph, ON) ~ CAIC provided additional funds for a new roaster to increase capacity of this fair trade organic coffee cooperative. Funds were advanced July 07.

**AGM 2007: Making Dreams Happen** — We are delighted to announce that this year's AGM is taking place at the Centre for Social Innovation, Toronto, ON. Come meet

one of CAIC's dreamers—our host Tonya Surman, Executive Director (CSI). See firsthand what can happen when you dream big! Tonya envisioned a "bustling community of nonprofits, charities, social enterprises, artists, green businesses, and individual innovators who by working together could lower costs, create synergies, and spark new ideas for advancing our shared interests." Come see how CAIC is "Making Dreams Happen" in partnership with our borrowers. Be sure to join us for AGM 2007.

*(See back panel for more details!)*

### Inside this issue:

\$2 Million Available for innovators and dreamers 2 & 3

AGM 2007 4

**Look for the launch of our \$2 million available email campaign this fall!**  
*(See below.)*

Trouble viewing this newsletter? View it on our [website](#).

**\$2 million available for innovators and dreamers**  
who want to change the social landscape

**Looking for a lending partner?**  
CAIC has over 20 years of experience investing in projects that have a positive social value or promote alternative economic structures.  
**Our borrowers** have used our resources to operate womens & mens shelters, food banks, re-use it stores, fair trade & organic cooperatives, community loan funds, skills development centres and non-profit daycare centres.  
**Find out** how you can take advantage of financing opportunities and benefit by using debt as a tool for growth, long-term stability and as a means of meeting organizational objectives.  
**Get your questions** answered by someone who cares about your vision.

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# \$2 million available for innovators and

The following article written by Valerie Lemieux & Beth Coates appeared in the Summer 2007 (published late August) issue of **Making Waves**, Canada's community economic development magazine. It served as the "kick-off" to the **\$2 million available Outreach Campaign** developed by the board & staff of CAIC. Our goal is to have an additional \$2 million of your investments out working in Canadian communities by the end of 2008! We are already garnering interest through the article. Now we are following up with an email & website campaign that is launching mid-September with periodic updates. Great things are happening at CAIC. Both staff & board have a renewed & energetic commitment to serving potential borrowers & you—our members! Find out how we're doing by attending our AGM 2007!

One would think that a line like that would have the social enterprise and non profit sectors beating down the doors to find out more. Sadly a lot of these organizations do not take advantage of financing opportunities and don't fully comprehend the benefit in doing so.

CAIC (Canadian Alternative Investment Cooperative), a faith-based lender, has been quietly providing financing to non-profits, charities, social entrepreneurs and cooperatives for the past 23 years. In fact CAIC was an early "pioneer" in the burgeoning social lending sphere. Our borrowers have used these resources to operate women's & men's shelters, food banks, re-use it stores, fair trade & organic cooperatives, community loan funds, skills development centres, and non-profit daycare centres to name a few.

CAIC was created in the early 1980's to

provide access to capital for groups working in the charitable, non-profit and social justice sectors. Our members are registered Canadian charities within the faith community. With assets greater than \$7 million and a current investment portfolio of \$4 million, CAIC provides mortgages, construction financing, working capital loans and equity investments via three different financing streams: *Mortgages for Community-based projects* (mortgages up to 75% to non-profits & community-based organizations); *Social & Affordable Housing Initiatives* (loans for socially beneficial housing) and; *Social Enterprise Financing* (loans & equity investments to corporations & cooperatives).

CAIC has set a goal of advancing an additional \$ 2 million to social enterprises and non-profits by the end of 2008. To meet this goal we need to overcome some of the stumbling blocks that prevent this sector from seeking debt as a means of meeting its objectives.

Most social entrepreneurs and non profits understand that in order to grow their business or meet their organizational needs they are going to have to take on debt at some point. They want access to funds but are generally more comfortable in a granting/angel investor environment.

What they have more difficulty understanding is that the lender is putting his/her money at risk. A potential borrower has to demonstrate that the loan will not be unduly risky and understand that the interest rate must reflect the perceived level of risk. Any lending proposal or business plan has to have a "rate of return" which is greater than the cost of capital. In other words if you are borrowing at 8% then you will have to earn at least 8% on your assets to support the debt and make a profit.

In order to assess your request for

financing a lender needs to understand your organization's financial and operating capacities as well as understanding your plan. Lenders have to be shown that the group has the range of skills, experience and financial resources required to successfully complete a project.

CAIC has developed some materials for potential borrowers to self-assess their readiness to borrow and what they have to do to make themselves debt ready. CAIC's checklist of attributes includes:

- *A good track record* – Does your group have experience in this area and have you demonstrated the ability to deal with difficulties and solve problems creatively?
- *Strong community support* – Do you have strong volunteer & community support (i.e. financially & politically)?
- *Strongly committed key players* – Do the participants have a financial stake in the project? Is there a commitment to making your project a success?
- *Managerial expertise* – Does staff/board have sufficient skill to undertake and manage the proposed project or do you have access to these skills in the community?

Not only do you have to demonstrate capacity you need to present a strong business plan that outlines a compelling case for investment including:

- *A strong business plan* - Do you have the right economic environment to make your project a success?
- *Manageable debt load* – Will your project generate sufficient cash flow to meet payments? What is your

# *dreamers* who want to change the social landscape

overall debt structure?

- *Multiple sources of income* – Do you have several (potential) sources of income, or are you reliant on one source? (i.e. government funding)
- *Collateral* – Can you provide secure collateral (i.e. fixed assets, land, buildings)?
- *Capitalization* – Will you have sufficient funds for start-up and enough resources to overcome for unforeseen difficulties?
- *Financial Soundness* – Are your current operations financially sound? Do you have a functioning financial management system which includes: a budgeting process; a set of accounts kept on a timely basis; reporting systems (review & comparisons to budget); annual financial statements/ review by an independent auditor or accountant?

Although CAIC has all of the requirements of conventional lenders to safeguard our assets our cooperative structure allows us to tailor our lending to meet the needs of this sector. We are not faced with the kind of restrictions that can hinder conventional lending institutions. CAIC can be flexible and routinely provides open loans, step-up loans and principle repayment grace periods.

In considering applicants CAIC's experience allows us to see value beyond the numbers which is often not readily apparent to a conventional lender. CAIC understands that non-traditional sources of revenue and community support are assets that are often hard to measure but can be vital to a non profit or social entrepreneur.

An example of a non profit sector borrower is the *Redwood Shelter*, located in Toronto, Ontario. When *Anne Marie Gardner*, Executive Director of the Redwood Shelter approached CAIC the shelter was leasing a building which had been a half-way house. The building required a lot of work. Pouring money into a building that they didn't own made no sense. It made perfect sense in the long-term to purchase their building when the opportunity arose. Redwood first approached a conventional lender who given the regulatory issues around lending was not able to provide financing to an organization that relied heavily on a donation stream

*“Strategic use of debt can bring long-term stability and growth to innovators and dreamers.....”*

for revenue, as Redwood at the time did not receive provincial funding. They were dependent entirely upon bed per diems provided by the city of Toronto. Anne Marie was stunned by the banks response. This was the institution the shelter had used for years..... The group was directed to CAIC. CAIC was able to see the value in the per diem contract with the City and the community support that Redwood received not only in donations but in volunteer time and which had resulted in the organization being able to fundraise for a down payment. As is the case for many of CAIC's borrowers, it was then easy to rally support around fundraising for the purchase of a permanent home and to eventually pay down the mortgage.

There were other advantages for Redwood. Borrowing costs are often less than rent and charitable organizations are

often able to apply for a property tax exemption. Redwood now has an asset that has stabilized the organization and once the mortgage is paid out additional operating dollars for programming.

Taking on debt to support growth can allow a social enterprise to develop, expand and maintain a thriving business. An example of this would be *Planet Bean Inc.*, a worker cooperative located in Guelph, Ontario.

Planet Bean's business had been experiencing very healthy growth since its birth in January 2002. Even with this the members of this worker coop knew that additional growth would be required if the co-op was to reach a self sustaining level. The co-op, which sells Fair Trade organically grown coffee to the whole sale and retail market in Southern Ontario, felt that strategically its best move was to increase roasting capacity, upgrade their current retail location and open another retail location in Guelph. For this they obviously needed more financial resources. Planet Bean was able to finance this expansion through debt and equity. For the debt portion they came to CAIC. CAIC's risk model allowed it to extend a loan based on the strength and commitment of management, the collateral available and the strong broad based community support demonstrated through equity investments solicited from the public.

Getting credit ready can be a challenge however strategic use of debt can bring long term stability and growth to innovators and dreamers who want to change the social landscape. CAIC's door is open, wants to hear from this sector but perhaps most importantly understands its needs and can partner to develop ways to make debt work.



*The Board of Directors of the Canadian Alternative Investment Cooperative extend an invitation to our members to attend ~*

# AGM 2007

## *Making Dreams Happen*

**TUESDAY, DECEMBER 4TH  
9:00 A.M. TILL 1 P.M.  
(LUNCH WILL BE SERVED)**

Hosted by  
**Centre for Social Innovation**

215 Spadina Avenue, Fourth Floor  
TORONTO, ONTARIO

**Don't miss out!** Please mark your calendars & plan on joining us.

*N.B. The AGM package with the Delegate Registration form will be sent out late October/ early November. Please look for it!*

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