

It's not a grant: Demystifying the Social Finance Fund - Q&A

Below is a compilation of the questions ONN received during our social finance webinar on March 7, 2023. There are also some helpful resources at the end of this document.

Questions about the structure/basics of the Social Finance Fund

1. Is the Social Finance Fund ONLY available to provincial organizations?

A: No. The Social Finance Fund will be available to both local/provincial and national organizations.

2. To be eligible for the Social Finance Fund, do you have to have a revenue generating arm to your nonprofit?

A: Yes.

3. What is SPO?

A: SPO stands for Social Purpose Organization. It includes the entire spectrum of organizations with a mission to advance social or environmental aims. Social Purpose Organizations can be charities, nonprofits, co-operatives, or private businesses advancing social/environmental missions, and hybrids like those in [Nova Scotia](#) and British [Columbia](#).

4. What are wholesalers for the Social Finance Fund?

A: Social finance wholesalers are investment managers. They play a key role in attracting new investors to the social finance market. They invest in social finance intermediaries who will then invest in social purpose organizations. There will be a small number of wholesalers working across Canada. An announcement about who they are is anticipated in spring 2023.

5. What are social finance intermediaries?

A: Social finance intermediaries are financial entities (for example, community loan funds, venture capital funds, credit unions and chartered banks) that make social finance investments directly in social purpose organizations.

6. Where do institutions like VanCity come into play in the Social Finance Fund?

A: It will likely be considered a social finance intermediary (but at this point, we don't know exactly who these intermediaries are yet).

7. What is the link between the Investment Readiness Program (IRP) and Social Finance

Fund (SFF)?

A: The Investment Readiness Program (IRP) is a 2-year, \$50 million program that has been renewed once: it issued funding to social purpose organizations in IRP 1.0 (2019-2021) and IRP 2.0 (2022-2023). There are no further funding cycles open to applicants at this time. The purpose of the IRP funding is to 1).advance investment readiness, aka to help organizations become ready and able to take on repayable finance / access social financing, and 2). build awareness and a stronger ecosystem of support for social finance in Canada.

8. Will the current government funding models be taken away and completely replaced with the Social Finance Fund? Will the Social Finance Fund become the ONLY way non profits will be funded once the fund is fully in place?

A: Based on our understanding, the federal government definitely does not intend social finance to change how they support nonprofits through traditional government funding. Rather, the Social Finance Fund offers a new way to bring additional resources to the field. This is a legitimate concern to ask about and advocate about as opinions in the field vary about how best to resource social purpose organizations. It is essential to continue advocating for strong, sustained, flexible grant & contribution funding for nonprofits.

9. How would nonprofit charitable arts and cultural organizations fit into this fund?

A: So far, the types of sectors or impact areas have not been limited. So, if arts & cultural nonprofits are interested in repayable finance, they ought to be able to get involved somehow. (Again, so much to figure out about how and what it'll look like once the wholesalers are in place and public!)

10. What are the interest rates for loans under the Social Finance Fund?

A: Since the Social Finance Fund is not deployed yet, unfortunately we do not have information about this at the moment.

11. If the loan interest rates under the Social Finance Fund is the same as traditional loans, then what benefit is there to nonprofits?

A: We do not have any information about the loan interest rate yet, but this is a good point.

Note: Any specific questions about eligibility, rates, etc, will be forthcoming as the wholesalers are launched. Anything we might say would be guesswork at this point!

Questions about social finance/repayable loans

1. Are charities allowed to take on loans?

A: Yes!

2. How do I know if social finance is for me?

A: If access to financing helps move your organization's work and mission ahead, and there is a method to repay, then you might benefit from social financing. Like any financial planning, the answer will be unique to each organization as you consider your own context and considerations

3. What is an example of how nonprofits can leverage social finance to advance their work? If a nonprofit is dependent on grants, how does having to repay a loan help if it does not have the money to start with?

A: For example, a nonprofit organization needs to build a kitchen to deliver a revenue generating food program that supports community needs; however, to get started, the organization needs money to purchase equipment/build the kitchen first. In this case, the nonprofit may consider social finance to secure initial investment to build the kitchen. Once the kitchen is ready and the revenue generating food program starts running, the organization can pay back the loan. The revenue generated through the food program can also be used to support the general operating of the organization, or other mission related activities/programs.

4. If you have a social enterprise that continues to use a not for profit, charitable culture/model, what is the best way that social finance can assist your social enterprise to become a more innovative organization?

A: There are many ways, there first 2 main needs are to have your organization become comfortable with the notion of financing and revenue generating

5. We are a nonprofit currently operating a social enterprise to support our transportation service. We want to expand the social enterprise so a renovation loan sounds like it would be ideal in this scenario, is that correct?

A: Expansion of existing enterprises is a common reason that social purpose organizations might seek repayable finance options (such as a loan), so this certainly might be a fit. While we wait for the Social Finance Fund to roll out, there are also other social finance options organizations can explore in the meantime. If any organizations are considering social finance, you might look for financial advice or investment readiness support to decide if it's the right choice for you. Check out the resources below to explore further.

Resources:

- [Tapestry Community Capital](#) provides services and resources around Community Bonds - Case Study: [Sketch Art's Community Bond](#).
- Subscribe to Social Innovation Canada's newsletter for regular updates on social finance news: <https://sicanada.org/newsletter/>.
- [Innoweave](#) provides coaching for social enterprise ideas being launched by established nonprofits and charities.
- [New Power Labs](#) offers a program that matches investors with organizations based on their unique preferences, requirements, and goals.
- [The Catalyst Community Finance Initiative](#) supports the development of place based social finance intermediaries.
- [The Boston Impact Initiative \(BII\)](#) is a nonprofit impact investing fund focused on economic and racial justice. It serve as an example of a fund designed by communities and invests in social enterprises within these communities.
- [Investment Readiness Tool by S4ES](#) (Social Enterprise Ecosystem Project) is a self-assessment tool created by a collaborative group during the first Investment Readiness Program.
- [Investment Readiness Program](#) is the federal government program preparing social purpose organizations and building the social finance ecosystem. Updates on the program and results from the recent funding calls will be published here.

Some Social Finance programs to check out:

- [Verge Capital](#): supports local economies and communities across Southwestern Ontario by investing in social enterprises that put people and the planet first.
- [10C Harvest Impact Fund](#): a new community finance intermediary that provides social finance loans between \$2,500 to \$50,000 to organizations/projects/individuals in Southern Ontario.
- [The Social Enterprise Fund](#): invests in Alberta's social enterprises by providing repayable loans.
- [The Fair Finance Fund](#): supports food and farming local enterprises and co-operatives in Ontario with loans and mentoring/business support services.
- [Community Forward Fund](#): provides loans to nonprofits, charities and non-profit social enterprises across Canada.
- [Canadian Co-operative Investment Fund](#): invests in the co-operative sector in the form of loans, equity and quasi equity investments. They primarily focus on supporting the growth of existing co-ops.
- The [Table of Impact Investment Practitioners](#) (TIIP): This community of practice for social finance intermediaries has a list of members and published Impatient Readiness: The State of Social Finance in Canada 202, which includes a good assessment of intermediaries across the country.