Are You Ready for Some Funding?

Oweesta
October 17, 2013

Goals

★ Process of getting private investors
★ Assess where your org stands now
★ Set some goals and make an action plan
★ Tips and tools to help you get there
THE PROCESS

Prepare for successful investor conversations

10 Steps to Getting Private Funding

Step 1: Gather information
- Financial statements
- Audits
- Portfolio performance
- Impact data
- Stories
- Other

Step 2: Know your condition
Strengths/Succesess:
- Benchmarks
- Accounting?
- Financial analysis?
- Strategic planning?
- Business planning?
- Photos?
- Proposal writing?
- Qualified board members?
- Other?

Weaknesses/Challenges:
- Financial analysis?
- Strategic planning?
- Business planning?
- Photos?
- Proposal writing?
- Qualified board members?
- Other?

Step 3: Increase your value
Areas needing outside expertise:

Step 4: Decide if you need outside help
Areas needing outside help:
- Do you have?
- Financial projections
- Capitalization plan

Step 5: Set asking price (How much do you need?)
High Value Targets:

Step 6: Shop for buyers (who are your funders?)
- Case statement
- Audited financials
- Brochures
- Success stories
- Resumes

Step 7: Promotion (Inventor Packet)

Step 8: Negotiate the best price (How much can you get?)

Step 9: Close the deal!

Step 10: Bring them back! Maintain the relationship

Plan for ongoing communication:
1)
2)
3)
How to sell your CDFI: Step One

GATHER INFORMATION

Information is Power!

- What information do you need to assess your organization?
- What information do buyers need to understand your organization?
  - Financial statements / audits
  - Portfolio data
  - Development service data
  - Market data
  - Impact data
  - Stories/pictures
  - Other???
What if you have information that is not flattering?

How to sell your CDFI: Step Two

KNOW YOUR CONDITION
Are you……

or

or

Assess Your Organization

★ Are you meeting your mission?

★ Are you having impact in your target market?

★ What are your strengths and weaknesses?
  √ Programmatically
  √ Operationally?
  √ Financially?
What Are You up Against?

- Investor expectations
- Financial & performance benchmarks
- Industry standards
- Competition

National NCDFI Market Study

- Large scale investments means in-depth underwriting
  - smaller loans not as cost effective
- Investment parameters limit access to debt capital
- Investment terms may deter some Native CDFIs
- Satisfying underwriting requirements
Financial & Performance Benchmarks and Industry Standards

- Capitalization
- Financing Activities & Performance
- Efficiency & Operations
- Staff & Board
- Market

Competition

- Peer Groups
- Market Area
- Limited Resources
How to sell your CDFI: Step Three

INCREASE VALUE

Increasing Value in the Short-Term

★ Tighten up delinquencies
★ Get more stories and photos
★ Fix accounting issues
★ Increase expertise on your Board
★ Operational planning
★ Other?
Increasing Value in the Long-Term

★ Better understand your market
★ Strategic planning
★ Business Planning
★ Financial analysis
★ Other?

 Know Demand

★ Document, quantify and communicate demand for your org and specific products and services
★ Demand data helps shape responsive products and services
★ Demand data informs business plan, financial projections and community impact goals
★ Show investors you have sufficient demand to deploy the requested financing
How to sell your CDFI: Step Four

GOT TEAM? NEED HELP?

Reasons to Consider Outside Help

- Expertise
- Lack of time internally
- Get a fresh perspective
- Gain credibility
How to sell your CDFI: Step Five

SET YOUR PRICE

a.k.a. Don’t Let the Tail Wag the Dog!!

★ First Step: Develop financial projections
   – Shows you how much you plan to spend in the future
   – Can be provided to funder to build credibility

★ Second Step: Create a capitalization plan
   – How much do you have to cover needs?
   – How much do you need?
   – What areas are short?
How to sell your CDFI: Step Six

SHOP FOR BUYERS

Capitalization
Total Capital by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>All CDFIs</th>
<th>Loan Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed Capital</td>
<td>45%</td>
<td>48%</td>
</tr>
<tr>
<td>Equity</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>EQ2</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

All CDFIs
Loan Funds
Source of Borrowed Funds

- Individuals: 4% (Loan Funds), 4% (All CDFIs)
- Religious Institutions: 5% (Loan Funds), 5% (All CDFIs)
- Foundations: 14% (Loan Funds), 13% (All CDFIs)
- Corporations: 6% (Loan Funds), 5% (All CDFIs)
- Federal Govt: 20% (Loan Funds), 21% (All CDFIs)
- State/Local Govt: 8% (Loan Funds), 8% (All CDFIs)
- Banks/CU: 31% (Loan Funds), 31% (All CDFIs)
- Nondepository FI: 3% (Loan Funds), 4% (All CDFIs)
- Ntl CDFI Intermediary: 2% (Loan Funds), 2% (All CDFIs)
- Other: 7% (Loan Funds), 8% (All CDFIs)

Who do You Talk To?

- Identify likely targets
  - Match mission
  - Geographic footprint
  - Who is supporting similar orgs?
  - Online resources

- Who is out there

- Market research
How to sell your CDFI: Step Seven

PROMOTE!

Key Elements of an Investor’s Packet

- Case statement including
  - Brief org overview and history
  - How you do what you do
  - Community benefit
  - What are your goals for this year
  - Why you need investor’s support

- Most recent audited financial statements
- Organization/program brochures
- Success stories
- Resumes
How to sell your CDFI: Step Eight

**NEGOTIATE!**

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**Now That You’re Ready for The Ask**

- How much will you ask for?
- Who makes the pitch
- Customize the approach
- Anticipate questions
- What if they’re just not that into you?
How to sell your CDFI: Step Nine

CLOSE THE DEAL

Process and preparation gets you here.
Then this happens!

How to sell your CDFI: Step Ten

BRING THEM BACK
Maintaining the Relationship

“It’s always easier to keep a customer than to get a new one.”

FINAL TIPS

★ Don’t put all your eggs into one basket…diversify funding, hit more than one target
★ Make sure your pitch fits with investor’s mission/goals/priorities
★ Tell your story to everyone!!!!
★ Be persistent and patient
★ If investor says no, ask why
★ Ask for help
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What's the right amount to ask for based on your condition and investor's goals?

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High Value Targets:
