



SKETCH WORKING ARTS SUCCESSFULLY RAISES \$4 MILLION THROUGH PROJECT HOME

In an ambitious capital campaign that paired traditional fundraising with Community Bonds, SKETCH Working Arts purchased its 9,000 sq.ft. arts studio in Toronto's downtown core.

SKETCH is an award-winning charitable organization that's been engaging young people on the margins through the transformative power of the arts for over 25 years!

After years of moving, trying to balance the need for more space to hold their expansive programming with Toronto's soaring real estate prices, SKETCH was ready to settle down. In 2013 they moved into their current home at Artscape Youngplace, in Toronto's Queen West neighbourhood.

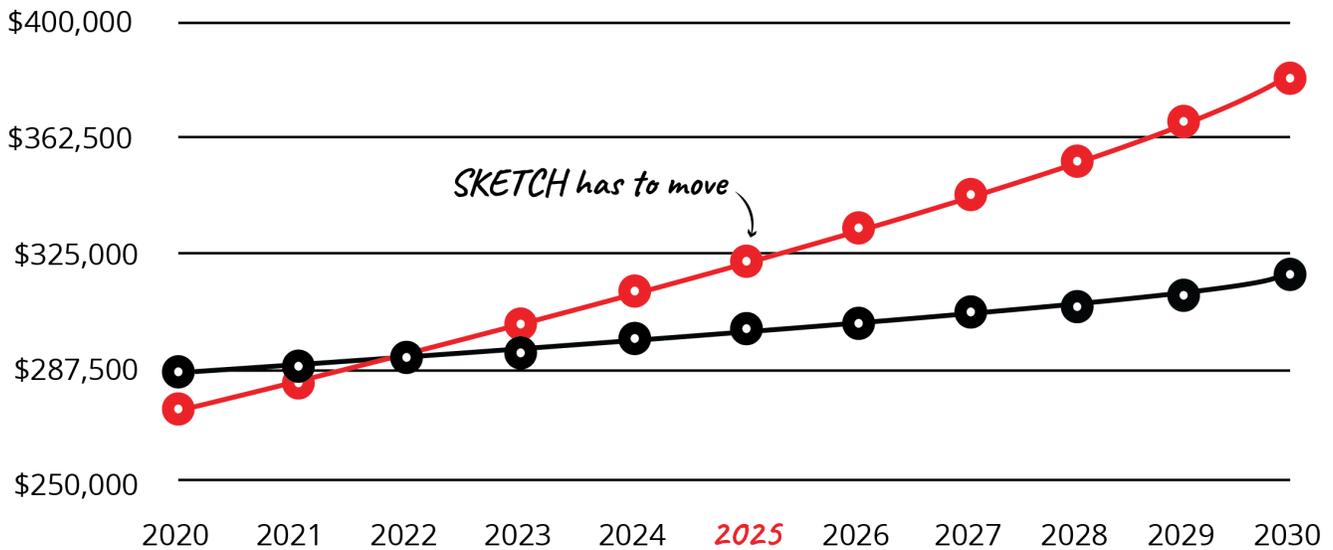
THE DECISION TO BUY

In 2014, following a year of renovations, SKETCH welcomed young people into its new

home. The multidisciplinary arts studio, which was accompanied by an admin hub on the building's second floor, was perfect for the organization's evolving programming needs. Participant numbers were climbing, and the need for a community hub like SKETCH was more clear than ever.

But a dark cloud loomed above the organization, as its impact rose alongside the financial stress of maintaining their downtown location. The numbers revealed that by 2025, once their subsidized-rent term was over, SKETCH would no longer be able to afford to stay in the Queen West neighborhood.

OWNING VS. RENTING: FROM 2020 - 2030



“We dropped from *625 to 426 participants* the last time we had to move because of rent increases,” recalls Executive Director, Rudy Ruttimann. “We lost momentum and had to spend a lot of time rebuilding connections with youth. I didn’t want young people to pay the price for a sky-high rental market.”

After engaging nearly 5,000 young people over 5 successful years in Artscape Youngplace, and \$2M spent in capital renovations, SKETCH was faced with a difficult decision. Purchase its studios or risk moving to another location outside of the downtown core.

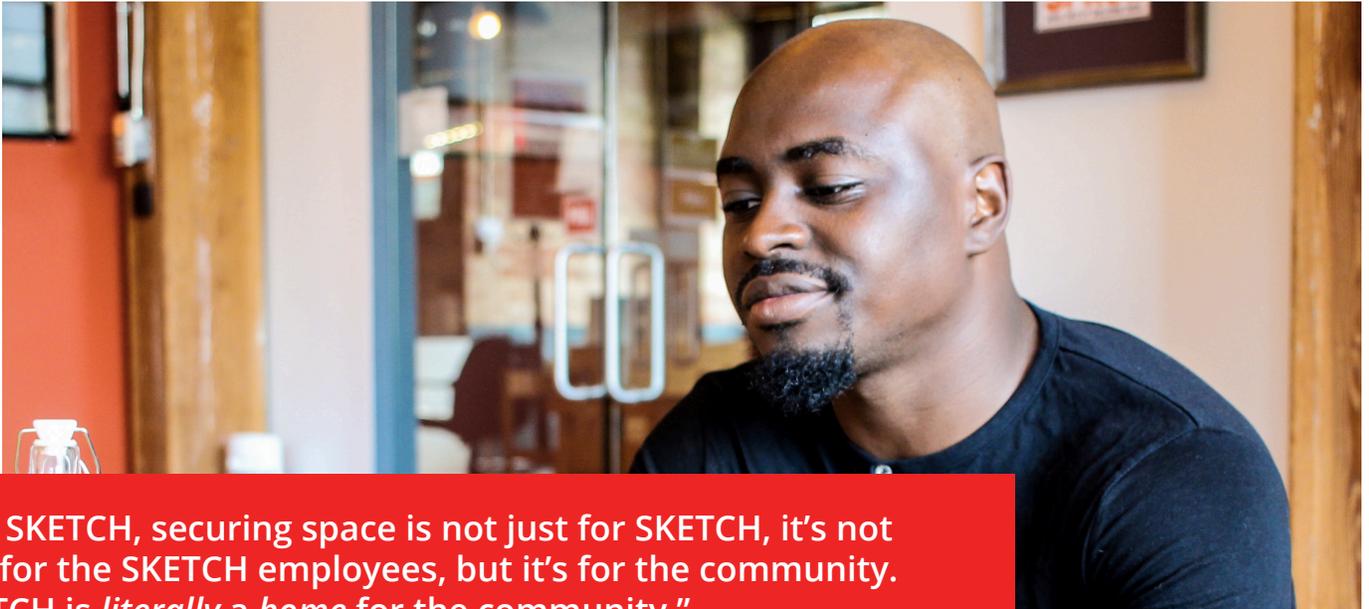
In the fall of 2018, Executives from Artscape Youngplace offered to sell SKETCH the space. With a traditional mortgage being too expensive to finance the purchase entirely, raising this much capital would be a huge undertaking for the mid-size charity. Almost immediately, Rudy Ruttimann formed an Advisory Committee, comprised of experts from the real estate, investment, and charitable sector, to help SKETCH explore its options.

But a decision like this would require buy-in from all levels of the organization.

MAKING THE CASE

“They just got it” says Rudy Ruttimann, when retelling a conversation she had with young artists at SKETCH about the idea. “This was a difficult time for the organization. We were no longer able to afford to give out transit tokens to participants, and here I was pushing a multi-million dollar project.”

Artists understood that this was about more than ownership, it was about sustaining SKETCH’s programming so that future generations of young leaders have access to a safe space to explore their creativity. Their consent was critical and allowed SKETCH to build a team of Ambassadors who could internally and externally speak to the impact of this purchase.



“For SKETCH, securing space is not just for SKETCH, it’s not just for the SKETCH employees, but it’s for the community. SKETCH is *literally* a home for the community.”

- *Joel Zola of Street Voices, past SKETCH participant*

After conducting an in-depth feasibility study, which ultimately gave SKETCH the greenlight to move forward, Rudy turned her attention to building Board support.

“Rudy approached the Board with this big idea in the beginning of 2019” recalls Director Sarah Gaikwad. “While I was excited about what this would mean for SKETCH, I remember thinking: *how are we ever going to pull this off?*”

For Rudy, surrounding herself with subject matter experts was a critical step in building stakeholder confidence. One of these individuals was Michael Sacke, a specialist in impact investing. “While I was able to speak passionately to the impact of ownership from a SKETCH perspective,” said Rudy, “Michael brought with him a reputable history in social finance that, in addition to the previously conducted feasibility study, helped the Board see this as more than just a dream.”

Under two conditions, the Board was on side:

FIRSTLY: Ownership, along with the costs associated to financing the purchase, could never balance out to more than the current lease.

SECONDLY: It couldn’t take funds away from operations by stretching SKETCH’s already limited donor base. In other words, donors would have to be new to the organization or able to donate to the project in addition to their regular support.

Backed by an Advisory Committee, the organization, and now the Board, SKETCH approached Artscape Youngplace who offered them a fair selling price of \$3.32M, paired with grant funding and a short-term Vendor Take-Back (VTB) to help close the initial capital gap. The one provision was that SKETCH had to close the sale, by raising \$407,000 +HST, by the end of 2019.

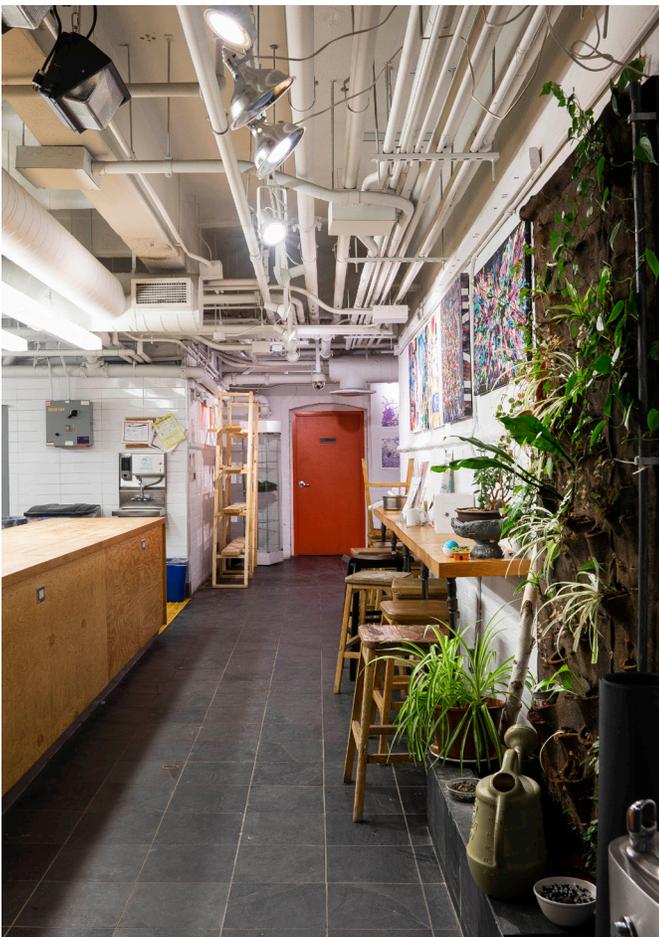


"Whereas Rudy and I were thinking we'd have three years to raise that kind of money, suddenly we were faced with a timeline of only *three months!*" recalls Michael Sacke, Project Home's Impact Investment Lead.

After seeking guidance from consultant Cathy Mann, President of the Fundraising Lab, Rudy's first step was to get on the phone with donors and advisors - many of whom were already involved with the project. Unable to consider any grants given the tight timeline, Rudy leveraged SKETCH's existing relationships to raise the capital.

Nearly out of time, on December 16th the organization came up \$50,000 short. From there they engaged a corporate wealth firm who connected SKETCH with one of their private investors. With just days left to meet the deadline, they visited SKETCH's studios and within 24hrs donated the remaining capital.

SKETCH now owned their property but the next step was to finance the remaining costs. With professional and marketing fees included, SKETCH determined that they'd need to raise \$4M in total to pull this purchase off.



WHY COMMUNITY BONDS MADE SENSE

1. COMMUNITY INVOLVEMENT

Whereas some charities may have been able to turn to a segment of their donor base to cut them a cheque, SKETCH's network of supporters wasn't large enough to buy the space outright.

"SKETCH is a community-based organization", says Michael Sacke. "We wanted to ensure that everyone involved and in support of SKETCH could participate in this purchase, not just high net worth individuals or foundations."

A good solution was community bonds, as they could engage individuals who championed SKETCH but didn't have the means to donate a very large cheque.

2. EXPAND SKETCH'S DONOR BASE

One provision critical to keeping the Board on-side, was that financing this purchase couldn't

take funds away from programming by asking donors to split their donations. A community bond campaign presented SKETCH with the opportunity to market itself to an investment savvy audience, entirely new to the organization.

3. CHEAPEST COST OF CAPITAL

There was a shortfall between the mortgage that SKETCH could reasonably obtain (\$1.1M) and the organization's fundraising capacity. To fill the gap, SKETCH explored alternative forms of financing to get the cheapest source of capital without being over-leveraged.



FINANCING THE PURCHASE

A community bond campaign, paired with fundraising and a traditional mortgage, would make it possible for SKETCH to engage its community while not taking funds away from programming.

\$1.52M

in capital fundraising

\$1.4M

in community impact bonds

\$1.1M

in a traditional mortgage

But to pull this off, they'd need to settle on a series of bonds that could acquire investment from a diverse group of stakeholders: including young artists, donors, corporations, and foundations. To help them structure and administer their bonds, SKETCH engaged the expertise of Tapestry Community Capital, so that investors could be conflict-free with full transparency.

The organization settled on a series of four "*Home Bonds*", with varying investment minimums and terms. Whereas Bond B was aimed at foundations and corporations, the D Bond had a more accessible starting point of \$500.

The Giving Bond!

BOND A

\$5K minimum
4% interest
5yr term

BOND B

\$25K minimum
4.5% interest
7yr term

BOND C

10K minimum
4% interest
5yr term

BOND D

\$500 minimum
3% interest
3yr term

“SKETCH is an organization committed to championing creativity,” states Rudy Ruttimann. “I think this focus was critical in coming up with an innovative structure that would allow us to attract \$1.4M in investment.”

To generate the cheapest cost of capital, SKETCH developed the first Charity Bond in Canada. *Bond A, “The Giving Bond”*, allowed SKETCH to effectively access an interest-free loan, where investors have the option to donate their interest back to SKETCH for a charitable tax receipt. This strategic, zero-cost financing strategy offered donors an innovative way to champion SKETCH in a whole new way.



1. Investor purchases a Giving Bond



2. The charity returns the principal at the end of the term



3. The investor donates their interest for a tax-receipt

“The Giving Bond made it seamless to be an investor *and* a donor.”

- Marie Moliner, a SKETCH supporter and Bond A investor



ALL SYSTEMS GO

In January 2020, backed by a strong business plan, four distinct bond series, a fixed mortgage and secured line of credit, SKETCH was ready to launch their capital campaign, *Project Home*. Using a two-pronged approach that accounted for both fundraising and community bonds, Project Home was uniquely positioned to engage and acquire both donors and investors, respectively.

“The time we took to engage foundations, major donors, and industry experts during the campaign’s consultation phase paid off later on,” recalls Rudy. “By the time we were ready to launch we had several soft commitments already lined-up.”

Having until the end of March to pay off the Vendor Take-Back provided by Artscape, SKETCH was confident they could raise \$1.97M before a 7% interest rate would kick in.

And then, the emergence of COVID-19 dramatically shifted the campaign's trajectory. Liquidity in public markets dried up, and investor confidence fell. SKETCH's funding was directed immediately to programming for young people navigating the pandemic, and the campaign was paused until it relaunched in October 2020, with a new Vendor Take-Back deadline of March 2021.



"Thankfully, we weren't starting from scratch," shares Dale Roy, SKETCH's Marketing Associate and head of the bond campaign.

"The advocacy of those who had invested in SKETCH prior to the pandemic, especially the foundations, helped to *inspire confidence* in others."

"We believe strongly in SKETCH. Their vital work needs a permanent home. Our \$250,000 community bond investment speaks to our trust in SKETCH and our commitment to the importance of the arts for those who often have the least access to it."

- *Sadia Zaman, CEO of the Inspirit Foundation*

RAISING DONATIONS AND COMMUNITY BONDS IN TANDEM

Balancing those two objectives was challenging, as SKETCH was careful not to sway existing or potential donors into solely investors.

"What we discovered was that those who were able to do both, did both," says Dale. For those already familiar with SKETCH, Home Bonds presented the opportunity to invest more than they would've been able to through just a donation.

Most importantly, Project Home's bond campaign opened SKETCH up to an entirely new audience of investors who otherwise wouldn't have engaged with the organization. In the end, 55% of bond holders were first time supporters of SKETCH!

INVESTOR OVERVIEW

\$1.4M

In Community Bonds

107

Bonds sold

100

Home Bond investors

10

Bonds purchased by young artists at SKETCH

55%

New to SKETCH

92%

Of investors were individuals

D BOND:

Most popular for new investors

Whereas donors give because they're passionate about your mission, investors need to see a return. "While demonstrating impact was still important, we also had to present a solid financial model," recalls Dale. "Especially for those new to the organization, it was important to build a sense of trust."

To inspire confidence among new groups of investors, SKETCH engaged *investment influencers* to help spread the word across their own audiences. Similar to having Michael alongside Rudy when presenting to the Board, these reputable experts helped strengthen the campaign's legitimacy.

One note of advice that Dale has for other charities thinking of community bonds - make sure you have the time to walk investors through the process. "The decision to invest isn't a quick one, there's quite a bit of paperwork and a lot to consider. It was important to follow-up with potential investors personally, to keep the momentum going."

As Rudy Ruttimann continued to engage major donors on a 1:1 level, the bond campaign continued with great success. In March of 2021, following a \$540,000 donation from the City of Toronto, Home Bonds *sold out* as SKETCH met its \$1.4M target.



IMPACT OF PURCHASE

1. SAVINGS REDIRECTED TO PROGRAMMING

Already, SKETCH's operating costs have been reduced as they are no longer paying rent. Over time, these savings will contribute to a drastically expanded framework for youth engagement!

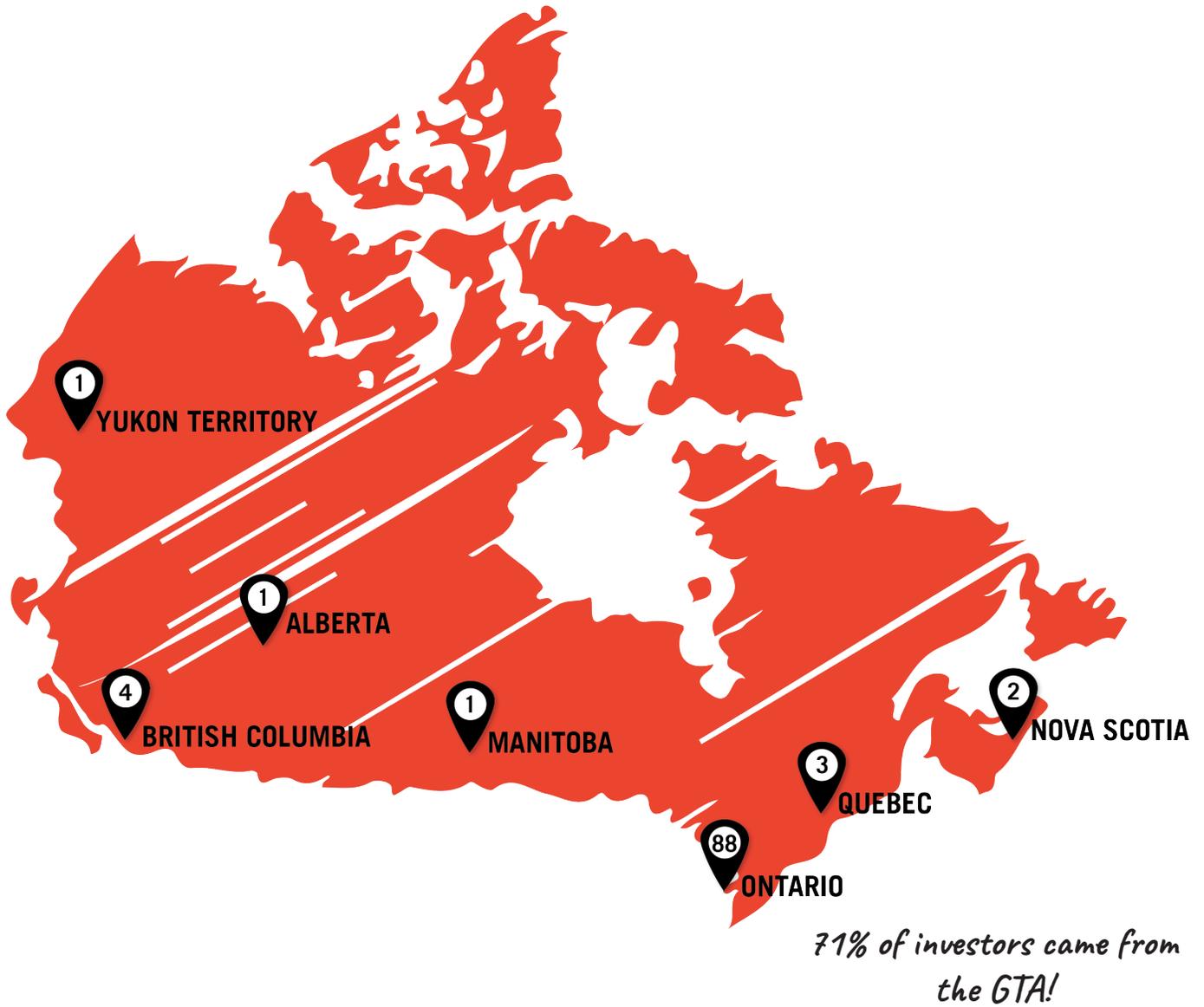
2. NEW SKILLS BUILT ACROSS TEAM

Project Home offered SKETCH the opportunity to strengthen its internal resources to steward long-term investment from a diverse group of donors and investors.

3. NEW INVESTORS

Home Bonds ended up being a great acquisition tool, connecting SKETCH to 100 investors - most of whom were completely new to the organization. Unlike one-time donors, this distinct group can be uniquely stewarded throughout the length of their investment term.

HOME BOND HOLDERS ACROSS CANADA



KEYS TO SUCCESS



BOLD LEADERSHIP

A passionate project champion is key to building momentum and keeping the team engaged.



IMPACTFUL PROJECT

People invest in what they believe in. Take the time to communicate your impact to your audience.



STRONG RELATIONSHIPS

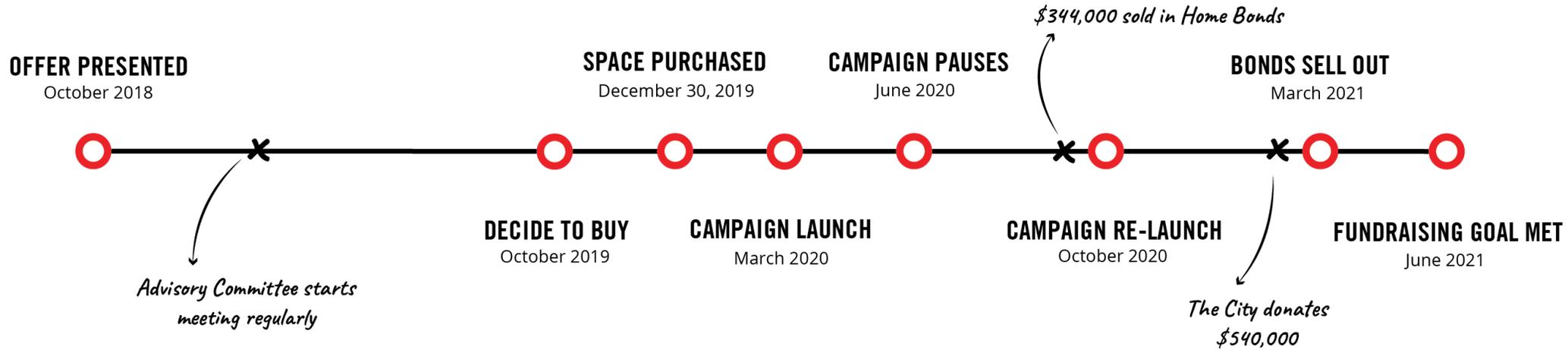
Invest in those who invested in your project - the advocacy of your supporters can inspire others.



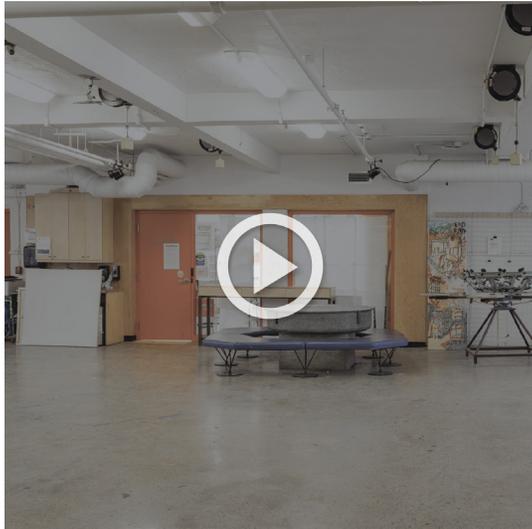
ENGAGING YOUNG ARTISTS

Reflect your community within the campaign by involving them at every step of the way.

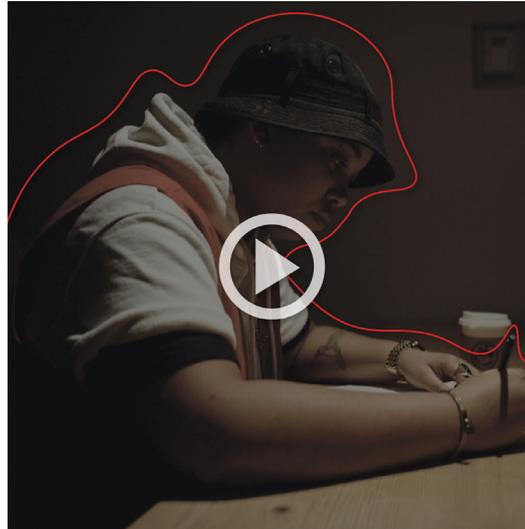
CAMPAIGN TIMELINE



HEAR ABOUT PROJECT HOME FROM ARTISTS AT SKETCH!



VIRTUAL SPACE TOUR



ARTIST HIGHLIGHT: JANE DOE SMITH



ARTIST HIGHLIGHT: JOEL ZOLA