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Native CDFI Capital Access Convening



Evaluating Organization Financial Sustainability in an Uncertain Federal Funding Climate

Sponsors:



**Kaiser Permanente
Fund at East Bay
Community Foundation**



**Tamalpais Trust
Fund of RSF
Social Finance**



Our Current Environment

- Federal funding cuts and potential elimination of the CDFI fund
- Firing and furloughs of federal employees
- Rising costs due to tariffs
- Inflation
- Federal funding cuts to tribal programs
- Stock market volatility



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What is your reliance on federal funds?

- What percentage of your budget is made up of federal funds?
- What percentage of your available grant funds is made up of federal funds?



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Focus on Resiliency

- Goal-100% self sufficient
- Increase earned revenue
 - Diversify funding sources
 - Develop earned revenue goals in strategic planning
- Reduce expenditures-identify money saving strategies
- Evaluate portfolio risk
- Know your cash runway
- Develop a sustainability plan
- Continuously monitor and adjust
- Build contingency plans
- Maintain transparency with stakeholders
- Know your break-even points for the various cost centers in your organization
- Be ready to take a proactive approach



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Earned Revenue

- Interest income from loan portfolio
- Loan fees (application fees, origination fees, closing fees)
- Fees for services (technical assistance, loan servicing for other NCDFI's)
- Rental income (from owned properties or business incubators)
- Consulting contracts (with tribal governments, tribal schools or colleges, other NCDFI's)
- Training programs or workshops (workforce development)
- Expand market reach



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Identify \$ Saving Strategies

- Utilize technology to increase efficiencies
- Partner with other NCDFI's for shared services
- Cross train staff and use hybrid roles
- Utilize non-profit discounts for software
- Downsize physical office and utilize shared spaces
- Reduce printed materials and utilize digital channels
- Automate processes and consider outsourcing small volume functions
- Bundle professional services
- Evaluate staffing
- Essential travel only



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Activity-Develop a Resiliency Pledge

What is a resiliency pledge? Brainstorm a list of simple and actionable items of resiliency. This pledge should include small achievable commitments a Native CDFI can utilize and put into practice to become a thriving resilient and sustainable organization.



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Evaluating Increased Portfolio Risk

- Assess inflation rates
- Evaluate interest rate trends and cost of capital
- Monitor stability within your target market
- Keep a constant pulse on liquidity
- Shifts in borrower demand
- Default rate
- Regulatory changes
- Exposure to high-risk loans
- Industries facing downturns
- Environmental risks
- Dependency on tribal economies
- Conduct stress testing with what-if scenarios



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Calculating a Cash Runway

(The number of months your organization can continue lending and operating given your current cash position)

- **Identify Your Current Cash Position**

Look at total cash available including reserves and liquid assets

- **Estimate Monthly Expenses**

Include all operating costs such as payroll, rent, utilities and loan disbursements

Consider variable costs and any upcoming planned investments

- **Calculate Your Cash Burn Rate**

Burn Rate=Monthly expenses minus monthly revenue

- **Divide cash available by monthly burn rate to get the cash runway in months**

- **Consider Scenarios**

Adjust for potential changes, such as increased expenses or reduced lending

Identify opportunities to extend runway through cost reductions or fundraising



Sustainability Planning

- Evaluate financial performance
- Evaluate cost of capital and portfolio interest rate pricing
- Calculate a break-even analysis
- Evaluate current market reach and demographics
- Evaluate impact metrics
- Review current funding sources and capitalization
- Develop operational strategies and innovations
- Identify challenges and opportunities



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Leading Practices for Capitalization

- Develop a Cap plan
- Layered capital stacks
- Loan capital pools
- Net Asset building
- Loan participation



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Best Practices for Operational Strategies

- Community centered governance
- Capacity building
- Financial sustainability
- Client-focused services
- Data-driven decision making



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Framework for Innovative Approaches

- Digital transformation
- Place-based investment models
- Partnership ecosystems
- Sovereign investment vehicles
- Cultural capital integration
- Climate and sustainability innovation



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Activity-Sustainability Scavenger Hunt

Do you have a sustainability plan?



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Identifying Non-Federal Funding Sources

- Program Income and Earned Revenue
- Philanthropic Foundations
- Bank and CRA Investments
- Tribal Governments
- Private Investors
- Social Impact Investors
- State and Local Governments
- Federal Agencies (beyond Treasury) USDA, HUD, SBA, EDA
- Corporate Partnerships



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Opportunities for the Future

- Cultural relevance and trust
- Tailored lending models
- Growing philanthropic support
- Entrepreneurship and economic development
- Sovereign investment strategies
- Technology and integration



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Thank you!!



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