

Social Enterprise Fund

*A Stable Financial Solution
for Creative Social Ventures in Edmonton*

WHAT IS THE SOCIAL ENTERPRISE FUND (SEF)?

The Social Enterprise Fund (SEF) is a sustainable 10.5 million dollar endowment fund that will provide needed financing and technical assistance to social enterprises and affordable housing projects.

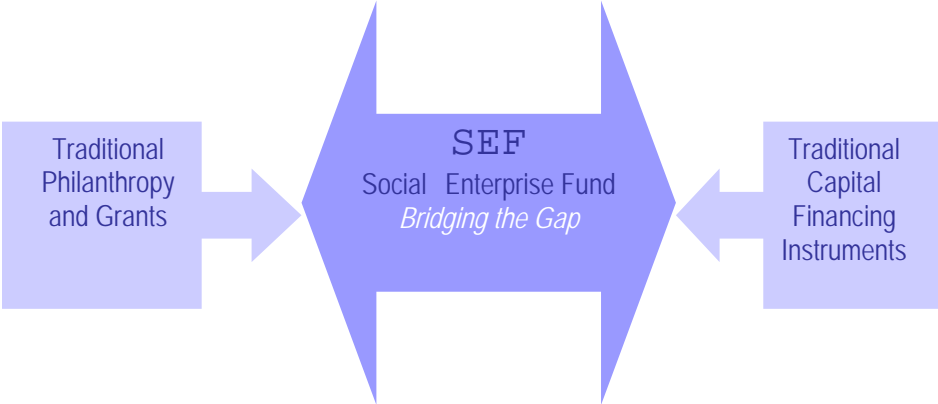
This new source of financing will enable the community to develop small businesses that have a significant social impact, create housing developments for low-income people and employ otherwise unemployed or underemployed individuals.

The SEF will offer loans, grants, investments and other forms of financing. Administered by the Edmonton Community Foundation, the SEF is the financing tool needed to ensure social enterprises succeed and affordable housing projects are built.

The Social Enterprise Fund meets the social mandates of both government and charitable foundations. As a City of Edmonton survey attests, the SEF meets the financing demands of social enterprise operators in a way that traditional sources of financing and grants cannot. The SEF is a simple, sustainable financing tool to accomplish all these goals.

WHAT IS A SOCIAL ENTERPRISE?

A social enterprise is business venture that has at its core, a 'social good'. Like any business, a social enterprise is designed to be profitable or at least breakeven, over a reasonable period of time. Social enterprises combine a social mission with a social business model.



“Social economy enterprises are run like businesses, producing goods and services for the market economy but they manage their operations and redirect their surplus in pursuit of social and community goals.”

-- Hon. Eleni Bakopanos, Appointed Parliamentary Secretary for the Social Economy, 2004

THE DEMAND FOR THE SOCIAL ENTERPRISE FUND (SEF)

Many social enterprises and affordable housing initiatives with sound business plans and proven track records cannot access financing. Investors and government organizations have the opportunity to address a real gap between traditional capital financing and charitable funders. The Social Enterprise Fund helps bridge this gap.

There is significant demand for financial services for these sectors in Alberta. In fact, a City of Edmonton survey indicated that the combined demand for social enterprise and affordable housing financing exceeds \$70M.

The total demand for social enterprise funds (over three years) is at least \$9.7M¹ and divided relatively equally between loans, equity investments, loan guarantees, and lines of credit. Mortgages would constitute a slightly higher proportion. In addition, thirty out of the forty-two organizations surveyed plan on developing more affordable housing projects within the next three years, with total estimated demand for funds at \$63M².

The Social Enterprise Fund meets these socially responsible demands for innovative financing solutions.

WHO CAN APPLY FOR FINANCING?

The SEF will finance charitable organizations, cooperatives and non-profit corporations engaging in social enterprises and affordable housing projects that need bridge financing, mortgages, guarantees and other financial products not available to them elsewhere.



GOODWILL ENTERPRISES' EXPANSION FINANCING: DOOR-KNOCKING FOR CLOTHING RACKS

Goodwill Enterprises is a true social enterprise success story. With a \$400,000 Community Initiative Program (CIP) grant in 2003, Goodwill expanded from eight to 12 centres. By 2005, Goodwill was generating over \$700,000 in monthly retail revenues and had increased employment from 75 to 235 Albertans with disabilities. Access to this grant allowed Goodwill to maximize its resources, utilize economies of scale, increase sales by 300 per cent and further its social mandate. A small investment with great rewards.

When Goodwill needed an additional \$500,000 to increase capacity and maintain growth they sought foundation grants and commercial loans, but their applications were denied. Goodwill Enterprises, with an exceptional track record and excellent business plan, fell into the **financing gap** between charitable funding and traditional lenders. As there was no financing vehicle available in Alberta, Goodwill finally obtained a loan from Goodwill in Manasota, Florida. Loan financing allowed Goodwill to expand its operations and help more people in need.

This is the kind of venture the Social Enterprise Fund will finance or otherwise support. Investment in Edmonton will be financed in Edmonton. There are many opportunities for this type of social investment.

“The cost of providing quality social programs is increasing. Sources of sustainable funding are limited, and, as a result, the requests for funding are beyond our ability to respond.”

*--United Way. Community Impact Through Community Building
From Success to Significance. Strategic Plan 2005-2010*

¹ Based on the City of Edmonton survey to organizations only. This does not include interested individuals or any other parties at this time. The average loan size is \$110,000, while the average equity investment is \$150,000.

WHO ARE THE PARTNERS?

The Social Enterprise Fund has evolved and developed over eight years of research, including a financial impact assessment³ and public consultation with stakeholders and experts from across North America. The SEF Steering Committee⁴ has determined that there is strong market demand⁵ and excellent financial viability for the fund. The marketing and capitalization process has begun with an anticipated implementation and start-up date of October 2006.

Those that have indicated a substantial preliminary interest in seeding the fund are listed below. There will also be opportunities for other visionary investors.

<u>Projected Sources of Lending Capital</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4/5</u>	<u>Total</u>
City of Edmonton	\$3,000,000				\$3,000,000
Edmonton Community Foundation	\$500,000	\$1,000,000	\$1,000,000	\$500,000	\$3,000,000
Federal Government	\$1,000,000				\$1,000,000
Province of Alberta	\$1,000,000	\$1,000,000	\$1,000,000		\$3,000,000
Local Funding Agency	\$500,000				\$500,000
Total	\$6,000,000	\$2,000,000	\$2,000,000	\$500,000	\$10,500,000



Why
SEF →

BRIDGE FINANCING NEEDED FOR WOMEN BUILDING FUTURES

As a registered, not for profit, charitable organization, “Women Building Futures” (WBF) helps women build better lives and achieve economic independence through training and mentorship in various trades.

In order to be less reliant on government funding, WBF began a related business, “Fix-It-Chicks Inc.,” that provides all-women classes for home improvement areas such as electrical, plumbing and tile-setting.

In 2006 WBF purchased a 30,000 square foot warehouse hoping to convert it into a training and student housing facility. Entering the commercial property business required \$1.4 million. WBF secured millions of dollars in renovation funds through a variety of government grants, but the funds would not be available for up to a year. The government funders insisted that WBF buy the building as a show of commitment.

WBF required bridge financing to secure the property. Unable to secure financing through traditional lenders or foundations, WBF began a long, hard search for a sympathetic lender. Luckily, they were able to access private capital for a six-month period until the funding was received. Without the generosity of this lender, WBF would have been unable to proceed and would have missed the opportunity to move towards a sustainable long-term vision.

SEF will provide timely, flexible financing to help organizations like WBF succeed in the long term.

“A community’s most valuable resources are its people. Investments made in developing and supporting people, pay dividends in all areas of community life.”

--Family and Community Support Services (FCSS) Program Handbook. March 1, 2004. p. 1-1.

² The average mortgage needed is \$1.15M.

³ KPMG, *A Community Economic Development Investment Fund for Alberta*, 2005.

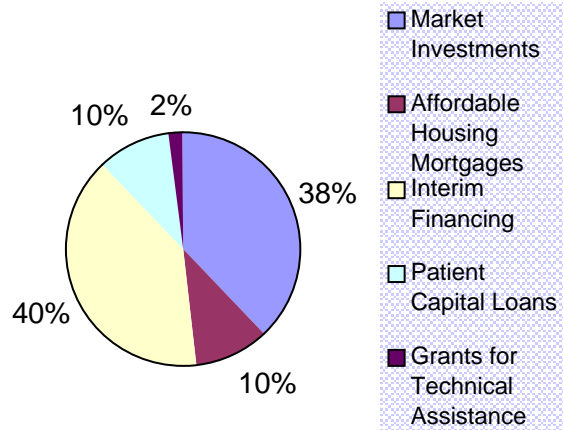
⁴ SEF Steering Committee members include: Martin Garber-Conrad, Edmonton Community Foundation, Jenny Kain, City of Edmonton, Bob Marvin, City of Edmonton, Gary MacPherson, Centre for Social Entrepreneurship, Carol Watson, City of Edmonton.

⁵ Further information on various aspects of the market research is available upon request.

HOW WILL FUNDS BE ALLOCATED?

In order to remain sustainable, the SEF will assume an integrated investment strategy that combines market investments, social enterprise investments and technical assistance. As outlined at the right, the portfolio will maximize returns and opportunities for effective financing vehicles for social enterprises.

SEF Investment Portfolio



HOW WILL THE FUND BE ADMINISTERED?

The SEF will be administered by a newly-created Program-Related Investment Division of the Edmonton Community Foundation. The Foundation will assume responsibility for recruitment of the SEF staff and overseeing all aspects of its operations. The fund will be governed by an Advisory Committee comprised of initial investors along with other nominees from various stakeholder groups.⁶

THE BOTTOM LINE

At the end of five years the Social Enterprise Fund will have invested \$4M in market investments, \$1M in mortgages, \$4M in short-term loans and have almost \$2M in cash reserves. In the same timeframe, more than 140 projects will have received local financing, assistance and support through the development of innovative and necessary social enterprises and affordable housing projects. The spin-off social benefits will be greater. These targets are consistent with the market research and the local capacity to assist with start-ups. The SEF provides a sound basis from which to build long-term financing solutions for social enterprises and affordable housing initiatives.

THE SOCIAL ENTERPRISE FUND (SEF) IS

- Easy to administer and does not require ongoing government support
- A long-term and low-risk solution to the ongoing problem of financing social enterprises
- A strategic blend of for-profit and non-profit effort that recognizes the complexities of today's financial and social investments
- Financially self-sustaining
- Managed by stable and established community leaders so funds remain secure
- A researched, creative, made-in-Edmonton initiative that partners community needs and government priorities with visionary organizations and private financing.

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⁶ Complete Proforma Income Statements and Balance Sheets, and other details, available on request.