## Impact Investment Spotlight Series:

# How Nonprofits Become "Loan Ready" & Find the Right Mission-Centered Lending Partner

REDF Impact Investing Fund | **December 9, 2025**


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Please note, this session is being recorded and will be available on GSIC's website.

To maximize time with our guest experts, please introduce yourself via the chat window.

We'll have dedicated time for questions, but please drop your questions in the chat throughout.

# Thanks for joining! We have a full agenda planned. So, let's jump.

- **Setting the Stage:** Why Nonprofits Need More Capital Tools Now More Than Ever
- **Learning from a Mission Lender:** How Nonprofits Can Overcome Misconceptions & Reservations to Become "Capital Ready"
- **Hearing from a Peer:** What this Process Looks Like at a Nonprofit
- **Answering Your Questions:** How Our Ecosystem Better Support Nonprofits

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# New data from the Nonprofit Finance Fund (NFF) reveals the mounting financial pressures Georgia nonprofits face.

323 Georgia nonprofits participated in NFF's survey, representing organizations across the state from all budget sizes and subsectors. The data is clear.

Though financially challenged, Georgia nonprofits aren't failing. They're being failed by a system that **doesn't cover true costs, pays late, and limits how funds can be used.**

## 38%
**Operating Deficits**

Over one-third of Georgia nonprofits ended 2024 with expenses exceeding revenue, slightly higher than the 36% national rate

## 21%
**One Month or Less of Cash**

One in five organizations could survive just 30 days if all revenue stopped—leaving no cushion for emergencies

## 56%
**Three Months or Less of Cash**

More than half lack the standard 3-6 month reserve recommended by financial experts

## 35%
**Can Pay Living Wage to All Staff**

Only one-third can pay all full-time staff a living wage, compared to 43% nationally—contributing to burnout and turnover

## 15%
**Have 6+ Months Cash Reserves**

Only 15% of Georgia nonprofits vs. 21% nationally have adequate reserves to weather storms and invest strategically

## 80%
**Struggle with Full-Cost Funding**

Four in five report raising funds that cover full costs was a challenge, with 48% calling it a major challenge

| | North Georgia | Middle Georgia | Metro Atlanta | South Georgia |
|---|---|---|---|---|
| Operating Deficit Rate | 33% | 40% | 39% | 28% |
| ≤1 Month Cash | 24% | 30% | 20% | 14% |
| Pay Living Wage | 24% | 33% | 36% | 38% |

Source: Nonprofit Finance Fund, "2025 State of the Nonprofit Sector Survey"

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# Every nonprofit falls somewhere on the continuum from crisis to sustainability.

- The nonprofit sector finds itself in the eye of a perfect storm, as delayed reimbursements, uncertainty around key federal funding programs, rising expenses, reserve draws, and escalating service demand converge to strain operations.
- Structural challenges with government reimbursements and funding are not new. Nor are they limited to federal dollars. Challenges around cash-flow timing have long been built into the reimbursable model of government funding, which nonprofits often refer to as the **"float" between service delivery and payment** receipt.
- Financially resilient nonprofits – large or small – share common features: diversified income (beyond just grants), prudent budgeting and reserves, engaged leadership, and strategic use of financial instruments. However, according to NFF data, **only 18% of Georgia nonprofits have ever used debt financing** – far below the potential.

## Today, the good folks at REDF Impact Investing Fund will share what they know about nonprofit "capital readiness."

**Emilie Linick**
Sr. Director
Impact Lending

**Karina Vadillo**
Sr. Manager
Loan Originations

# What questions do you have about "capital ready" or loans in general?



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# Debunking Myths about Debt

- Equity is always better than debt…Debt is bad…If you absolutely have to get a loan, pay it down as fast as possible.
- All lenders are basically the same…but nonprofit debt should come from a big reputable bank.
- Only large nonprofits can access debt or financing.

# The "Debt is Bad" Myth: Advantages of Debt

- Builds your organization's creditworthiness
- Attracts "follow on" funding; opens doors to new financing opportunities
- Finances capital expenditures and other project specific costs that may not be able to be funded by grants
- Pays down higher-cost existing debt or consolidates existing debt
- Fuels growth
- Can bridge receivables to alleviate cash flow timing issues

# The "All Lenders are the Same" Myth: What to Look for in a Lender

- Transparency in pricing, fees, underwriting requirements, reporting requirements, loan covenants
- Uses plain language
- Relationships, customer service, accessibility
- Understands nonprofits and social enterprise (particularly your type of business)
- Provides other benefits and capacity building/technical assistance

# The "Debt is Only for Large Nonprofits" Myth: Getting Ready for a Loan…Regardless of Your Size

- Define Your Need – specific purpose of the requested funds
- Sources & Uses – a table showing the source of all capital, likelihood of funding, and intended use of funds
- Understand your financial picture – key metrics/ratios lenders look for
- Internal capacity to manage the underwriting process and ongoing reporting requirements and covenants
- Review any existing loan documents you may have for current loans
- Borrow from a place of strength, not weakness

# Lender fit is one of the biggest factors contributing to the success (or failure) of a loan application process.

# Take RIIF, For Example. Here's What Potential Borrowers See When Assessing Us for Fit.

- Flexible capital & terms to grow, seize new opportunities, and better serve employees
- Variety of loan products to suit diverse capital needs
- High touch lender focused on relationship building and collaborative solutions
- Capacity building begins on day one of RIIF relationship
- RIIF leverages relationships with other lenders to help build your capital stack
- Specialized capacity building assistance informed by 20+ years of philanthropy experience

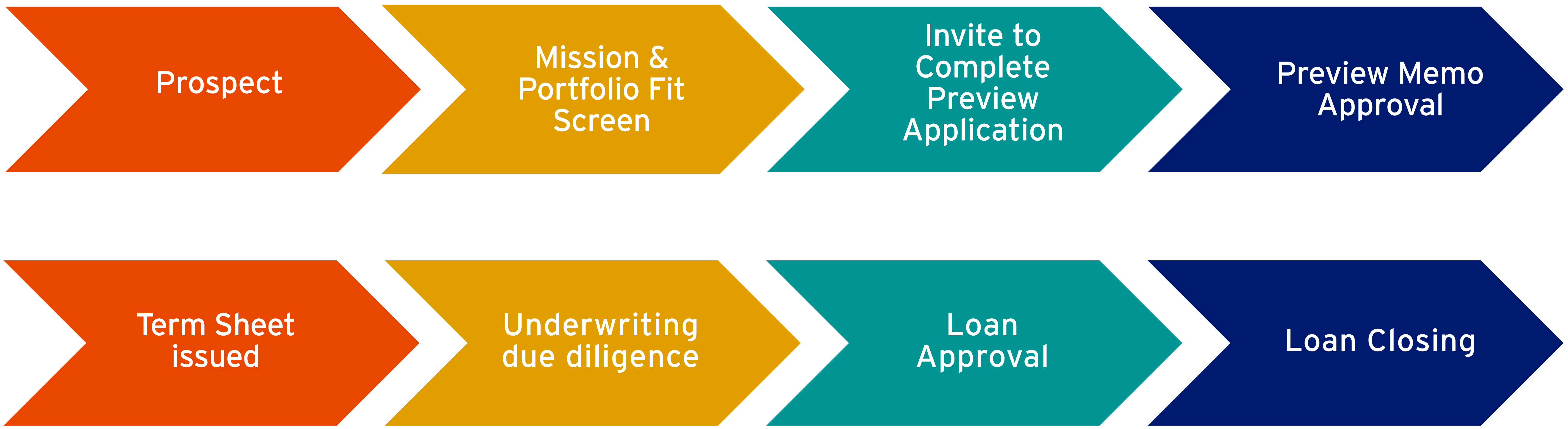
# Capital, Capacity, Community

It's not just about the loan. It's about the critical muscle that organizations develop as they build their operations and ability to pay back the loan (and build up their investment potential) over time.

| Capital | Capacity | Community |
|---|---|---|
| Flexible capital & terms; variety of loan products including term loans, lines of credit, and bridge loans. | During underwriting, borrowers undergo an intensive capacity building exercise with their relationship manager, a stretch exercise that is intended to help build borrowers' capital readiness.<br><br>After the loan closes, borrowers receive technical assistance to progress against profitability goals and meet loan covenants or address unexpected growth opportunities or challenges. | Finance enterprises that hire people striving to overcome significant and structural employment barriers.<br><br>Lift up financial performance and social impact – as measured by employment outcomes including job creation and job quality; and to build future investment potential of ESE borrowers.<br><br>Expand share of borrowers that are led by people of color and/or people who have experience employment barriers. |

# Each Stage of a Pipeline is an Opportunity for Both Lender & Prospect to Check Alignment

## RIIF Pipeline Illustration




# Assessing Fit [Mission & Portfolio Alignment]

## Impact Lending Overview

- **Industries:** RIIF invests across industries, ex. staffing, maintenance, recycling, consumer goods and retail, food services, manufacturing, etc.
- **Geography:** National scope
- **Loan purposes:** Working capital (equipment, leasehold improvements, new hires, etc.). bridge funding, lines of credit, revenue-based financing.
- **Impact requirements:** Employment outcomes measured including new jobs, job quality metrics, people employed, and retention.

**Other Eligibility Criteria**

Minimum 3 years of operations

Profitability in prior years (except for revenue-based)

Positive revenue growth

Strong management track record

Employs people from REDF's focus population

# Assessing Fit [Mission & Portfolio Alignment]
## RIIF Loan Products & Terms

RIIF offers three different loan products and a revenue-based product. The traditional loan products are:

- Working Capital Term Loan, 2 – 7 years, Potential for Interest-Only Period: Provides the capital to hire new staff, acquire equipment, perform leasehold improvements, purchase inventory, and move forward with other expansion needs.
- Line of Credit, 12 Months, Potential for Renewal: Tools for businesses that experience cash flow timing challenges while they balance awaiting payment on government of contract receivables with making timely payments on operating expenses, such as payroll.
- Bridge Loan, 6 – 12 Months: Allow businesses to pay upfront costs needed to grow and scale, while awaiting receipt of a committed source of funding, such as a government contract, grant, or funder page.

| | |
|---|---|
| *Loan Sizes* | $100,000 -$1 million |
| *Interest rate:* | SOFR + 200 bps, cap of 7.50%<br>Revenue-based loan has 1.5X repayment cap instead of interest rate |
| *Collateral* | Lien on business assets |
| *Fees* | • Origination fee: $2,500 to 1.0 - 1.25% of total loan amount (depending on size of loan)<br>• Legal fee: $2,500 max<br>• Guaranty fee: Only applicable on loans with a guaranty, ex. from a state program |

## How could you imagine one of these loan products helping your organization?

# Assessing Fit [Underwriting Criteria & Expectations]

## Borrower Financial Picture

Underwriting focuses on various key financial metrics and ratios including:

| Income Statement | Balance Sheet | Projected Cash Flow & Debt Service Coverage |
|---|---|---|
| • Net income: the bottom line<br>• EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization | • Leverage: Debt to equity. Lower ratio is better.<br>• Liquidity: current assets/current liabilities. Higher ratio is better. | • Cash Flow projections: estimate future revenues and expenses by incorporating historical performance as a baseline, and a set of reasonable assumptions of future cash flow<br>• Debt Service Coverage Ratio: shows how much cash is available after paying operating costs to service debt payments |

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## Enterprise

- Non-profit, temporary employment & staffing in the food and hospitality sector, and retail sales of pre-owned goods.

## Loan Terms

- $1M LOC for 2 years, at 4.75% (part of a CA-specific Fund with reduced interest rates based on job quality metrics)

## Loan Purpose

- Increased capacity on the LOC from $500k substantiated by the organization's growth and a new fee for services contract with San Diego County .

## Impact

- Employment of the target population is projected to be 75 by current FYE (6/30/25), with 90 people by 2027. The forecast at FYE27 is attributed to employment opportunities for apprentices in its newest micro-enterprise apprenticeship program.

## Borrower Perspective

- LOC was a lifeline for KFG, drew on the line to bridge timing gap with grants. 25% of KFG's funding comes from reimbursable grant contracts. KFG is often in a position where it needs to spend significant amounts of $ upfront and then must wait 3-9 months to receive these reimbursements due to delays with government agencies.

# Ask Me Anything with Natalia Moussa CFO, Kitchens for Good

# That's all for today.
# Thanks for being here!

Please reach out if we can help.

Participants will receive a follow-up email containing a link to the archived session recording and any additional resources.

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